A COMPLIANCE AUDIT OF THE FIRSTENERGY OPERATING COMPANIES WITH THE CORPORATE SEPARATION RULES OF THE PUBLIC UTILITIES COMMISSION OF OHIO

SEPTEMBER 13, 2021

PREPARED FOR

Public Utilities Commission of Ohio

PREPARED BY

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LIST OF ACRONYMS

CAM	Cost Allocation Manual
CIP	Critical Infrastructure Plan
FCU	FERC Compliance Unit
FEP	FirstEnergy Products
FERC	Federal Energy Regulatory Commission
FESC	FirstEnergy Service Company
FSI	FERC sensitive information
OAC	Ohio Administrative Code
PUCO	Public Utilities Commission of Ohio

DISCLAIMER

In the context of this report, Daymark Energy Advisors (Daymark) intends the phrase *compliance audit* as the review of regulatory requirements and evidentiary document review and investigations. This *audit* report should not be perceived as a financial or systems audit of the company's processes, transactions, or systems, as may be required for financial reporting purposes.

Daymark provides this document and the opinions, analyses, evaluations, and recommendations for the sole use and benefit of the contracting parties. Daymark intends no third-party beneficiaries and, therefore, assumes no liability whatsoever to third parties for any defect, deficiency, error, or omission in any statement contained in or in any way related to this document or the services provided.

Daymark prepared this report based in part on information not within its control. While it is believed that the information that has been provided is reliable, Daymark does not guarantee the accuracy of the information relied upon.

During Daymark's efforts to complete this compliance audit, there was a federal investigation (Case No. 1:21-cr-86) of FirstEnergy Corp brought by the U.S. Department of Justice surrounding the passage of Amended Substitute House Bill 6 during the 133rd General Assembly. In addition, the Public Utilities Commission of Ohio also opened proceedings for three separate audits – political and charitable spending review (Case No. 20-1502-EL-UNC), distribution modernization rider audit (Case No. 17-2474-EL-RDR), and delivery capital recovery rider (Case No. 20-1629-El-RDR). These concurrent investigation and audits may have impacted what documents and responses Daymark received from FirstEnergy in response to data requests and interviews.

I. EXECUTIVE SUMMARY

The Public Utilities Commission of Ohio (PUCO or Commission) selected Daymark Energy Advisors (Daymark) to conduct an independent audit of The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company (collectively, the "Ohio Companies")'s compliance with the corporate separation rules adopted by the Commission.[1] This corporate separation audit and the Report specifically focused on these FirstEnergy's three regulated Ohio affiliates.

Specifically, Daymark was tasked to:[2]

- Obtain and review all appropriate documentation relating to the Companies' compliance with R.C. 4928.17 and Ohio Admin. Code 4901: 1-37
- Conduct all necessary interviews relating to the Companies' compliance with R.C. 4928.17 and Ohio Admin. Code 4901:1-37
- Perform a thorough review of transactions subject to the Companies' cost allocation manual
- Ensure that activities reviewed encompass the time period between November 1, 2016, and October 31, 2020

This audit assesses the compliance of the FirstEnergy policies, procedures, training and reporting with the regulatory requirements established by PUCO with respect to corporate separation and Daymark's conclusions rely on evidentiary document review and investigation. This audit was not intended to be a financial audit of transactions.

It should be recognized that during the course of this audit, several other reviews of FirstEnergy were underway. The findings in this audit are based solely on the information and documents produced by FirstEnergy for Daymark via data requests and interviews associated with this audit. While information or documents produced in response to other audits or investigations may be relevant to evaluating whether FirstEnergy's conduct in a particular situation was a violation of the laws and rules governing corporate separation, they were not evaluated as part of this audit.

Finally, our team could not get access to records of the compliance officer in place during the audit period (2016 through 2020) since that person had been separated from the company prior to the start of the audit. Associated records were not identified per

[1] Docket 17-974-EL-UNC, Commission Entry, January 27, 2021.

[2] Request for Proposal No. RFP RA 20-CA-X, Page 1-2, Public Utilities Commission of Ohio.

our legal support, and back up personnel to that position were either also separated or there were none. This lack of compliance documentation is reflected in the audit findings.

A. Ohio Corporate Separation Rules

On December 12, 2012, the Commission opened Docket 12-3151-EL-COI. The Commission sought comments on a number of questions regarding market design and corporate separation.[3] On March 16, 2014, the Commission issued an order in this case requiring all electric utilities to comply with the PUCO Staff's Work Plan. The Work Plan contained provisions for corporate separation, including requiring a corporate separation plan and establishing an audit schedule. Docket 17-974-EL-UNC was opened to conduct FirstEnergy's first corporate separation audit by PUCO Staff.

OAC 4901:1-37, Ohio's corporate separation requirements, are in place to ensure fair competition for retail electric service providers. To accomplish that, Ohio's corporate separation rules are designed to prevent any cross-subsidization between affiliates of a regulated utility. Cross-subsidization could be monetary in nature, but it could also include information or knowledge that could give an affiliate an edge over its competition. In summary, the OAC 4901:1-37 rules contain provisions that require any company with affiliates to:

- Ensure no cross-subsidization occurs between affiliates
- Ensure regulated and non-regulated employees are separated
- Maintain a cost allocation manual
- Have a code of conduct detailing protections of customer information and supplier interactions

Daymark's audit focused on assessing FirstEnergy's compliance with OAC 4901:1-37, sections 04 and 08. Figure ES1 provides a visual representation of how these requirements formed the standard of review for Daymark's audit, along with how this report is organized to communicate the results of the audit.

[3] Case No. 12-3151-EL-COI

OAC 4901 REQUIREMENTS

OAC 4901:1-37 subsections	Description
Section 01 Definitions	Definitions of the terms used in the Admin Code.
Section 02 Purpose and Scope	Purpose and scope of the Admin Code.
Section 03 Applicability	Applicable to electric utilities, affiliates with shared services, and sale or transfer of generating assets.
Section 04 General Provisions	Includes provisions regarding structural safeguards, separate accounting, financial arrangements, and code of conduct.
Section 05 Application	Includes the requirement of Corporate Separation Plan
Section 06 Revisions and amendments	Requirements necessary for the revisions. Ohio Companies filed Corporate Separation Plan in 2009 with Commission reaffirming in 2016.
Section 07 Access to books and records	Requirements surrounding record keeping and sharing information with Staff.
Section 08 Cost Allocation Manual	Requirements surrounding cost allocation manual.
Section 09 Sale or transfer of generation assets	Requirements surrounding sale or transfer of generating assets.

FOCUS OF THIS AUDIT

✓ 44 total requirements

✓ Organized into 5 topics:

- **Structural safeguards**..............................see Section VI
- **Financial arrangements**..........................see Section VII
- **Code of conduct**......................................see Section VIII
- **Accounting, Cost Allocation Manual**....see Section IX
- **Training**...see Section X

Figure ES1. Ohio Admin. Code 4901:1-37 sections that are the focus of this audit

B. Daymark's compliance assessment approach

Our approach included a review of relevant Commission cases, a review of regulations and Commission directives relative to the corporate separation plan, a critical review of the Ohio Companies' policies and procedures and related documents, auditing of relevant transactions, and interviews of Company staff responsible for administering and maintaining compliance of the Ohio Companies' corporate separation plan with such regulations and directives. Daymark compared reported behaviors as well as documentary and transaction-level evidence to the OAC 4901 requirements to identify gaps and their causes in making our recommendations to address those gaps.

We used a three-step approach to assess evidence of compliance with specific compliance requirements:

- Gather and review information relevant to corporate separation laid out in OAC 4901:1-37
- Evaluate FirstEnergy's implementing internal policy and process documentation to understand the utility's approach to compliance. This also included becoming familiar with 18 CFR § 35.39, FERC Affiliate Restrictions, as we became aware

that FirstEnergy leveraged FERC compliance for OAC 4901:1-37 in many instances.

- Assess evidence of compliance with the standard of review through comprehensive document review, data requests, transaction auditing, and the interview process

C. FirstEnergy Ohio Companies Corporate Separation Plan

FirstEnergy is a large, complex organization. Currently, FirstEnergy owns 10 transmission and/or distribution utilities that operate in the states of Ohio, West Virginia, New Jersey, Maryland, and Pennsylvania.[4] FirstEnergy also has other affiliates that serve different purposes. These include several transmission ventures, FirstEnergy Service Company (FESC), which provides corporate services to all affiliates, and FirstEnergy Products (FEP), a business unit of FESC which sells third party services and products to utility customers. FirstEnergy also recently created Suvon LLC, which is now doing business as FirstEnergy Advisors and FirstEnergy Home.

This report focuses on how the three Ohio Companies – Ohio Edison, Toledo Edison, and Cleveland Illuminating Co – achieve compliance with the Ohio Corporate Separation Plan, along with how other FirstEnergy affiliates support the Ohio Companies in this activity.

FirstEnergy Service Company (FESC), a corporate shared services organization, performs services for all FirstEnergy affiliates including the Ohio Companies.[5] The business services group,[6] a shared services function, is typically the financial liaison between the Ohio Companies and FirstEnergy Service Company. FESC departments such as Legal and Rates & Regulatory handle legal and regulatory matters for the Ohio Companies. In this way, compliance with different aspects of OAC 4901 is spread throughout FESC.

[4] These utilities include Ohio Edison, Toledo Edison, The Cleveland Illuminating Company, Penn Power, West Penn Power, Met-Ed, Penelec, Jersey Central Power & Light, Mon Power, and Potomac Edison.

[5] These services include: providing call centers, customer service, economic development, transmission and distribution technical services, workforce development, administrative services, communications, corporate affairs and community involvement, corporate services, human resources, IT, industrial relations, real estate, technology and support services, performance planning, supply chain, controllers and finance, credit management, risk management, insurance services, internal audit, investment management, investor relations, rates and regulatory affairs, treasury, business development, governmental affairs, legal assistance, and claims. (Source: FirstEnergy Service Company Service Agreement, Set 1 DR 009 Supplemental Attachment C)

[6] The business services group is part of the FESC organization

Ultimately, compliance is the responsibility of the Chief Compliance Officer, who is an FESC employee.[7]

Ohio Companies corporate separation compliance approach

FirstEnergy has high-level policy documents in place that state FirstEnergy's position on corporate separation. These include the Ohio Corporate Separation Plan, the Cost Allocation Manual, the Shared Service agreement, and some relevant FERC-related documents. However, there was very little documentation available to Daymark during this audit that went beyond the policy level that was specific to corporate separation.

Numerous employees stated that although there was little formal monitoring or documentation, corporate separation was something they were aware of and would report if they ever saw issues. No employee or response to Daymark's requests for information indicated that there had ever been a corporate separation violation raised internally. This could be due to a lack of Ohio-specific corporate separation training or sufficient monitoring and tracking activities. Without both well-developed corporate separation documentation and clear evidence of compliance monitoring, Daymark put a heavy emphasis on understanding other business processes and reporting as a means of determining compliance with OAC 4901:1-37, such as FERC compliance procedures or standard operating procedures addressing protection of potential competitive information.

D. Findings & Recommendations

Overall Findings

FirstEnergy operates in numerous state jurisdictions and has adopted the common denominator approach to compliance – that is by meeting the Federal Energy Regulatory Commission (FERC) affiliate restriction requirements. FERC has set forth key elements of good compliance plans which we relied upon as an additional standard of review for this audit – these are documented in Section IV.A. Although FirstEnergy's compliance plan may be adequate in meeting FERC requirements, we find that there are areas of compliance planning that need improvement to meet the Ohio specific requirements.

Intent of FirstEnergy's compliance planning - FirstEnergy leans heavily on compliance with FERC requirements to meet the Ohio corporate separation requirements. Daymark independently compared the two sets of requirements. We found that while a good

[7] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 11 and Set 5 DR 13

number of clauses in OAC 4901:1-37-04 align with FERC's Affiliate Restrictions rules, Daymark's gap analysis found that outside of OAC Section 4, almost no overlap existed between the Ohio specific and FERC rules. OAC 4901 1-37 Section 4(A)(6), Section 4(B), and the entirety of Section 4(C), which discusses financial arrangements, did not have equivalent articles in FERC's Affiliate Restrictions rules. OAC 4901:1-37 Section 08, the Cost Allocation Manual regulations, is also not discussed in FERC Affiliate Restrictions.

FirstEnergy acknowledged that FERC rules do not cover all of the OAC 4901 requirements and indicated that the Companies leverage areas of commonality between FERC compliance and Ohio Corporate Separation compliance.[8] For instance, FirstEnergy information access among affiliates is set up in accordance with the FERC affiliate restrictions requirements and also used to meet the information access requirements of OAC 4901. During our interviews, we also learned that FirstEnergy has internally discussed this gap between FERC and OAC 4901 requirements; however, FirstEnergy has not taken any action to address this gap. At one point, FirstEnergy endeavored to address the gaps, but the effort was discontinued after a few meetings.

When asked about the lack of action taken to address the compliance gaps, FirstEnergy mentioned that they were waiting on Commission directives in this ongoing case. We note that an effective compliance plan should be proactive. Deferring any corrective action to known compliance deficiencies pending further Commission direction is not an ideal practice.

Compliance tracking and monitoring - Daymark noted that the Ohio Companies have no detailed processes and procedural documents addressing corporate separation compliance. Compliance responsibilities or training on the topic is generally based on the transfer of knowledge between employees. Based on our interviews, we conclude that FirstEnergy's approach to compliance is to assume if a violation or hint of one becomes apparent it is taken care of – but there is little ongoing reporting or monitoring to ensure compliance occurs and that process or documentation changes are addressed where needed – the Company's assumption is that compliance is happening until it is not happening and thus becomes an issue. FirstEnergy should modify this approach so that compliance verification is clear.

Training and education – Targeted training and education are a critical part of an effective compliance plan. FirstEnergy does not offer any specific training targeted at

[8] Id.

meeting the OAC 4901 compliance requirements. Instead, FirstEnergy uses its corporate training materials regarding FERC Standards of Conduct, FERC Affiliate Restrictions, and annual Certificate of Compliance questions to meet Ohio specific corporate separation training requirements. While the general spirit of addressing the Ohio corporate separation rules is adhered to through FERC and Code of Conduct trainings, several items specific to the Ohio regulations are neglected. We discuss this in greater detail in Section X of the Report.

Key findings by audit areas

We assessed a total of 44 different requirements of OAC 4901, in sections 04 and 08. For each requirement, we developed traffic light based audit conclusions with the goal of visually communicating the risk posed by the audit finding. Consistent with the ISO 9001 recommendation, the rating system is stratified from “compliant” (green) to “major non-conformance” (red) to convey a concise and consistent method for scoring each audit finding.

Table ES1 provides a breakdown of requirements by traffic-light findings designation. We did not find major non-compliance with the requirements. However, we find some areas where we recommend clear improvements. Out of the total 44 requirements, FirstEnergy is compliant with 23 of the requirements. We found opportunities for improvement in 13 of the requirements and minor non-compliance with the remaining eight requirements. This report details our traffic-light based findings for the entire 44 different requirements by outlined audit areas. Appendix A also provides the findings of all these requirements in one place.

Table ES1. Summary of findings by audit areas

OAC 4901:1-37 sections	Audit areas, if applicable	Total number of requirements	Number of requirements by traffic-light finding: COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C
(04) (A) Structural Safeguards	n/a	5	1	2	2	
(04) (C) Financial Arrangements	n/a	6	6			
(04) (D) Code of Conduct	Managing customer and supplier information	4	2	2		
(04) (D) Code of Conduct	Customer protection	3	1	2		
(04) (D) Code of Conduct	Products and services	5	3		2	
(04) (D) Code of Conduct	Marketing and Branding	2	1	1		
(04) (B) Accounting and (08) Cost allocation Manual	n/a	19	9	6	4	
Total		44	23	13	8	0

We highlight key findings by audit areas below.

Structural safeguards: We find minor non-compliance in requirements related with sharing of facilities/services and in cross-subsidization across affiliates (OAC 4901:1-37 04(A)(2) and OAC 4901:1-37 04(A)(3)). These findings stem from products offered through FirstEnergy Products and FirstEnergy Home that are taking advantage of the utility name, which is not allowed in the OAC requirements. This is discussed in greater detail in Section VIII, Code of Conduct.

Financial arrangements: Daymark found the Ohio Companies in compliance with the financial arrangement related requirements. Data responses and a review of the Cost Allocation Manual found that no Ohio Company provides financial support to other affiliates. Traffic-light based findings for these requirements are presented in Section VII, Financial Arrangements.

Code of conduct – Managing customer and supplier information: We found FirstEnergy to be generally compliant with requirements related to managing customer and supplier information. Procedures are in place and the staff who would be called upon to provide that information are aware of the procedures and of who should handle requests for such information. Details on our review are provided in Section VIII.B, Code of Conduct.

Code of conduct – Customer protection: We find that FirstEnergy is generally compliant with the requirements for customer protection. The phrase "*reasonable efforts*" in OAC 4901:1-37 Section (D)(8) leaves room for interpretation. In this case, FirstEnergy's approach is primarily reactive. Details on our review are provided in Section VIII.C, Code of Conduct.

Code of conduct – Products and services: Daymark finds minor non-compliance for a couple of requirements related with products and services We summarize these findings below and discuss in detail in Section VIII.D, Code of Conduct.

- **Financial settlement**: FirstEnergy is allowed to offer non-electric goods and services through a Commission-approved tariff.[9] During the 2016 – 2020 period, FEP generated total revenue of approximately [redacted] with the profit of approximately [redacted] Profits from FEP are settled to the Ohio Companies below the line, which means profits are not credited in any way to customers. Offering products through regulated channel is a competitive advantage for FirstEnergy affiliates that other providers do not have. Additionally, [redacted] FEP revenue [redacted] during the 2016-2020 period was collected through customers' utility bills.[10] This is a convenience offered by FEP through the regulated companies to regulated customers that FirstEnergy competitors cannot offer.

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[9] For Ohio Edison Company, see P.U.C.O. No. 11, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

For The Cleveland Electric Illuminating Company, see P.U.C.O. No. 13, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

For The Toledo Edison Company, see P.U.C.O. No. 8, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

[9] OAC 4901:1-37 Section 04(D)(11).

[10] Case No. 17-0974-EL-UNC, Response to Set 13 DR 36 Attachment A.

- **Soft/Warm transfers:** Ohio Company customers can be transferred to the FEP group when they call for customer service-related issues, called "soft transfers." During the 2016 – 2020 audit period, products sold through soft transfers generated a profit of approximately [redacted] Once again, FirstEnergy competitors would not have access to this opportunity to gain customers through redirected electric utility customer service calls. The profit from FEP business activities is also not credited back to the Ohio Companies customers because it settles below the line.[11]

- **Not enough separation between FEP and FirstEnergy Home:** FirstEnergy offers the same products and services as FEP to all Ohio consumers through an unregulated subsidiary known as FirstEnergy Home. It appears FirstEnergy Home also shares the same internal resources as FEP. There is a risk of FirstEnergy Home sharing resources with FEP that are ultimately financed or coming from the Ohio Companies. If the same staff support both regulated (FEP) and unregulated (FirstEnergy Home) services, it is challenging to maintain a "mental barrier" and keep confidential customer information set aside while providing support to an unregulated affiliate.

Code of conduct – Marketing and branding: We do not find FirstEnergy non-compliant with the requirements related to marketing and branding. We find that FESC employees disclose their affiliation when they are marketing to Ohio Company customers in the form of a disclosure at the bottom of marketing materials. However, there is a key opportunity for improvement for FirstEnergy in how it markets their products and services. The FEP group adds "services" to the Ohio Companies name to market non-electric products and services. Adding "Services" may not provide enough information for customers to distinguish that the entity offering products and services is different than their distribution company. A customer could reasonably assume that FirstEnergy Products was also their utility. This provides competitive advantage that independent competitors do not have.

Accounting and cost allocation manual: We found a minor non-compliance with four requirements. OAC 4901:1-37 Section 08(C) states that the CAM is intended to ensure there is no cross-subsidization between affiliates, but there is a lack of monitoring and controls in place regarding the CAM. The CAM itself is not sufficiently preventing cross-subsidization. Additionally, FirstEnergy does not have job summaries of independent

[11] Case No. 17-0974-EL-UNC, Response to OH-DM Set 13 DR 41.

contractors as per OAC 4901:1-37 Section 08(D)(5), has not maintained a log as required by OAC 4901:1-37 Section 08(D)(7); similarly, as enumerated in OAC 4901:1-37 Section 08(I), FirstEnergy did not have designated staff person(s) to take over the responsibilities of the corporate compliance officer when this position was vacant during the November 2020 – April 2021 period.

FirstEnergy is generally compliant with the other requirements related to this area. We did find a few opportunities for improvement. FirstEnergy should maintain an up-to-date CAM and maintain active monitoring and tracking of the CAM. Details on our review are provided in Section IX, Accounting and Cost Allocation Manual.

Recommendations

In this section, we highlight some of the key topical improvements that should be adopted by FirstEnergy to enhance the compliance plan and activities to monitor compliance.

Overall, FirstEnergy needs to build a more robust and effective compliance plan solely focused on Ohio specific corporate separation requirements. During the audit period, FirstEnergy did not conduct any internal audits on corporate separation.[12] The most recent internal audit was conducted in 2014.[13] This is not a best practice. Building a robust compliance plan means having clear documentation regarding compliance tasks with identified owners and a simple and well-documented and communicated change management process. Such a plan also involves adopting a proactive compliance monitoring and tracking system as well as a comprehensive and Ohio requirements targeted training and education program.

In addition to the overall recommendations, as discussed above, Daymark assessed compliance for each of the requirements of OAC 4901:1-37 and offers the following recommendations.

- Regarding **physical and IT separation related with structural safeguards,** FirstEnergy's annual training should be supplemented with additional reinforcement throughout the year—these could range from signage to occasional spot checks. Daymark also recommends monitoring and tracking of

[12] Case No. 17-0974-EL-UNC, Responses to OH DM Set 1 DR 7, Set 6 DR 21, Set 7 DR 21

[13] Case No. 17-0974-EL-UNC, Responses to OH DM Set 1 DR 7 Attachment A Confidential

cross-functional work groups. Currently, FirstEnergy has no record of these and has little way of knowing if there is a potential compliance gap.[14]

- For **managing customer and supplier information,** we recommend FirstEnergy place a greater emphasis on the availability of a list of alternative retail suppliers to any customer upon request. Since these requests most likely come through the customer service function, it is likely that customers are receiving the supplier lists. However, to ensure customers can access this information from any interaction with FirstEnergy, utility staff should be made more aware of this requirement and establish a process to supply the appropriate list.

- For **customer protection**, we suggest monitoring and reporting customer complaints in more detail. FirstEnergy stated that Companies only track customer complaints received from the Commission.[15] Some customers may not even be aware of the Commission, and certainly would not be submitting a complaint to them. Customers are much more likely to complain to their utility regarding third party supplier practices. Tracking should occur at this stage to assess potential common issues on which the Company could make plan changes.

- Regarding **products and services,** Daymark has several recommendations. We have concerns with a few aspects of the FirstEnergy Home operation regarding corporate separation. First, we recommend FirstEnergy perform an annual internal audit to ensure that adequate protections are in place to prevent the cross-subsidization of any protected information between FEP, the Ohio Companies, and Suvon d/b/a FirstEnergy Home.

  Second, Suvon is spread throughout FirstEnergy's corporate structure under FirstEnergy Service Company. There is no entity on the Corporate Organizational Chart that indicates FirstEnergy Advisors or FirstEnergy Home, nor is it obvious based on anyone's title who works for either organization. We recommend that Suvon, including FirstEnergy Advisors and FirstEnergy Home, be separated into their own organization within FirstEnergy, and not be considered part of FESC.

  Third, recognizing that utility customers are providing FEP with a market for their products and services, and that the profits generated by that group are not

[14] Case No. 17-0974-EL-UNC, Response to OH DM Set 7 DR 16.

[15] Case No. 17-0974-EL-UNC, Response to OH DM Set 4 DR 33

shared with customers, we recommend a profit-sharing mechanism be adopted. This profit-sharing should include profits from both FEP and any soft transfers of Ohio Companies' customers. Currently, Ohio Companies' customers receive no benefit from having their operating company associated with FEP.

Fourth, another of FirstEnergy Products' competitive advantages is that it can offer a payment option for their services as part of the customer's utility bill. This is clearly a desirable option, as evidenced by [redacted] of the revenue in the 2016-2020 period being collected in this manner. FEP's competitors do not have access to this option. A profit-sharing mechanism should be set up to allow for Ohio regulated customers to benefit from allowing unregulated affiliates access to its regulated customer billing system. FirstEnergy might also explore allowing other providers access to the regulated customer billing system to provide equitable treatment with their affiliates.

- Regarding **marketing and branding,** Daymark recommends that FEP remove Ohio Companies' names and logos from their marketing materials and activities. Using the Ohio Companies' names to sell non-electric goods and services is capitalizing on the reputation of the Ohio Companies.
- Regarding **accounting and the cost allocation manual,** Daymark has identified several minor non-compliance areas and opportunities for improvement. We address a few of the major ones below and provide additional recommendations in the appropriate detailed report section.
    - FirstEnergy should have an updated copy of the entire CAM on hand and readily available. At a minimum, the document should be updated once a year to be kept current.
    - We find lack of controls and oversight regarding time entry. There is no reinforcement that employees should directly charge their time to a specific affiliate whenever possible. Daymark recommends putting in place an internal timesheet auditing process to ensure timesheet entries are being properly monitored for compliance, perhaps using a sampling approach.
    - FirstEnergy should develop a more robust internal cost allocation auditing system whereby cost allocation factors are reviewed in more detail and more frequently. There should also be an external

independent audit of the cost allocation factors and associated cost centers.

- FirstEnergy should include the missing and incomplete documentation as required by OAC 4901 in their CAM.

Daymark also recommends there be a process in place that enables Ohio Companies' staff to monitor and understand their allocated charges and resolve any disputes. Currently, Ohio Company staff have little visibility into what is being charged to them. Creating a report like the existing monthly budget report from the business services group would be a good starting point. Ohio Company staff should be made aware of and understand all charges that are being allocated to them.

II. INTRODUCTION

A. Scope of this compliance audit

The Public Utilities Commission of Ohio selected Daymark Energy Advisors to conduct an independent audit of FirstEnergy's compliance with the corporate separation rules adopted by the Commission.[16] This corporate separation audit specifically focused on FirstEnergy's three regulated Ohio affiliates: Ohio Edison, Toledo Edison, and the Cleveland Illuminating Company. Specifically, Daymark was tasked to:[17]

- Review, in detail, Case No.12-3151-EL-COI
- Review, in detail, Ohio laws governing corporate separation embodied in R.C. 4928.17
- Review, in detail, the corporate separation rules embodied in Ohio Administrative Code (OAC) Chapter 4901:1-37
- Obtain and review all appropriate documentation relating to the Companies' compliance with R.C. 4928.17 and OAC 4901: 1-37
- Conduct all necessary interviews relating to the Companies' compliance with R.C. 4928.17 and OAC 4901:1-37
- Perform a thorough review of transactions subject to the Companies' cost allocation manual
- Ensure that activities reviewed encompass the time period between November 1, 2016, and October 31, 2020

B. Prior compliance audits

The Commission opened docket 17-974-EL-UNC on April 12, 2017. Within that docket, on May 17, 2017, PUCO Staff issued an RFP for a corporate separation audit of FirstEnergy. On July 5, 2017, the Commission chose SAGE Management Consultants, LLC, (SAGE) to conduct the corporate separation audit. SAGE submitted its findings in a report on May 14, 2018.[18]

Although Daymark reviewed SAGE's report during its audit, Daymark's compliance assessment approach, as discussed in Chapter IV, is independent of the method and findings from the SAGE report. Daymark conducted its own review through a detailed document assessment and a series of interviews.

[16] Case No. 17-974-EL-UNC, Commission Entry, January 27, 2021.

[17] Request for Proposal No. RFP RA 20-CA-X, Page 1-2, Public Utilities Commission of Ohio.

[18] Case No. 17-974-EL-UNC, Sage Management Consultants LLC Report, dated May 14, 2018.

C. Organization of this report

This audit report is organized into ten different sections. Section I is an executive summary that provides key findings and recommendations. Section II discusses the scope of the audit. Section III presents Ohio specific corporate separation rules laid out in the Ohio Revised Code 4928.17 and Ohio Administrative Code 4901:1-37. Section IV discusses Daymark's compliance assessment methodology. Section V discusses FirstEnergy's overall compliance program in response to Ohio specific corporate separation requirements.

Sections VI through X contain focused assessments of FirstEnergy's compliance with different elements of Ohio's corporate separation requirements:

- Section VI covers structural safeguards
- Section VII addresses financial arrangements
- Section VIII discusses code of conduct
- Section IX covers accounting and cost allocation manual
- Section X discusses training and education

Finally, Section XI concludes the audit report and addresses forward looking efforts.

III. CORPORATE SEPARATION RULES

A. Ohio Revised Code 4928.17

Chapter 4928 of the Ohio Revised Code (R.C.) is in place to facilitate competitive retail electric service to promote electricity savings and lower-cost electric service. Ohio SB3 enacted Chapter 4928 of the revised code and required electric utilities to unbundle and separate charges into distribution, transmission, and generation in 1999.[19] In 2008, Ohio R.C. 4928.17 was created to require corporate separation of non-competitive retail service from competitive retail service. This corporate separation requirement prohibits undue preferences for the affiliates of the distribution companies and ensures fair market participation to all service providers operating in the state of Ohio.

B. Ohio Admin. Code 4901:1-37

Along with R.C. 4928.17, in 2008 the Ohio Admin. Code (OAC) 4901:1-37 was created to incorporate specific rules for corporate separation. It lays out detailed requirements that Ohio distribution companies must follow to effectively separate their Ohio affiliated businesses from each other and operate independently. Daymark's audit, as discussed in this report, focused on assessing FirstEnergy's compliance with OAC 4901:1-37, sections 04 and 08, as detailed in the bullets below and in Figure 1 on the next page.

- **OAC 4901:1-37 Section 04: General Provisions.** This section contains several requirements related to the prevention of cross-subsidization. Cross subsidization could be monetary in nature, but it could also include information or knowledge that could give an affiliate an edge over its competition. Corporations must have structural safeguards in place to prevent cross-subsidization. Section 04(D) also details a Code of Conduct regarding the protection of customer information and provision of comparable access to all products and services for customers.
- **OAC 4901:1-37 Section 08: Cost Allocation Manual.** This section mandates that companies maintain a Cost Allocation Manual (CAM) that documents how costs are allocated between affiliates. It lists out all the documentation and procedures that the CAM must contain.

Figure 1 provides a visual representation of how these three requirements formed the basis for the focus of Daymark's audit, along with how this report is organized to communicate the results of the audit.

[19] Ohio Revised Code Chapter 4928, Competitive Retail Electric Service, Link

OAC 4901 REQUIREMENTS

OAC 4901:1-37 subsections	Description
Section 01 Definitions	Definitions of the terms used in the Admin Code.
Section 02 Purpose and Scope	Purpose and scope of the Admin Code.
Section 03 Applicability	Applicable to electric utilities, affiliates with shared services, and sale or transfer of generating assets.
Section 04 General Provisions	Includes provisions regarding structural safeguards, separate accounting, financial arrangements, and code of conduct.
Section 05 Application	Includes the requirement of Corporate Separation Plan
Section 06 Revisions and amendments	Requirements necessary for the revisions. Ohio Companies filed Corporate Separation Plan in 2009 with Commission reaffirming in 2016.
Section 07 Access to books and records	Requirements surrounding record keeping and sharing information with Staff.
Section 08 Cost Allocation Manual	Requirements surrounding cost allocation manual.
Section 09 Sale or transfer of generation assets	Requirements surrounding sale or transfer of generating assets.

FOCUS OF THIS AUDIT

- ✓ 44 total requirements
- ✓ Organized into 5 topics:
  - **Structural safeguards**............................see Section VI
  - **Financial arrangements**........................see Section VII
  - **Code of conduct**...................................see Section VIII
  - **Accounting, Cost Allocation Manual**....see Section IX
  - **Training**...see Section X

Figure 1. OAC 4901:1-37 sections that are the focus of this audit

IV. DAYMARK'S COMPLIANCE ASSESSMENT APPROACH

A. Effective compliance plan

Daymark's review and comments offered in this report are based first on the specifics of Ohio's requirements for compliance and then on FirstEnergy's approach to compliance, which was described extensively by FirstEnergy as following the FERC guidelines for corporate separation compliance planning. Based on FERC's policy statement on enforcement, FERC's policy is "*that if a company acts aggressively to adopt, foster, and maintain an effective corporate culture of compliance, and has in place rigorous procedures and processes that provide effective accountability for compliance, but a violation nonetheless occurs, the Commission may provide a significant reduction in, or even in some cases the elimination of, the civil penalty that otherwise would be imposed.*"[20] In its policy statement on enforcement, FERC further referenced a Commodity Futures Trading Commission (CFTC) policy on enforcement, indicating they have a policy of "*giving credit for cooperation in futures trading investigations.*"[21] Noting that consideration of cooperation is discretionary and depends on the circumstances presented, the CFTC staff identified three general areas of cooperative factors to be taken into account in deciding whether staff should recommend reduced sanctions to the CFTC: (1) the nature of a company's efforts to uncover and investigate violations, (2) the quality of a company's efforts in cooperating and managing the aftermath of misconduct, and (3) a company's efforts to prevent future wrongdoing.

In its revised Policy Statement on Enforcement, FERC "*elevates the importance of compliance programs*" by making clear that though many factors are considered, "*the most important in determining the amount of the penalty are the seriousness of the offense and the strength of the entity's commitment to compliance.*"[22] FERC suggested specific actions to help companies develop compliance programs (outlined below), and specifically recognized the unique circumstances of each company and that no one size fits all.[23]

The specific compliance actions noted by FERC are:

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[20] *Enforcement of Statutes, Orders, Rules, and Regulations*, 113 FERC ¶ 61,068, at P 21-23 (2005) (Policy Statement on Enforcement).

[21] Id. at P. 5

[22] *Enforcement of Statutes, Orders, Rules, and Regulations*, 123 FERC ¶ 61,156, at (2008) (Revised Policy Statement on Enforcement).

[23] Revised Policy Statement at P 59.

- Prepare an inventory of current compliance risks and practices
- Create an independent Compliance Officer who reports to the Chief Executive Officer and the Board, or to a committee thereof
- Provide sufficient funding for the administration of compliance programs by the Compliance Officer
- Promote compliance by identifying measurable performance targets
- Tie regulatory compliance to personnel assessments and compensation, including compensation of management
- Provide for disciplinary consequences for infractions of Commission requirements
- Provide frequent mandatory training programs, including relevant "real world" examples and a list of prohibited activities
- Implement an internal Hotline through which personnel may anonymously report suspected compliance issues
- Implement a comprehensive compliance audit program, including the tracking and review of any incidents of noncompliance, with submission of the results to senior management and the Board

Per FERC, "*taken as a whole, these actions facilitate senior management's demonstration of commitment to compliance, make preventive measures more effective, encourage detection and reporting of violations, and should lead to prompt and effective remediation of violations.*[24]"

Another example of a good compliance plan are these steps outlined by a legal advisory firm. Their "7 Elements of a Legally Effective Compliance Program"[25] contain the following key components:

1. Policies and procedures that are more than just a paper policy to demonstrate you practice what the policies preach
2. Designate a chief compliance officer with appropriate authority and resources and a compliance committee with direct access to the executives and board
3. Provide effective training regarding relevant laws, regulations, corporate policies, and prohibited conduct to ensure everyone is aware and understands the rules

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[24] *Policy Statement on Compliance*, 125 FERC ¶ 61,2008 at (2008), available at: https://www.ferc.gov/sites/default/files/2020-07/PolicyStatementonCompliancewithStatutesRegulationsandOrders.pdf, accessed July 20, 2021 .

[25] Santomassimo Davis, LLP, "*7 Elements of a Legally Effective Compliance Program*," accessed July 2021, available at: https://www.ogcsolutions.com/7-elements-of-a-legally-effective-compliance-program/.

4. Reporting to capture concerns and actions taken
5. Monitoring and auditing should occur periodically with actions taken to fix any identified issues
6. Enforcement to all members of the company uniformly and through active commitment
7. Response to issues promptly and through an investigation with follow through to fix the problems as they are identified makes a program effective

Both the FERC Policy Statement on Enforcement and the legal firm's elements have common components for an effective compliance plan. Generally, compliance needs to be more than having paper policies, staff must be trained appropriately, senior management needs to be involved, and active monitoring and reporting needs to be ongoing. These served as additional items in our standard of review.

B. Audit process and standard of review

The goal of the compliance assessment is to rigorously review all available information and make well-supported findings and conclusions. Our approach included 1) a review of relevant Commission cases, 2) a review of regulations and Commission directives relative to the corporate separation plan, 3) a critical review of the Ohio Companies' policies and procedures and related documents, 4) auditing of relevant transactions, and 5) interviews of Company staff responsible for administering and maintaining compliance of the Ohio Companies' corporate separation plan with such regulations and directives. Daymark compared reported behaviors as well as documentary and transaction-level evidence to OAC 4901 requirements to identify gaps and their causes in making recommendations to address those gaps.

We used a three-step approach to assess evidence of compliance with specific compliance requirements:

1. Gather and review information relevant to corporate separation laid out in OAC 4901:1-37
2. Identify FirstEnergy's implementing internal policy and process documentation to understand the utility's approach to compliance
3. Demonstrate evidence of compliance through comprehensive document review, data requests, transaction auditing, and the interview process

The first level of review, the review of the compliance requirements, involved becoming deeply familiar with R.C 4928.17 and OAC 4901:1-37. Once Daymark had a solid understanding of the Ohio requirements, Daymark reviewed FirstEnergy's Ohio Corporate Separation Plan and compared the plan against the Ohio requirements. FirstEnergy's plan has been affirmed by the Commission several times (originally filed in Docket #09-462-EL-UNC, approved in Case No. 10-388-EL-SSO, and reaffirmed in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO). FirstEnergy has not made any changes to the plan since 2009[26].

The second level of review was a review of FirstEnergy and the Ohio Companies' documentation related to the Ohio Corporate Separation Plan. Daymark asked numerous Data Requests (DRs) to obtain all documentation that FirstEnergy had for the audit time period. Daymark was especially focused on written processes, procedures, and logs that FirstEnergy or the Ohio Companies maintained. Daymark also conducted interviews to make sure we identified and gathered any relevant documents, reports, or logs through our data requests. As it became apparent through reviewing FirstEnergy's written processes that FirstEnergy relied heavily on FERC compliance, specifically FERC's Affiliate Restrictions in 18 CFR 35.39 and FERC's Standards of Conduct in 18 CFR 358, Daymark added a review of FERC requirements to our standard of review. Specifically, we reviewed FERC's Affiliate Restrictions, 18 CFR § 35.39, and completed a gap analysis of those regulations with OAC 4901:1-37.

The third level of review involved analyzing for evidence of compliance with OAC 4901. Daymark reviewed all documents provided by FirstEnergy, all data request responses, as well as the websites of FirstEnergy and the Ohio Companies. Daymark also conducted 32 interviews with FirstEnergy employees. These interviews were with a cross-section of FirstEnergy and Ohio Companies staff, from upper management down to more specialized, functional roles. Within FirstEnergy Service Company, we talked to employees from numerous departments, including Accounting, IT, Customer Service, Internal Audit, Corporate Services, Strategy, Real Estate, Sales, Products and Services, Rates and Regulatory, Legal and Business Services. Within the Ohio Companies, we talked to Company Presidents, as well as staff from Ops Services, Customer Accounts and Human Resource. These conversations gave us both a broad and deep understanding of FirstEnergy's structure and processes regarding corporate separation. A complete list of all documents reviewed is provided in Appendix C. A list of all DRs issued is contained in Appendix D.

[26] Case No. 17-974-EL-UNC, OH DM Set 1 DR 6 Attachment A

A key tool we used to organize the auditing effort is a compliance matrix. A simplified illustration of the structure of this tool is provided in Table 1. This tool organizes key information for compliance assessment, including (1) regulatory requirements, (2) policies and procedures in place that establish and govern those requirements, (3) audit findings (traffic light based), and (4) documentary or interview evidence that personnel are meeting each requirement, including training materials.

Table 1. Compliance matrix example

REQUIREMENT	POLICIES AND PROCEDURES	AUDIT FINDINGS	DOCUMENTARY/ INTERVIEW EVIDENCE
1. OAC 4901:1-37 Section 04(A)			
2. OAC 4901:1-37 Section 04(B)			

The audit findings based on the traffic light is derived from the ISO 9001:2015 Process Audit Checklist.[27] The "traffic lights" are intended to visually communicate the risk posed by the audit finding of any system or processes being audited. Consistent with the ISO 9001 recommendation, the rating system is stratified from "compliant" (green) to "major non-conformance" (red) to convey a concise and consistent method for scoring each audit finding.

Table 2 defines how we have applied the traffic light approach to this audit, providing a definition and impact of each finding plus a description of action and mitigation tasks. We assign traffic light findings to each of the OAC 4901 requirements we assessed, and we provide detailed documentary evidence supporting those findings throughout this report.

[27] ISO 9001 Checklist, "ISO Internal Audit Explained," accessed July 2021, see "*ISO 9001:2015, Process Audit Checklist*," available at: https://www.iso-9001-checklist.co.uk/internal-audit-explained.htm#internal-audit-checklist-template.

Table 2. Traffic-light based audit findings

Finding	Definition/Impact	Action/Mitigation
COMPLIANT	Compliant means adherence with the requirements of R.C 4928.17 and O.A.C. 4901:01-37. The process is implemented and documented and records exist to verify this.	Continue to monitor trends/indicators.
Opportunity for Improvement (OFI)	A **low risk issue** that offers an opportunity to improve the current practice for compliance purposes. Processes may be cumbersome or overly complex but meet their targets and objectives. Unresolved OFIs may degrade over time to become non-compliant.	Review and implement actions to improve the process(es). Monitor trends/indicators to determine if improvement was achieved.
MINOR N/C	A medium risk, minor non-conformance resulting in deviation from compliance requirement. Not likely to result in failure of compliance.	Investigate root cause(s) and implement corrective action by next reporting period or next scheduled audit.
MAJOR N/C	A high risk, major non-conformance with the compliance requirements.	Implement immediate containment action, investigate root cause(s) and apply corrective action. Re-audit in *4 weeks* to verify correction.

V. FIRSTENERGY OHIO COMPANIES' CORPORATE SEPARATION PLAN

A. FirstEnergy affiliates relevant for corporate separation

FirstEnergy

FirstEnergy is a large, complex organization. Currently, FirstEnergy owns 10 transmission and/or distribution "utilities" that operate in the states of Ohio, West Virginia, New Jersey, Maryland, and Pennsylvania. These utilities include Ohio Edison, Toledo Edison, the Cleveland Illuminating Company, Penn Power, West Penn Power, Met-Ed, Penelec, Jersey Central Power & Light, Mon Power, and Potomac Edison. FirstEnergy also has other affiliates that serve different purposes. These include several transmission ventures, FirstEnergy Service Company (FESC), which provides corporate services to all affiliates, and FirstEnergy Products (FEP), which sells third party services and products to utility customers. FirstEnergy also recently created Suvon LLC, which is now doing business as (d/b/a) FirstEnergy Advisors and FirstEnergy Home.[28] FirstEnergy Advisors does the following: *"For any commercial or industrial business, community leader or individual resident who wants a local energy advisor they can trust, FirstEnergy Advisors will recommend the right programs, prices and products to suit your individual needs."*[29] FirstEnergy Home sells non-electric products and services, similar to FirstEnergy

[28] Case No. 17-0974-EL-UNC, Response to OH DM Set 15 DR 3

[29] https://www.firstenergyadvisors.com/firstenergyadvisors.html

Products, except their customer base is not just within the Ohio Companies' territory.[30] A current organizational chart of FirstEnergy and all affiliates is contained in Appendix E.

During the audit period of 2016 to 2020, FirstEnergy also had a retail electric supplier arm called FirstEnergy Solutions (FES). FirstEnergy Solutions operated as a competitive retail electric supplier, or CRES, in Ohio. In March of 2018, FES and FirstEnergy Nuclear Operating Company (FENOC) filed for Chapter 11 bankruptcy.[31] Also in 2018, FirstEnergy management launched a directive called "FE Tomorrow" that was aimed at transitioning FirstEnergy to a fully regulated business, meaning that FirstEnergy would exit the competitive generation business.[32] In February of 2020, FES emerged from bankruptcy as Energy Harbor and was no longer part of FirstEnergy Corp.[33]

This corporate separation audit focuses on compliance with OAC 4901:1-37. To that end, this report focuses on how the three Ohio Companies – Ohio Edison, Toledo Edison, and Cleveland Illuminating Co – achieve compliance with the Ohio Corporate Separation Plan, along with how other FirstEnergy affiliates support the Ohio Companies in this activity.

FirstEnergy Ohio Companies (FirstEnergy or Companies)

FirstEnergy's Ohio Companies provide distribution services to residents of Ohio. The largest Ohio Company is Ohio Edison, with 1,128 employees as of April 2021.[34] The next largest is the Cleveland Illuminating Co, with 901 employees. Toledo Edison is smaller, with 372 employees. Despite size differences, the three Ohio operating companies are structured fairly similarly. Based on the organization chart[35] shared with Daymark, each Ohio Company has a Regional President who reports to the President of Ohio Operations, Mr. Gary Grant[36]. Mr. Grant in turn reports to the VP of Utility Operations, Mr. John Skory. Mr. Skory reports to the Senior Vice President and President of FirstEnergy Utilities, Mr. Sam Belcher, who in turn reports to the President & Acting CEO of FirstEnergy Corp, Mr. Steven E Strah. This reporting relationship is shown in Figure 2.

[30] Case No. 17-0974-EL-UNC, Response to OH DM Set 14 DR 19]

[31] Case No. 17-0974-EL-UNC, Response to OH DM Set 3 DR 001

[32] Id.

[33] Case No. 17-974-EL-UNC, Letter of Notification, March 20, 2020

[34] Case No. 17-0974-EL-UNC, Response to OH DM Set 8 DR 9.

[35] Case No. 17-0974-EL-UNC, Response to OH DM Set 1-DR-1-Attachment A.

[36] Note that the Ohio Companies provided these Organizational Charts to Daymark on or around February 22, 2021. See Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR001-Attachment A. As such, these names and positions may not be up to date as of the time of filing of this Report.

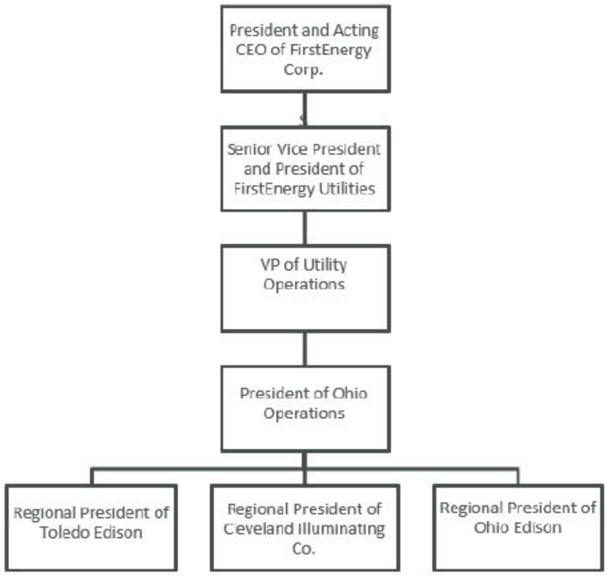

Figure 2. Organizational chart for Ohio Companies' Regional Presidents

Under the Regional President at each Ohio Company, there is typically a Director of Ops Support, a Director of Ops Service, a Manager of Customer Accounts, and a Manager of Human Resources. Depending on company size, there may be a few more positions at this level. Below is a snapshot of the Toledo Edison's organizational chart as an example of organizational structure.[37]

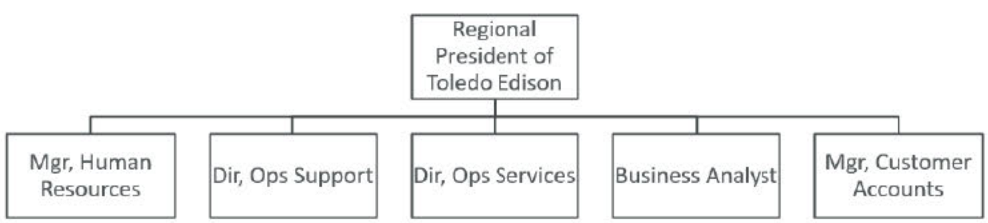

Figure 3. Organizational chart of Toledo Edison staff with direct report to its Regional President

From our interviews, we learned that the Director of Ops Support and the Director of Ops Services have very similar responsibilities. Both support the day-to-day operations

[37] Case No. 17-0974-EL-UNC, Response to OH DM Set 1-DR-1-Attachment A.

and servicing of the transmission and distribution system. The Customer Accounts manager works with large (commercial and industrial (C&I)) customers of the Ohio Companies. The Manager of Human Resources is a shared services employee that performs standard human resources functions at each Ohio Company. From our interviews and reviewed documents, it does not appear that the Ohio Companies interact much with OAC 4901:1-37 compliance procedures. Most of these responsibilities have been assigned, because of job function, to the FirstEnergy Service Company (FESC). Ultimately, however, the three Ohio Companies are responsible for maintaining compliance with Ohio rules.

FirstEnergy Service Company

FirstEnergy Service Company performs services for FirstEnergy affiliates including the Ohio Companies. These services include: providing call centers, customer service, economic development, transmission and distribution technical services, workforce development, administrative services, communications, corporate affairs and community involvement, corporate services, human resources, IT, industrial relations, real estate, technology and support services, performance planning, supply chain, controllers and finance, credit management, risk management, insurance services, internal audit, investment management, investor relations, rates and regulatory affairs, treasury, business development, governmental affairs, legal assistance, and claims.[38]

During the course of our interviews, we learned that the business services group, a shared services function, is typically the financial liaison between the Ohio Companies and FirstEnergy Service Company. The business services group primarily performs duties such as budgeting, accounting, and setting up work orders for the Ohio Companies. This group also assists in annually reviewing cost allocations. Human Resources and IT are two other shared services functions that are used by the Ohio Companies. Some business services, HR, and IT employees are housed within the Ohio Companies' office space. Other more centralized shared service functions set corporate expectations and direction for the Ohio Companies, such as vegetation management strategy.

FESC departments such as Legal and Rates & Regulatory handle any legal and regulatory matters for the Ohio Companies. In this way, compliance with different aspects of OAC

[38] FirstEnergy Service Company Service Agreement, Set 1 DR 009 Supplemental Attachment C

4901 is spread throughout FESC. Ultimately, compliance is the responsibility of the Chief Compliance Officer, who is an FESC employee.[39]

B. Corporate separation compliance approach

Through the discovery process, FirstEnergy provided Daymark with its written processes, procedures, and logs, where available, for ensuring compliance with OAC 4901:1-37. Daymark also asked for any reports or evidence of routine monitoring. Daymark found that FirstEnergy did have high-level policy documents in place that stated FirstEnergy's position on corporate separation. These include the Ohio Corporate Separation Plan, the Cost Allocation Manual, the Shared Service agreement, and some relevant FERC-related documents. However, there was very little documentation identified and provided to the Daymark team beyond the policy level that was specific to corporate separation.

Generally, FirstEnergy has stated that their compliance structure is set up to meet FERC requirements. As such, FirstEnergy leans heavily on compliance with FERC requirements as a way to meet Ohio corporate separation requirements. As a part of the audit, Daymark also received and reviewed procedural documents regarding customer service practices, IT, accounting, and trainings. In addition, Daymark asked for and received some documentation and reports on processes that were not corporate separation specific, but that could be used to verify corporate separation compliance. There are also guidance documents and operating procedures that are not Ohio rule-specific, but that could be used indirectly towards meeting compliance. A detailed list of these documents is provided in Appendix B. During our interviews and DRs, we did seek information about whether FirstEnergy had performed a gap analysis to assess how well their compliance approach addresses the Ohio requirements. Further discussion of this gap analysis is provided below.

Training and education are a critical part of an effective compliance plan. FirstEnergy does not offer any specific training targeted at meeting the OAC 4901 compliance requirements. Instead, FirstEnergy uses its corporate training materials on FERC Standards of Conduct, FERC Affiliate Restrictions, and its annual Certificate of Compliance questions to meet Ohio specific corporate separation training requirements. We discuss FirstEnergy's training in detail in Section X of this report.

Numerous employees stated that although there was little formal monitoring or documentation, corporate separation was something they were aware of and would

[39] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 11 and Set 5 DR 13

report if they ever saw issues. No employee or DR response indicated that there had ever been a corporate separation violation raised internally. This could be due to a lack of Ohio-specific corporate separation training or sufficient monitoring and tracking activities. FirstEnergy stated they did not conduct any internal auditing related to corporate separation during the audit period.[40] Without corporate separation documentation and evidence of monitoring, a heavy emphasis was put on understanding other business processes that occurred as a means of determining compliance with OAC 4901:1-37, such as FERC compliance procedures or standard operating procedures addressing protection of potential competitive information.

C. Relevant FERC requirements

During this audit, numerous FirstEnergy employees mentioned that they leveraged compliance with FERC rules to meet Ohio's corporate separation rules. In many cases, FirstEnergy had no Ohio-specific processes or documentation; rather, they relied on procedures developed to meet FERC's Affiliate Restrictions rules that are laid out in 18 CFR § 35.39. For example, FirstEnergy's information access among affiliates is set up in accordance with the FERC affiliate restrictions requirements. This same method is also used to meet OAC 4901 information access limits.

Daymark reviewed 18 CFR § 35.39, FERC's Affiliate Restrictions rules. FirstEnergy must also comply with other FERC rules such as Standards of Conduct for transmission operators. The FERC Affiliate Restrictions rules contain the following major requirements:

- Restriction on affiliate sales of electric energy or capacity
- Separation of functions – restrictions on sharing of employees
- Information sharing – restrictions on sharing market information
- Non-power goods or services – pricing restrictions
- Brokering of power
- No-conduit provision – cannot transfer employees to circumvent the rules

Gap analysis: OAC 4901 vs. FERC 18 CFR § 35.39

In order to assess whether the FERC rules covered all of the Ohio corporate separation rules, Daymark performed a gap analysis of FERC Affiliate Restrictions rules (18 CFR § 35.39) and OAC 4901:1-37. Daymark mapped the FERC Affiliate Restrictions rules to the

[40] Case No. 17-0974-EL-UNC, Responses to OH DM Set 1 DR 7, Set 6 DR 21, Set 7 DR 21

Ohio corporate separation rule for comparison. This gap analysis is captured visually in Table 3.

While a good number of clauses in OAC 4901:1-37-04 align with FERC's Affiliate Restrictions rules, Daymark's gap analysis found that outside of Section 4 of the OAC, almost no overlap existed between the Ohio specific and FERC rules. OAC 4901 Section 4(A)(6), Section 4(B), and the entirety of Section 4(C), which discusses financial arrangements, were found to not have equivalent articles in FERC's Affiliate Restrictions rules. OAC 4901:1-37 Section 08, the Cost Allocation Manual regulations, is also not discussed in FERC Affiliate Restrictions.

Additionally, a few requirements from the Code of Conduct (OAC 4901:1-37 Section 04(D)) are not covered, including the provision of customer lists (Section 04(D)(2)), disallowance of conditional service (Section 04(D)(5)), provision of supplier lists to customers (Section 04(D)(7)), and requirements around fair business practices (Section 04 (D)(8), Section 04(D)(11).

Table 3. Gap analysis between OAC 4901 and FERC CFR § 35.39

OAC 4901:1-37 subsections	FERC 18 CFR § 35.39
Section 04 General provisions	-------
(A) Structural safeguards	-------
(1)	✓ Overlap with section 35.39(C)
(2)	✓ Overlap with section 35.39(C)
(3)	✓ Overlap with section 35.39(C)
(4)	✓ Overlap with section 35.39(C)(2)(i)
(5)	✓ Overlap with section 35.39(C)(2)(ii)
(6) Rebuttable presumption	× No overlap
(B) Separate accounting	× No overlap
(C) Financial arrangements	× No overlap
(D) Code of conduct	-------
(1)	✓ Overlap with section 35.39(D)
(2) Provision of customer lists	× No overlap
(3)	✓ Overlap with section 35.39(D)
(4)	✓ Overlap with section 35.39(C)(2)(ii)
(5) Disallowance of conditional service	× No overlap
(6)	✓ Overlap with section 35.39(B)
(7) Provision of supplier lists to customers	× No overlap

OAC 4901:1-37 subsections	FERC 18 CFR § 35.39
(8) Fair business practices	× No overlap
(9)	✓ Overlap with section 35.39(B)
(10)	✓ Overlap with section 35.39(F)(1)
(11) Disclosure of representation	× No overlap
(E) Emergency	✓ Overlap with section 35.39(C)(2)(iii)
Section 08 Cost allocation manual	× No overlap

As part of the previous audit by SAGE, FirstEnergy performed a similar gap analysis comparing Ohio corporate separation rules with FERC requirements.[41] FirstEnergy acknowledged that FERC rules do not cover all of OAC 4901, further noting that "*The Companies leverage areas of commonality between FERC compliance and Ohio Corporate Separation compliance. Although there are areas of commonality, FERC compliance is not intended to cover all areas of Ohio Corporate Separation compliance.*"[42] During our interviews, we also learned that FirstEnergy has internally discussed this gap between FERC and OAC 4901 requirements. However, FirstEnergy has not taken any action to address this gap. At one point, FirstEnergy endeavored to address the gaps, but the effort was discontinued after a few meetings. When asked about the lack of action taken to address the compliance gaps, FirstEnergy mentioned that they were waiting on Commission directives in this ongoing case. We note that an effective compliance plan should be proactive. Deferring any corrective action to known compliance deficiencies pending further Commission direction is not an ideal practice.

D. Compliance monitoring and tracking

Daymark noted that the Ohio Companies have no detailed processes and procedural documents surrounding corporate separation compliance. Compliance responsibilities or training on the topic is generally based on the transfer of knowledge between staff. Based on our interviews, we conclude that FirstEnergy's approach to compliance is to assume that if a violation or hint of one becomes apparent, it is taken care of – but there is little reporting or monitoring to ensure that compliance occurs and to ensure that changes are addressed, if needed. FirstEnergy's assumption is that compliance is happening until it is not happening and thus becomes an issue. FirstEnergy should modify this approach so that compliance verification is clear.

41 Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 21

42 Id.

The Chief Ethics Officer was designated as having ultimate responsibility for corporate separation compliance. However, this position was vacant for a number of months (November 2020 to April 2021[43]), and FirstEnergy did not appoint an interim staff member or go-to person. Additionally, three other positions that appear to be responsible for compliance monitoring and tracking were also vacant during Daymark's audit, so we were not able to speak to them. These four positions are VP, General Counsel & Chief Ethics Officer, Associate General Counsel, and VP of Risk and Internal Audit. FirstEnergy staff mentioned that with these positions being vacant, they are not able to locate systems and processes in place for compliance monitoring and tracking. This limited Daymark's ability to assess the Company's compliance tracking and monitoring activities within the audit period.[44] It is important to establish a robust monitoring and tracking system that would be available to others in the Company when their owners leave the position.

We found lack of oversight of day-to-day compliance with corporate separation by Ohio Companies. Although the Ohio Companies are obligated to maintain the compliance, FESC takes care of most compliance activities, and the Ohio Companies have little control or oversight over the shared service employees. In terms of performance reviews, FirstEnergy stated that *"FESC leadership within the relevant business unit (e.g., HR, Supply Chain, Accounting) has performance oversight of all FESC employees, including those who exclusively perform work for and physically report to one of the Ohio Companies."*[45] Conversely, Ohio Companies only have performance oversight over direct Ohio Company employees (no FESC staff). In the cost allocation process, the Ohio Companies have limited visibility into the charges that are allocated to them and have no process in place for reviewing or disputing those charges.

E. General Recommendations

FirstEnergy needs to build a robust and effective compliance plan solely focused on Ohio's specific corporate separation requirements. Building a robust compliance plan requires clear documentation of necessary compliance tasks with identified owners and a simple, well-documented and communicated change management process. It also

[43] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 3

[44] Three positions responsible for compliance monitoring and tracking are VP, General Counsel & Chief Ethics Officer, Associate General Counsel, and VP of Risk and Internal Audit. The role of Chief Ethics Officer was vacated from November 2020 to April 2021

[45] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 23.

involves a proactive compliance monitoring (including internal audits) and tracking system and a comprehensive and Ohio-specific targeted training and education program.

As discussed earlier, FirstEnergy leans heavily on compliance with FERC requirements to meet Ohio's corporate separation requirements. It is understandable that FirstEnergy prefers to leverage areas of commonality of other regulatory compliance programs to meet requirements of the corporate separation compliance plan. As a good next step, FirstEnergy did identify the gaps between its FERC compliance plan and Ohio corporate separation plan. However, once these gaps are identified, FirstEnergy should proactively address them rather than waiting on Commission's decision in this case to do so.

We also recommend that FirstEnergy develop a proactive compliance monitoring and tracking system with clear identified owners for all activities surrounding the compliance plan. We understand that FirstEnergy has recently hired a Chief Compliance Officer that may oversee the responsibility of maintaining compliance with the corporate separation plan. These systems and processes, once in place for compliance, should be available to others in the Company when their owners leave the position.

Training and education are a critical part of an effective compliance plan. FirstEnergy should develop a specific training curriculum focused on the Ohio corporate separation plan. The curriculum should be holistic and inclusive of all regulations contained in Ohio's corporate separation rules regardless of an employee's direct responsibilities. FirstEnergy should also develop trainings for upper management staff focusing on their interactions between affiliates, including increased focus on elements of the Cost Allocation Manual.

VI. STRUCTURAL SAFEGUARDS

A. Introduction

Structural safeguards include organizational, physical, informational, and accounting safeguards against "cross-subsidization," both from a financial perspective and from potential competitive advantages conferred by privileged access to information.

In a company that includes (at times) both regulated and competitive companies providing consumer electric services, possible examples of cross-subsidy might be:

- The competitive FirstEnergy companies having access to information that non-FirstEnergy competitive suppliers do not have access to

- The competitive FirstEnergy companies having some of their costs subsidized by the rest of the company, especially the regulated utilities, in ways that enhance their competitiveness

To assess FirstEnergy's compliance with corporate separation rules intended to prevent this kind of cross-subsidization, our review of FirstEnergy's structural safeguards focused on physical safeguards, information security, and accounting approaches to compliance with corporate separation requirements. Figure 4 provides a visual representation of these measures, each of which is discussed in more detail in the next section.

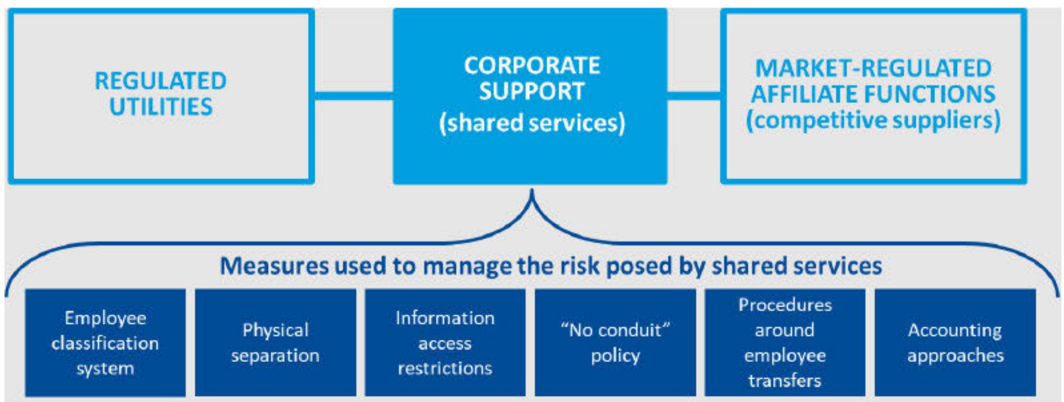

Figure 4. Measures used to manage the risk posed by shared services

FirstEnergy's structural approach to compliance has primarily addressed FERC requirements, in particular FERC Affiliate Restrictions rules and the no-conduit rule. FirstEnergy considers these structural safeguards to be a key foundation of compliance with the Ohio corporate separation requirements as well. Table 4 includes structural safeguards related requirements included in OAC 4901:1-37 Section 04.

Table 4. Structural safeguards related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	**Governing Doc Section**	**Requirement**
4901 1-37	04(A)(1)	Each electric utility and its affiliates that provide services to customers within the electric utility's serviceterritory shall function independently of each other.
4901 1-37	04(A)(2)	Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.
4901 1-37	04(A)(3)	Cross-subsidies between an electric utility and its affiliates are prohibited. An electric utility's operating employees and those of its affiliates shall function independently of each other.
4901 1-37	04(A)(4)	An electric utility may not share employees and/or facilities with any affiliate, if the sharing, in any way,violates paragraph (D) of this rule.
4901 1-37	04(A)(5)	An electric utility shall ensure that all shared employees appropriately record and charge their time based onfully allocated costs.

B. FirstEnergy's approach to structural safeguards

FirstEnergy's corporate structure is a combination of separation and connection through shared services. FirstEnergy's business is divided into three main buckets: [46]

- Regulated utilities
- Corporate support
- Market-regulated affiliate functions (competitive suppliers)

Under this organizational approach, the Ohio regulated electric utilities within FirstEnergy are separated, but also potentially connected through various services that are shared under the "corporate support" umbrella. For both regulated utility FirstEnergy companies and competitive FirstEnergy companies, services are centrally provided through "FirstEnergy Services," also known as "corporate services," or "corporate." Corporate services include FirstEnergy upper management, accounting, information technology, human resources, planning (responsible for analyzing customer interconnection or upgrade requests), engineering, certain aspects of customer service, and tree trimming. These shared services are a potential point of interconnection for the

[46] Case No. 17-0974-EL-UNC, Response to OH DM 1-DR-003-Attachment G, "*FERC Affiliate Restrictions Compliance Program*," p. 9.

otherwise separate regulated utility and the competitive supplier branches of the company.

From the point of view of FERC and Ohio code compliance, FirstEnergy needs to ensure that regulated and unregulated affiliates are not cross-subsidizing each other either directly or indirectly through shared services.

To manage the risk posed by these shared services, FirstEnergy has implemented the following measures, each of which are described in the following sections:

- **Employee classification system** – establishing different groups of employees that have access to differing sets of information and buildings
- **Physical separation** – effectively limiting access by certain employees to protected information
- **Information access restrictions** – ensuring information on computer systems is accessible only to those appropriate to view it
- **"No-conduit" rule** – shared service employees are not allowed to use their position to move information between regulated and unregulated entities
- **Procedures around employee transfers** – ensuring there are strict rules around employees transferring between regulated and unregulated divisions
- **Separation of Accounting**- each Ohio Company must maintain its own books

Employee classification system

The foundation of FirstEnergy's approach to ensuring employees only have access to appropriate information (developed for compliance with FERC Standards of Conduct and FERC Affiliate Restrictions) is referred to as the "FERC classification system" for employees.[47] These classifications govern both what information and what physical spaces employees can access. FirstEnergy has assigned a color to each of these classification types as shown Figure 5.

[47] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-013-Attachment A, Administrative Procedure FCD-AP-27.

classification	code	color
Inactive Employee	0	White
Regulated Employee	1 – Reg	Tan
Transmission Function Employee	1T – Reg TFE	Yellow
Generation Support Employee	2 – Gen	Purple
Shared Services Employee	3 – SS	Orange
Shared Senior Officers	30 – SSO	Green
Regulated Marketing Function Employee	4M – Reg MFE	Red
Competitive Marketing Function Employee	5M – Com MFE	Blue

Figure 5. FirstEnergy's staff grouping based on FERC classification

In the figure above, employees are grouped into the following categories:

- **White** – Inactive Employee
- **Tan** – Regulated Employee (distribution planning and engineering, distribution operations, distribution reliability, forestry, customer service, retail sales, demand side management, call center operations, credit and collections, power billing, meter reading, right-of-way and permitting, field operations support, restoration and emergency preparedness, field metering, substation engineering and design, vegetation management and non-operational/planning transmission organization employees. (This category may include dedicated shared services employees who are in one of the above categories)
- **Yellow** – Transmission Function Employee (transmission operations, transmission planning and protection)
- **Purple** – Generation Support Employee (generation fleet support)
- **Orange** – Shared Services Employee (accounting, finance, auditing, communications, FERC Compliance, Corp/Real Estate, Records Management, Environmental, IT, Legal, Rates, Supply Chain, Tax, and Risk Management)
- **Green** – Shared Senior Officer (senior officers)
- **Red** – Regulated Marketing Function Employee (members of the Regulated Commodity Sourcing group or the Generation Commercial Operations group). These employees work "on behalf of" the regulated utilities.

- **Blue** – Competitive Marketing Function Employee (competitive generation managed by Allegheny Energy Supply)

The intention of this system is that by establishing employee types, these categories can then be used to define access levels so that corporate separation is being actively enforced.

The FirstEnergy diagram that follows illustrates the different color-coded FERC classifications and the types of information each group can have access to:[48]

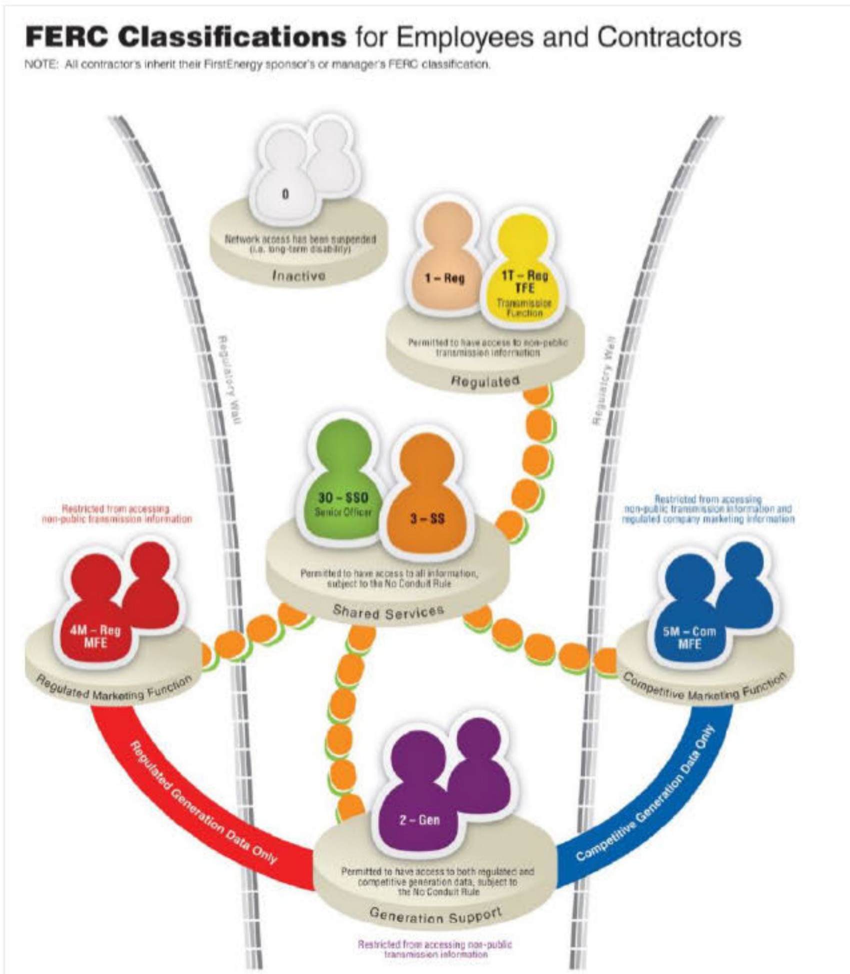

Figure 6. **FERC classifications for employees and contractors**

[48] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-022-Attachment D, *"Shared Folder Network Access."*

This structure is reflected in provisions for physical separation of employees, as well as governing their access to online information.

Physical separation

One element of separation based on FERC classifications is physical. FirstEnergy states that no Ohio Company employees work in the same location with competitive service company employees.[49] Within Ohio, separate, key-card-restricted office space is provided to the transmission control centers, the generation control centers, and the non-operational transmission support offices. Security protections are established to ensure that Marketing Function Employees and Generation Support Employees do not have access.[50] In FirstEnergy's 2017 FERC Affiliate Restrictions training slides, employees are instructed to take steps such as securing hard copies of documents out of sight, locking screens, using dedicated printers or a secure print feature for FERC sensitive information, and erasing whiteboards in public meeting rooms, if not in a restricted area secured by a key card.[51] These supplemental measures (beyond physical separation of office space) rely primarily on employee diligence to ensure success.

A key vulnerability of this approach is the potential for "tailgating" employees (unauthorized employees following authorized employees in through a door normally kept locked). This risk is discussed in the administrative procedure document on visitor registration and access control, and is discouraged; however, we did not see evidence of any additional measures (in the form of audits or spot checks, for instance) that are undertaken to reinforce employee compliance.[52]

Another potential vulnerability is a cross-functional team. In FirstEnergy's FERC Affiliate Restrictions compliance document, it mentions that cross-functional work groups may sometimes be necessary.[53] FirstEnergy recognizes that "*such efforts can result in greater efficiencies, reduced costs and improved service to our customers*."[54] These groups are approved by the FERC Compliance Department. FirstEnergy does not maintain a list of cross-functional work groups and is therefore "*not able to determine if during the audit*

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[49] Case No. 17-0974-EL-UNC, Response to OH DM 4-DR-010, and 4-DR-11.

[50] Case No. 17-0974-EL-UNC, Response to OH DM Set 1-DR-003-Attachment G, "FERC Affiliate Restrictions Compliance Program".

[51] Case No. 17-0974-EL-UNC, Response to OH DM Set 7-DR-10A.

[52] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-024-Attachment B, Administrative Procedure, FCD-AP-01, Rev. 15. "TFE Workspace Visitor Registration and Access Control"

[53] Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR 3 Attachment G

[54] Id, p. 14

period there were any such groups that included Companies' employees and non-regulated affiliated employees."[55] We did not encounter any employees that were on a cross-functional team during our audit.

Information access limits

Because the FirstEnergy companies share a common IT department and several common applications, another issue is ensuring that employees do not have access to files or data from other affiliated companies.

To prevent this, FirstEnergy has defined a category of information as "FERC Sensitive Information (FSI)." FSI is *"non-public transmission function or non-public regulated company market information."*[56] Access to FSI electronic information is controlled as follows:

- For certain categories of applications (SAP enterprise applications that have a record in the HP Service Manager) that could contain "non-public transmission function information or non-public regulated company market information," the HP Service Manager regulates access based on employee FERC classification.[57] It is possible to deviate from these controls by establishing a separate classification; however, *"Any deviation…must be reviewed by FCU [FERC Compliance Unit] to ensure they are legally permissible and must be approved by the FCU or the CFCO [Chief FERC Compliance Officer] as appropriate."*[58]
- Other applications that include FSI have access regulated on an individual employee basis, governed by individual "business system owners."[59] The decision as to whether a non-SAP application should be classified as including FSI is made by the business units with guidance by the FERC Compliance Unit. Access to these systems is reviewed quarterly by the CIP Compliance Program & Reliability Standards Department. The focus of the review is primarily on

[55] Case No. 17-0974-EL-UNC, Response to OH DM Set 7 DR 16

[56] Case No. 17-0974-EL-UNC, Response to OH DM Set 1-DR-003-Attachment G, "FERC Affiliate Restrictions Compliance Program", p. 13.

[57] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-22-Attachment A. Administrative Procedure FCD-AP-55 Rev. 6

[58] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-22-Attachment B, Reference Document FCD-R-09 Rev. 7.

[59] A business system owner is the owner of a particular application or folder of information (known as a security group). They control who also has access to that security group.

ensuring that access has been updated to reflect separations and transfers.[60] Access to any of the thousands of files[61] on the shared storage drive is governed by sharing rules that restrict access based on FERC classification groups.[62] The FERC Compliance Unit (FCU) can make exceptions, and there is a folder designated for shared resources (for example, pandemic planning). The FCU monitors this shared folder periodically. In general, access to folders is granted by the IT department based on an employee's FERC classification. A system-generated report can be produced for review by FCU that lists all folders with "mixed group" access.[63] A mixed group would include employees from more than one FERC classification.

- Access to SharePoint sites, like access to shared drive files, is governed by restrictions on "mixed groups."[64] Certain FERC classification groups are not allowed to share information with each other. For instance, FirstEnergy has established rules that limit sharing between Generation Support and Regulated Marketing Function employees and Generation Support and Competitive Marketing Function employees. Sharing between Regulated employees and/or Transmission Function employees and Generation Support and/or Marketing Function employees occurs on an exception-only basis and permission must be granted by the CFCO. No sharing is permitted between Regulated T&D and Regulated Generation, Regulated T&D and Competitive Market, and Regulated Market and Competitive Market employees.[65]

The Central Security Administration has the responsibility to set up initial access rights when a new folder or security group is created.[66] They will also review any mixed group requests and reject any that do not follow the established guidelines. The FERC Compliance Department is responsible for approving any of the limited access mixed

[60] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-22-Attachment A. Administrative Procedure FCD-AP-55 Rev. 6 and 6-DR-22-Attachment C, Reference Document FCD-R-11 Rev. 6.

[61] One of the interviewees discussed how there were thousands of security groups.

[62] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-022-Attachment D, *"Shared Folder Network Access."*

[63] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-22-Attachment D, Administrative Procedure FCD-AP-04 *"Shared Folder Network Access."*

[64] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-22-Attachment E, Administrative Procedure FCD-AP-54 Rev. 5, *"Share Point Site Access."*

[65] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-22-Attachment D, Administrative Procedure FCD-AP-04 *"Shared Folder Network Access."*

[66] Id.

groups. Once the folder is created, it is the business system's owner's responsibility to monitor access: *"All folder owners are responsible for the folder access rights and ensuring access is maintained and kept current and up-to-date on a going forward basis."*[67]

The FERC Compliance Department receives weekly reports on any security group that has added or removed individuals, as well as that employee's FERC classification.[68]

No-conduit rule

FirstEnergy's "no-conduit rule" is based on FERC Standards of Conduct requirements and is summarized as *"A Transmission Provider cannot use anyone as a conduit to transmit non-public transmission function information to a Marketing Function Employee (MFE)."*[69] This rule is incorporated in FirstEnergy's FERC Affiliate Restrictions Compliance Program document, and is what forbids shared services employees from communicating sensitive information between regulated utility employees and competitive supplier employees. Shared service employees must be very aware of the no-conduit rule as some of them may interact with both regulated and non-regulated groups. In one case, we encountered a management employee who had access to regulated customer information but could not share that information with his boss. In all of our interviews, staff did acknowledge and were familiar with the no-conduit rule.

The rules for sharing that follow from the no-conduit rule are complex, as can be seen in the "Permissible Sharing Table" shown below that was provided by FirstEnergy as an example of how these rules apply to file sharing:[70]

[67] Id.

[68] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 25 Attachment A Confidential.

[69] Case No. 17-0974-EL-UNC, Response to OH DM Set DM Set 1-DR-003-Attachment H, p. 2. The FERC requirement is found at 18 CFR § 35.39(g).

[70] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-022-Attachment D, "FERC & State Regulatory Compliance Dept. – Administrative Procedure FCD-AP-04 Rev. 17, "Shared Folder Network Access."

Table 5. Permissible Sharing Table

Permissible Sharing Table		
FERC Indicator	**May share with FERC Indicators**	**Membership**
1 - Reg Tan	• 1T - Reg TFE & 3 - SS (including 3O - SSO)	1s & 3s
1T - Reg TFE Yellow	• 1 - Reg & 3 - SS (including 3O - SSO)	1s & 3s
2 - Gen Purple	• 3 - SS (including 3O - SSO) • Shares regulated generation data and jointly owned generation data with 4M - Reg MFE under U:\Gen-Reg folder • Shares competitive generation data and jointly owned generation data with FES[1] 5M - Com MFE under U:\Gen-Com folder	2s & 3s 2s, 4s & 3s in U:\Gen-Reg 2s, 5s & 3s in U:\Gen-Com
3 - SS Orange	• 3O - SSO • Otherwise, 3 - SS (including 3O - SSO) employees must separate their materials appropriately and share with other FERC classifications using the folders owned by individuals in that FERC classification.	3s
4M - Reg MFE Red	• 3 - SS (including 3O - SSO) • Shares with 2-Gen under U:\Gen-Reg folder	4s & 3s 4s, 2s & 3s in U:\Gen-Reg
5M - Com MFE Blue	• 3 - SS (including 3O - SSO) • FES[1] shares with 2 - Gen under U:\Gen-Com folder	5s & 3s 5s, 2s & 3s in U:\Gen-Com

[71]

Employee transfers

FirstEnergy also has policies and procedures dealing with employee transfers, particularly when employees (or contractors) transfer in a way that changes their FERC classification. These policies and procedures are designed to ensure that transferred employees do not become conduits of information or carry access that was appropriate in one position into another position where it is no longer appropriate. The controls established include the following:

1. Limits on how often employees can be transferred between marketing functions and transmission functions (no more than once a year, and new marketing functions cannot be undertaken until information from a previous position has become "stale")[72]
2. A transfer process established with checklists for transferring employees and supervisors that is monitored by the FERC Compliance Unit.[73] The FCU has

[71] Note that FES is no longer an affiliate of FirstEnergy

[72] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-014-Attachment A, p. 2. The length of time necessary before information becomes stale is not defined in the document.

[73] Case No. 17-0974-EL-UNC, Response to OH DM Set 6-DR-014-Attachment A, p. 2.

responsibility for monitoring compliance with the required process for FERC Critical Transfers.

FirstEnergy has identified certain transfers as ones that need extra attention. These are called FERC Critical Transfers. Below is FirstEnergy's table of what constitutes a Critical Transfer.[74]

Table 6. FirstEnergy's table of what constitutes a FERC Critical Transfer

Current FERC Classification	Future FERC Classification	Critical Transfer?
1 - Reg	1T - Reg TFE 3 - SS 3O - SSO	No
1 - Reg	**2 - Gen** **4M - Reg MFE** **5M - Com MFE**	**Yes**
1T - Reg TFE	1 - Reg 3 - SS 3O - SSO	No
1T - Reg TFE	**2 - Gen** **4M - Reg MFE** **5M - Com MFE**	**Yes**
2 - Gen	1 - Reg 1T - Reg TFE 3 - SS 3O - SSO 4M - Reg MFE	No
2 - Gen	**5M - Com MFE**	**Yes**
3 - SS	1 - Reg 1T - Reg TFE 3O - SSO	No
3 - SS	**2 Gen** **4M - Reg MFE** **5M - Com MFE**	**Yes**
3O - SSO	1 - Reg 1T - Reg TFE 3 - SS	No
3O - SSO	**2 - Gen** **4M - Reg MFE** **5M - Com MFE**	**Yes**
4M - Reg MFE	1 - Reg 1T - Reg TFE 2 - Gen 3 - SS 3O - SSO	No
4M - Reg MFE	**5M - Com MFE**	**Yes**
5M - Com MFE	1 - Reg 1T - Reg TFE 2 - Gen 3 - SS 3O - SSO	No
5M - Com MFE	**4M - Reg MFE**	**Yes**

[74] Case No. 17-974-EL-UNC, Response to OH DM Set 13 DR 45 Attachment A.

The FERC Compliance Department receives a report of all Critical Transfers.[75] The FERC Compliance Department receives a notification of an upcoming FERC Critical Transfer after an ELM (Employee Lifecycle Management) form is submitted. Additionally, the FERC Compliance Department receives a report of all Critical Transfers on a weekly basis.

Separation of accounting

All three Ohio Companies maintain their own separate accounting books. FirstEnergy uses SAP, which allows for an integrated accounting system where affiliates each have their own codes and cost centers. Transactions all have an audit trail through the SAP system. The FESC business services group at each Ohio Company oversees budgeting and monitoring of the capital and O&M expenses for their respective Company. The business services group also performs a monthly budget variance report, which is reviewed by the Ohio Company management and FirstEnergy corporate.

Annually, the business services group assists the general accounting group with a review of all allocated costs. For more information and detailed review on cost allocation, refer to Section VII of this report on the Cost Allocation Manual.

C. Findings

We present traffic-light based findings for structural safeguards in Table 7. Based on our assessment, we find minor non-compliance in requirements related with sharing facilities/services and cross-subsidization across affiliates (OAC 4901:1-37 04(A)(2) and OAC 4901:1-37 04(A)(3)). These findings are primarily stemming from product offerings through FirstEnergy Products and FirstEnergy Home which is discussed further in Section VIII.D. As shown in Table 7, we find areas of improvement needed in a couple of other

[75] Case No. 17-974-EL-UNC, Response to OH DM Set 13 DR 44 Attachment A.

structural safeguards requirements. We discuss each of these improvement areas later in this section.

Table 7. Traffic-light based findings: Structural safeguards related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
4901 1-37	04(A)(1)	Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall function independently of each other.	✓				
4901 1-37	04(A)(2)	Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.			✓		Finding refers to Code of Conduct section 10, regarding warm transfers and the co-mingling of FEP & FE Home. There is also potential confusion for customers with FEP and utility- who is providing services?
4901 1-37	04(A)(3)	Cross-subsidies between an electric utility and its affiliates are prohibited. An electric utility's operating employees and those of its affiliates shall function independently of each other.			✓		Finding consistent with Code of Conduct section 10. FEP and FE Home are not independent of each other. Also FEP utilizing the utility name to sell goods.
4901 1-37	04(A)(4)	An electric utility may not share employees and/or facilities with any affiliate, if the sharing, in any way, violates paragraph (D) of this rule.		✓			Although Suvon employees are designated as Competitive Market employees and do not have access to confidential information, they are still part of FESC.
4901 1-37	04(A)(5)	An electric utility shall ensure that all shared employees appropriately record and charge their time based onfully allocated costs.		✓			Lacking some controls and review

Substantial written documentation was provided about FirstEnergy's approach to physical and information systems structural separation. These documents show Daymark that several steps have been taken to develop physical and information technology (IT) barriers to prevent unauthorized access to information by employees who should not have this access.

However, despite these physical and IT safeguards, certain aspects cannot be automated and rely on human judgment for compliance. The following are the primary risks to compliance that we have identified.

Behavior required to prevent unauthorized access to information may deviate from normal office behavior. In some cases, the requirements for compliance go against the grain of common office behavior (for example, not holding doors for people, business-based discussions in common work areas open to a variety of staff), and inclusion in training alone may not be sufficient to ensure compliance.

Complexity. In other cases, the demands for compliance are complex. The rules governing which employees can be in meetings together and which can share file access and for what purposes require employees to keep track of the FERC category for staff with whom they interact, and to keep in mind and apply complex rules about who can share what information with whom. In the case of access to files, there are literally thousands of "security groups" that must be monitored in some fashion to ensure compliance. In the case of employee transfers, checklists have been developed to help manage the complexity. FirstEnergy generally relies on individuals to manage compliance.

Recommendations

FirstEnergy's annual training should be supplemented with additional reinforcement throughout the year—these could range from signage to occasional spot checks. Daymark also recommends monitoring and tracking of cross-functional work groups. Currently, FirstEnergy has no record of these and has little way of knowing if there is a potential compliance gap.[76] A refresher on corporate separation training would be prudent at the start of the group if the cross-functional group includes regulated and unregulated personnel.

[76] Case No. 17-0974-EL-UNC, Response to OH DM Set 7 DR 16.

VII. FINANCIAL ARRANGEMENTS

A. Introduction

OAC 4901:1-37 Section 04(C) contains provisions on financial arrangements. Affiliates must comply with the following rules:

1. Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.
2. An electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate.
3. An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate.
4. An electric utility shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate.
5. An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate.
6. An electric utility shall not pledge, mortgage, or use as collateral any assets of the electric utility for the benefit of an affiliate.

B. Findings

Daymark found the Ohio Companies in compliance with the financial arrangement related requirements. Table 8 includes traffic-light based findings. Data responses and a review of the Cost Allocation Manual found that no Ohio Company helped to finance another affiliate during the period of review. FirstEnergy stated that because each affiliate is a separate legal entity, they have separate financial statements, separate capital structures, and maintain separate financial ratings.[77] The Legal and Treasury groups in FESC are charged with ensuring no agreement violates the Financial Arrangements rules of the Ohio Corporate Separation Plan. No documented procedure was produced that facilitates Legal's review. FirstEnergy stated that no known violation of these rules has occurred during the audit period.

[77] Case No. 17-974-EL-UNC, Response to OH DM Set 4 DR 18-24

Table 8. Traffic-light based findings: Financial arrangements related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
4901 1-37	04(C)(1)	Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.	✓				
4901 1-37	04(C)(2)	An electric utility shall not enter into any agreement with terms under which the electric utility is obligated tocommit funds to maintain the financial viability of an affiliate.	✓				
4901 1-37	04(C)(3)	An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions ofan affiliate.	✓				
4901 1-37	04(C)(4)	An electric utility shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate.	✓				
4901 1-37	04(C)(5)	An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise withrespect to any security of an affiliate.	✓				
4901 1-37	04(C)(6)	An electric utility shall not pledge, mortgage, or use as collateral anyassets of the electric utility for the benefit of an affiliate.	✓				

VIII. CODE OF CONDUCT

A. Introduction

The code of conduct section in Ohio's corporate separation rules consists of OAC 4901:1-37 Section 04(D). There are 11 different provisions regarding access to customer and supplier information, ensuring competitiveness, making representations to customers, and offering products and services. The figure below lists these provisions along with how they map to the subsections.

Managing customer and supplier information	Customer protections	Products and services	Marketing and branding
Report section: **B** OAC 4901:1-37 sections: **04(D)1** **04(D)2** **04(D)4** **04(D)7**	Report section: **C** OAC 4901:1-37 sections: **04(D)5** **04(D)6** **04(D)8**	Report section: **D** OAC 4901:1-37 sections: **04(D)10**	Report section: **E** OAC 4901:1-37 sections: **04(D)9** **04(D)11**

Figure 7. Mapping of code of conduct requirements to key audit themes

B. Managing customer and supplier information

OAC 4901:1-37 puts limits on the disclosure of customer and supplier information and establishes requirements regarding what customer and supplier information must be made publicly available. Table 9 presents these OAC 4901:1-37 requirements.

Table 9. Managing customer and customer information related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	Governing Doc Section	Requirement
4901 1-37	04(D)(1)	The electric utility shall not release any proprietary customer information (e.g., individual customer loadprofiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.
4901 1-37	04(D)(2)	On or after the effective date of this chapter, the electric utility shall make customer lists, which include name, address, and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in its service territory, unless otherwise directed by the customer. This provision does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services. This information shall not be used by the certified retail electric service providers for any other purpose than the marketing of electric service to the customer.
4901 1-37	04(D)(4)	An electric utility shall treat as confidential all information obtained from a competitive retail electric serviceprovider, both affiliated and nonaffiliated, and shall not release such information, unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomesavailable to the public other than as a result of disclosure by the electric utility.
4901 1-37	04(D)(7)	The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electric service providers operating on the system, but shall not endorse any competitive retail electric service providers, indicate that an electric services company is an affiliate, or indicate that any competitive retail electric service provider will receive preference because of an affiliate relationship.

According to Section 04(D)(1) and (4), proprietary customer and supplier information must be protected. However, the regulated utility is also required to make some customer and supplier information available as per Section 04(D)(2) and (7).

The OAC requirements that restrict the release of customer and retail supplier information are parallel to FERC requirements in 18 CFR § 35.39. However, there are no equivalent FERC requirements relative to the Ohio requirements to make customer and supplier lists available, which means that FirstEnergy in this case cannot rely on their FERC compliance systems to demonstrate compliance with these OAC requirements.

Protecting proprietary customer information and retail supplier information

FirstEnergy reports that Supplier Services (a department within the FESC) "owns" relevant processes related to protecting proprietary customer information.[78] These processes are detailed in the procedure document "Peak Load Share – Capacity and Transmission Values – MD, NJ, OH, PA."[79] Utilities can provide customers with their own information directly, but must refer suppliers and energy consultants to the Supplier Services website when these entities request customer information. The website includes a self-service option for suppliers, which requires submitting a letter of authorization.[80] The FirstEnergy customer service staff interviewed were aware of the rules requiring authorization before providing such information.

Making customer lists available

The Customer Service unit at FirstEnergy (part of Corporate Services) has the responsibility of making the customer lists available to certified retail service providers through the Supplier Portal, where the lists are posted quarterly for authorized users.[81] FESC staff are aware of this based on our interviews; however, many of the regulated utility staff we spoke to did not seem as aware —instead, they cited a blanket "never provide customer information" rule as their overall guidance if a retail supplier or other entity requested a customer list.

Making information about retail providers available.

Each regulated utility website includes a "Customer Choice" page maintained by Supplier Services that lists competitive retail electric service providers.[82] Rules governing provision of supplier information to customers are covered in detail in the procedure form "Supplier Interactions – MD, NJ, OH, PA," which is part of the C-NET procedures (C-NET is the directory of customer service procedures) for customer service staff.[83] These procedures detail both the sharing of information regarding alternative suppliers that should be provided to customers and the requirement that employees never recommend any particular supplier. The customer service staff interviewed seemed

78 Case No. 17-0974-EL-UNC, OH DM Set 4-DR-028.

79 Case No. 17-0974-EL-UNC, OH DM Set 4-DR-028, Attachment A.

80 Case No. 17-0974-EL-UNC, OH DM Set 4-DR-028.

81 Case No. 17-0974-EL-UNC, Response to OH DM Set 4-DR-029, and Attachment A to this response, "Eligibility List – MD, OH, PA."

82 Case No. 17-0974-EL-UNC, OH DM Set 4-DR-32.

83 Case No. 17-0974-EL-UNC, OH DM Set 4-DR-34-Attachment A.

aware of the requirement to make information about retail providers available; however, in the regulated utility, awareness of this requirement was not clear. Staff primarily were aware of their obligation not to express preference for a retail provider. More than one staff member noted that in response to a request for a list of retail suppliers, they would refer the customer to the PUCO website.

Findings

We present traffic-light based findings for requirements related with managing customer and supplier information in Table 10. We found FirstEnergy to be generally compliant with these requirements. Procedures are in place and the staff who would be called upon to provide that information seemed aware of the procedures and who should handle requests for such information.

With respect to the requirements related to providing customer and retail supplier lists, procedures exist and the office responsible for providing this information, the Customer Service office, is aware of them. We noted that many of the staff interviewed in the regulated utilities did not seem to be aware of these requirements. This may be related to the fact that they are specific to the Ohio code and not part of the FERC requirements and that FirstEnergy staff receive little Ohio-specific training. This lack of awareness could result in creating the impression for some retail suppliers and/or customers that the information is not available, rather than that it is only available through the FirstEnergy Customer Service office.

Table 10. Traffic-light based findings: Managing customer and supplier information related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
4901 1-37	04(D)(1)	The electric utility shall not release any proprietary customer information (e.g., individual customer loadprofiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.	✓				
4901 1-37	04(D)(2)	On or after the effective date of this chapter, the electric utility shall make customer lists, which include name, address, and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in its service territory, unless otherwise directed by the customer. This provision does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services. This information shall not be used by the certified retail electric service providers for any other purpose than the marketing of electric service to the customer.		✓			Not everyone knows they can provide the lists. Customer accounts managers do not think they can be provided. Modify training.
4901 1-37	04(D)(4)	An electric utility shall treat as confidential all information obtained from a competitive retail electric serviceprovider, both affiliated and nonaffiliated, and shall not release such information, unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomesavailable to the public other than as a	✓				
4901 1-37	04(D)(7)	The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electric service providers operating on the system, but shall not endorse any competitive retail electric service providers, indicate that an electric services company is an affiliate, or indicate that any competitive retail electric service provider will receive preference because		✓			People whose job it is to provide the lists know, other employees would direct them to the PUCO website. More training.

Recommendations

We recommend FirstEnergy place a greater emphasis on the availability of a list of alternative retail suppliers to any customer upon request. Since these requests most likely come through the customer service function, it is likely that customers are receiving the supplier lists. However, to ensure customers can access this information from any interaction with FirstEnergy, utility staff should be made more aware of this requirement and establish a process to supply the appropriate list.

C. Customer protections

Table 11 includes customer protection related requirements included in OAC 4901:1-37.

Table 11. Customer protection related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	**Governing Doc Section**	**Requirement**
4901 1-37	04(D)(5)	The electric utility shall not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, orotherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or anyother waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's affiliates.
4901 1-37	04(D)(6)	The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electricservice or to a product or service other than retail electric service, and vice versa.
4901 1-37	04(D)(8)	The electric utility shall use reasonable efforts to ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power and the electric utility's compliance officershall promptly report any such unreasonable sales practices, market deficiencies, and market power to the director of the

In response to our request for information about how the Ohio Companies met this requirement, FirstEnergy provided us with the Procedure Forms (or scripts) for central customer service staff receiving calls from customers complaining about slamming (having their retail provider switched without their consent) and other complaints about supplier misrepresentation and/or harassment.[84]

Scripted responses include customer education about retail choice, referring the customer back to the supplier, and referring the customer to the PUCO to file a complaint.

Findings

As shown in Table 12, we find that FirstEnergy is generally compliant with the requirements for customer protection. The phrase "*reasonable efforts*" in OAC 4901:1-37 Section (D)(8) leaves room for interpretation. In this case, the approach taken is primarily reactive. We did not obtain any evidence of proactive efforts to identify patterns of consumer complaints and/or to undertake proactive customer outreach or education to protect customers against bad actors, such as third parties trying to scam

[84] Case No. 17-0974-EL-UNC, Response to OH DM Set 4-DR-033, Attachments A and B.

customers. However, a customer service procedure to respond to complaints does exist, and it includes referring complaints to the PUCO.

Table 12. Traffic-light based findings: Customer protection related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
4901 1-37	04(D)(5)	The electric utility shall not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, orotherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or anyother waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's	✓				
4901 1-37	04(D)(6)	The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electricservice or to a product or service other than retail electric		✓			Products and services group utilizes existing customer base to sell goods and services via customer service
4901 1-37	04(D)(8)	The electric utility shall use reasonable efforts to ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power and the electric utility's compliance officershall promptly report any such unreasonable sales practices, market deficiencies, and market power to the director of the utilities department (or their		✓			Does not seem to be pro-active. FE should be monitoring. Would be a piece of a good compliance plan. Typically only outliers gain attention.

Recommendations

Daymark recommends that FirstEnergy take a more proactive approach to compliance. We suggest monitoring and reporting customer complaints in more detail. FirstEnergy stated: "*While the Companies do not track all Customer complaints received by phone or mail, the Companies track all formal and informal customer complaints received from the PUCO.*"[85] Not all customers may even be aware of the Commission (PUCO), and certainly would not be submitting a complaint to them. Customers are much more likely to complain to their utility regarding third party supplier practices. The log of complaints provided to Daymark only contained the date of the complaint and which utility the customer came from and did not contain complaint related information.[86] We recommend tracking customer complaints related to supplier practices and to review

[85] Case No. 17-974-EL-UNC, Response to OH DM Set 4 DR 33

[86] Id, Attachment C

that, at a minimum, on an annual basis to determine if any patterns emerge that should be rectified.

D. Products and services

OAC 4901:1-37 Section 4(D)(10) is about preventing discrimination in its offering of products and services in the electrical market. Table 13 presents the detailed requirements.

Table 13. Products and services related requirements included in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	**Governing Doc Section**	**Requirement**
4901 1-37	04(D)(10)(a)	An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.
4901 1-37	04(D)(10)(b)	The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or nonaffiliation.
4901 1-37	04(D)(10)(c)	The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates or customers of affiliates preferential treatment or advantages over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.
4901 1-37	04(D)(10)(d)	The electric utility shall strictly follow all tariff provisions.
4901 1-37	04(D)(10)(e)	Except to the extent allowed by any applicable law, regulation, or commission order, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any retail electric service.

FirstEnergy currently provides non-electric products and services in Ohio. The Ohio Companies offers products and services to its Ohio regulated company customers via FirstEnergy Products (FEP). The Companies' unregulated affiliate, Suvon LLC DBA FirstEnergy Home, also offers similar products and services to residents of Ohio through its unregulated affiliate. FirstEnergy Home is part of FirstEnergy's affiliate Suvon. Suvon includes both FirstEnergy Home and FirstEnergy Advisors. A visualization of where these groups are in FirstEnergy's corporate structure is included in Figure 8. Note there is some discrepancy between FirstEnergy's affiliate organizational chart that was provided and the actual reporting and operating structure of Suvon and FESC. According to the affiliate organizational chart (See Appendix E), Suvon is a completely separate entity. During our audit however, we learned that Suvon employees are FESC employees. The colors of each affiliate shown in Figure 8 correspond to FirstEnergy's FERC color-coding system: blue is competitive marketing function employees and orange is shared services staff.

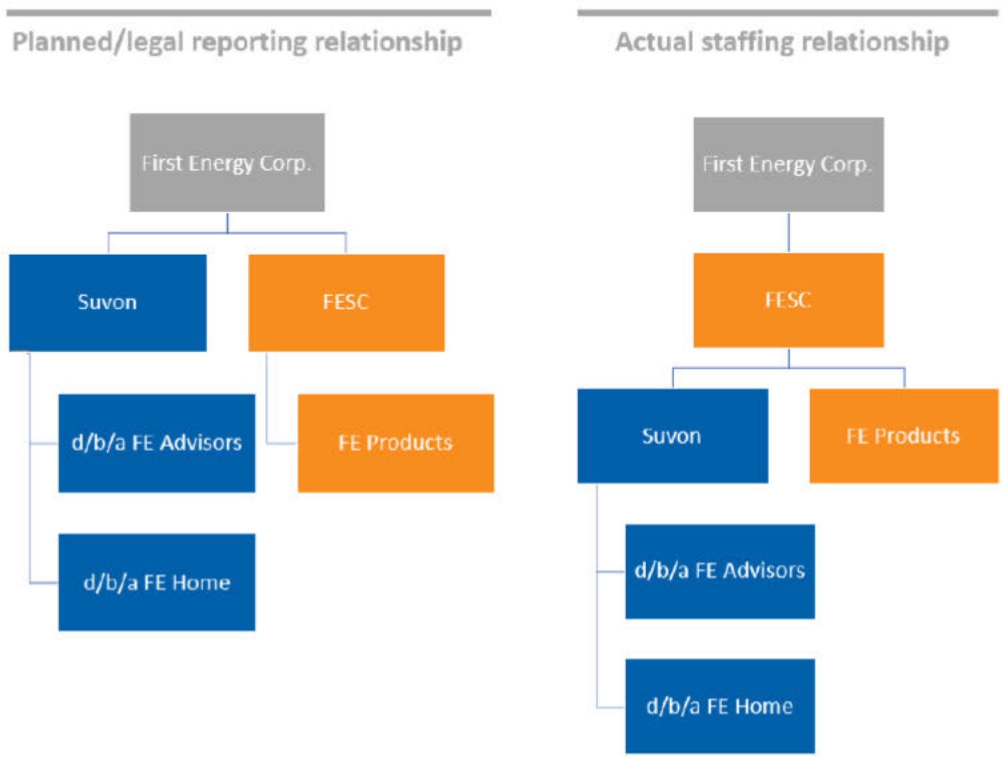

Figure 8. Reporting relationship between FirstEnergy Corp., FESC, and Suvon[87]

Since OAC 4901 requirements are mandated for Ohio Companies, this audit focused on assessing separation compliance with respect to those products and services offered to Ohio Companies' customers via FEP. We also sought information on FirstEnergy Home due to similarity of product types, delivery methods, and the FirstEnergy Service Company team supporting products for both FEP and FirstEnergy Home.

The Ohio Companies currently offer various products and services including tree service, electrical service, landscape lighting, home insulation, security lighting, surge protection, exterior and interior line protection, low voltage wiring protection, exterior water line protection, exterior sewer/septic line protection, water heater repair, heating/cooling

[87] Source for planned/legal reporting relationship: Case No. 17-0974-EL-UNC, Response to OH-DM Set 2 – DR1; Source for actual operating reporting relationship: interviews and Case No. 17-0974-EL-UNC, Response to OH-DM Set 1 – DR6.

system repair, exterior/interior gas line protection, and connections mover services. Previously, the Ohio Companies also offered the following: AC maintenance plan, EV charger leasing plan, heat maintenance plan, HVAC maintenance plan, kitchen appliance plan, laundry appliance plan, and plumbing repair plans.[88]

Many of these services are provided by independent contractors on behalf of FirstEnergy.[89] The independent contractors are selected by FirstEnergy through its vetting process that involves interviews and review of qualifications followed by execution of a contractor agreement. FirstEnergy charges a commission fee, usually a percentage of total fee that the customer pays for the service.

FirstEnergy Products (FEP)

Applicable Tariffs

Section X.C of the Ohio Companies' approved tariffs allow the Companies to *"furnish special customer services as identified in this section."*[90] OAC 4901:1-37 Section 4(D)(11) states that FirstEnergy must *"clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services."*[91] That means that FirstEnergy must disclose that the products and services being offered are not by the Ohio Companies. Additionally, the Ohio Companies' tariffs state the following: *"No such special customer services shall be provided except where the Company has informed the customer that such service is available from and may be obtained from other suppliers. A customer's decision to receive or not receive special customer services from the Company will not influence the*

[88] Case No. 17-0974-EL-UNC, Response to OH-DM Set 4-DR-27

[89] Case No. 17-0974-EL-UNC, Response to OH-DM Set 12 DR 3, Interview #27

[90] For Ohio Edison Company, see P.U.C.O. No. 11, Original Sheet 4, Section X.C, ("Special Customer Services"), Page 13 of 21, available here, accessed June 22, 2021.

For The Cleveland Electric Illuminating Company, see P.U.C.O. No. 13, Original Sheet 4, Section X.C, ("Special Customer Services"), Page 13 of 21, available here, accessed June 22, 2021.

For The Toledo Edison Company, see P.U.C.O. No. 8, Original Sheet 4, Section X.C, ("Special Customer Services"), Page 13 of 21, available here, accessed June 22, 2021.

[91] OAC 4901:1-37-04(D)(11)

delivery of competitive or non-competitive retail electric service."[92] The tariffs further list all of the service types that each of the Ohio Companies can offer.[93]

FirstEnergy states they have authority to offer all their current products and services under their tariff. In an interview, it was articulated that the tariff provided broad guidelines on what types of products FirstEnergy could offer, and FirstEnergy was able to determine what specific products were eligible under those guidelines. FirstEnergy's written response to a RESA complaint stated something similar.[94] An interviewee did not think that FirstEnergy had offered any new products in Ohio since 2017.

In terms of providing guidance on what products were eligible under the Ohio Companies' tariff, it appears that authority rests with a few groups within FirstEnergy. We asked how a new product offering would be evaluated for eligibility and received this response: *"To ensure conformance with Ohio's Corporate Separation Rules, the Products team is trained on the rules and is knowledgeable of the applicable provisions in the Companies' approved tariffs. The Products team may also consult with legal counsel and/or the Rates department on any questions regarding whether new product offerings conform with all applicable tariffs, regulations, statutes, and compliance policies."*[95] The FirstEnergy products team also seeks input from the Rates and Legal departments for guidance on product offerings and tariff interpretation.[96] Legal has memoranda of guidance on the current tariff and product offerings, but FirstEnergy determined it was privileged information and Daymark was not allowed to review it.[97] It is a good practice

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[92] For Ohio Edison Company, see P.U.C.O. No. 11, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

For The Cleveland Electric Illuminating Company, see P.U.C.O. No. 13, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

For The Toledo Edison Company, see P.U.C.O. No. 8, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

[93] These include: design and construction of customer substations, resolving power quality problems on customer equipment, providing training programs for construction, operation, and maintenance of electrical facilities, performing customer equipment maintenance, repair or installation, providing service entrance cable repair, providing restorative temporary underground service, providing upgrades or increases to an existing service connection, performing outage or voltage problem assessment, disconnecting a customer owned transformer, loosening or refastening customer equipment, determining the location of underground cables, covering up lines for protection, making a generator available to customer during construction to avoid an outage, opening a transformer, re-setting a customer owned reclosure device, providing phase rotation of customer equipment, and upgrading the customer to phase three service.

[94] Case No. 17-0974-EL-UNC, Response to OH-DM Set 2 DR 6 Attachment B- Confidential.

[95] Case No. 17-0974-EL-UNC, Response to OH-DM Set 13 DR 28.

[96] Case No. 17-0974-EL-UNC, Responses to OH-DM Set 13 DR 29-31.

[97] Case No. 17-0974-EL-UNC, Response to OH-DM Set 13 DR 27.

to seek guidance from the Legal and Rates team, however, as this communication was deemed privileged, Daymark was not able to verify FirstEnergy's process for determining which products and services are allowed by their tariff.

Financial Process (revenue and account settlement; payment options for customers)

The revenue from FirstEnergy Products is settled "below the line," which means it is an unregulated portion of the Ohio Companies' income. The Companies' FEP profits and losses are settled in FERC accounts 415 and 416 on each Company's income statement.[98] As such, the net profits are not passed through to the customers of the regulated utilities, who are paying for the billing services used by FEP in their rates.

During the 2016-2020 period, FEP generated approximately [redacted] from products and services offered to Ohio Companies' customers. Table 14 presents the program or service-level revenue and cost information offered through FEP during the same 2016-2020 period.[99] Similarly, Figure 9 breaks down total revenue and cost information of the FEP group by year. We observed that the annual revenue has increased significantly over the years, growing at an approximate [redacted] compound annual growth rate during the 2016-2020 period.

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[98] Case No. 17-0974-EL-UNC, Response to OH-DM Set 13 DR 41.

[99] Case No. 17-0974-EL-UNC, Response to OH-DM Set 13-DR-033 Attachment A.

Table 14. Program-level revenue and cost for FEP during the 2016-2020 period

[redacted]

[redacted]

Figure 9. Total FEP-based annual revenue and cost during the 2016-2020 period

Customers have various options to pay for the products and services offered through FEP. They can put the charge on their monthly utility bill, pay via check, or pay via credit card.[100] Although customers have different options for payment, we found most payments were made through the customers' electricity bill. As shown in Figure 10 [redacted] of the eligible FEP revenue was collected through the customers' electricity bill.[101] Daymark reviewed a sample electricity bill and verified that customers that choose to pay via their bill will have a line item added to their bill for each product or service the customer enrolled in, under the heading "Charges from Ohio Edison" (or other utility name).[102] Figure 10 also shows that of the remaining revenue, [redacted] was collected from checks and only [redacted] was collected via credit cards.

[redacted]

Figure 10. FEP total revenue by payment options during 2016 – 2020 period

Soft transfers

FirstEnergy offers products to customers through soft transfers, also known as "warm transfers." These "warm transfers" occur in situations where a customer, if agreed, could be transferred to learn about product offerings when they call the customer center for various reasons such as move-in/move-out. FirstEnergy has a Connections Program that

[100] Case No. 17-0974-EL-UNC, Response to Set 13 DR 35.

[101] Case No. 17-0974-EL-UNC, Response to Set 13 DR 36 Attachment A.

[102] Case No. 17-0974-EL-UNC, Response to Set 13 DR 37 Attachment A.

offers Surge Assist and HomeServe Exterior Electrical Line Protection for eligible customers when they call for move-in services. Customers can also be directly transferred to third parties for services such as cable, internet, phone, home security, and a money saving Saver's Program with coupons to major retailers.[103]

The FirstEnergy Products group generated revenue of approx. [redacted] through the Connections Program during the 2016-2020 period.[104] Table 15 provides further details. Based on our interviews, the net profit generated through these 'warm transfers' is not credited back to the Ohio Companies.

Table 15. FEP revenue and cost generated via 'warm transfers' during the 2016-2020 period

[redacted]

Retail Energy Supply Association (RESA) complaint

During the audit period, FirstEnergy received only one corporate separation related complaint; that compliant was submitted by RESA.[105] In 2018, RESA submitted a compliant to FirstEnergy regarding their products and services offerings, then being launched under a website known as Smartmart.[106] FirstEnergy discontinued Smartmart in December 2019 due to cost reasons and started offering products and offerings via a different webpage.[107]

RESA had complaints stemming from this action. The members of RESA are direct competitors of FirstEnergy in several ways. RESA is a collective of independent energy providers who also offer many of the same non-consumption-based products. RESA's complaints centered around fair marketplace competition.[108]

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103 Case No. 17-0974-EL-UNC, Response to Set 13 DR 34 (a).

104 Case No. 17-0974-EL-UNC, Response to Set 13 DR 34 Attachment A.

105 Case No. 17-0974-EL-UNC, Response to Set 7 DR 24.

106 Case No. 17-0974-EL-UNC, Response to Set 2 DR 6, Attachment A.

107 Link to website: https://www.firstenergycorp.com/products/products-services.html; Source: Case No. 17-0974-EL-UNC, Response to Set 15 DR 1.

108 RESA made the following claims:

FirstEnergy responded to RESA's letter by initiating an investigation of the complaint as required by the Commission's corporate separation rules. FirstEnergy's investigation found that FirstEnergy did not violate any Ohio corporate separation rules and FirstEnergy had the authority to offer the products under the tariff.[109]

RESA was not satisfied with FirstEnergy's response and so it filed a formal complaint to the Commission.[110] In its formal complaint, RESA alleged that FirstEnergy committed the following violations:

- Violation of statutory prohibition against the provision of nonelectric products and services by an electric distribution utility.
- Violation of statutory prohibition against an affiliate's provision of nonelectric products and services not disclosed in or authorized by an approved corporate separation plan.
- Failure to implement and operate under an approved corporate separation plan.
- Violation of statutory prohibitions against discrimination, cross-subsidies, and anticompetitive conduct.

The essence of RESA's argument was that products and services must be offered through a fully separate affiliate, and they alleged that was not happening. RESA stated: *"R.C. 4928.17(A)(3) requires that no affiliate, division, or part of the FirstEnergy EDUs engaged in nonelectric services receive any undue preference or advantage from any affiliate, division, or part of the business engaged in business of supplying the noncompetitive retail electric service."*[111]

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1. That FirstEnergy utilities were offering products and services that the tariff did not allow
2. That FirstEnergy utilities were not distinguishing on their website whether the EDU or an FirstEnergy affiliate were selling the products
3. That having the products/services on the customer bill amounts to an indirect sale by the EDU
4. The Corporate Separation plan was violated, because the EDU plan states in Section VI, they: "offer a limited number of products and services other than retail electric service pursuant to existing tariff provisions and plan to continue offering the same types of products and services in the same manner." RESA claims the products and services have changed substantially.
5. Providing unauthorized goods and services "through an affiliate" rather than directly also violates R. C. 4928.17.

[109] Case No. 17-0974-EL-UNC, Response to Set 15 DR 6, Attachment B

[110] Case No. 18-0736-EL-CSS, RESA Complaint, April 25, 2018

[111] Case No. 18-0736-EL-CSS, RESA formal complaint, p. 13 para 67.

RESA discussed the marketing of Smartmart in its complaint to PUCO. RESA stated that "Smartmart by FirstEnergy" was an e-commerce site that was linked to the Ohio Companies' websites.[112] RESA also noted that Smartmart was advertised as having products or services "*you might not expect from your utility.*"[113] RESA also claimed "*In launching the Smartmart marketplace, the FirstEnergy EDU's have advertised Smartmart as 'a better way to shop for all of the great products and services that you'd normally see, and more. Come check it out and see how FirstEnergy can help make your home even more comfortable, convenient and secure.*'"[114] The way Smartmart was being marketed, it would seem (at least to the customer) as though the products and services being offered were through the Ohio Companies and not a separate affiliate.

Although FirstEnergy discontinued Smartmart in December 2019, RESA's reasonings are still valid as FirstEnergy still offers products and services via a different webpage.[115] Currently, on each Ohio Company's website, there is a tab for "*Products*," which advertises "*We can bring you more than just electricity. Check out our other offerings below.*"[116] Both the Smartmart website language and current website layout could make it appear to the customer that non-electric services and goods are being offered by the Ohio regulated Company. Currently there is a disclaimer on the bottom of the list of services that states, "*All services are performed by an independent contractor.*"[117] This disclaimer is in smaller text than the text used to describe the content of the page.

The Commission ordered "that the complaint be stayed pending the outcome of Case No. 17-974-EL-UNC."[118] This ongoing Corporate Separation Audit is docketed in this case.

Products offered through Suvon d/b/a FirstEnergy Home

FirstEnergy confirmed that both FEP and FirstEnergy Home could offer the same products and services. In fact, "Surge Assist," for example, is offered by both entities.[119]

[112] Case No. 18-0736-EL-CSS, RESA formal complaint, p. 7 para 28

[113] Case No. 18-0736-EL-CSS, RESA formal complaint, p. 7 para 29

[114] Case No. 18-0736-EL-CSS, RESA formal complaint, p. 7 para 30

[115] Link to website: https://www.firstenergycorp.com/products/products-services.html; Source: Case No. 17-0974-EL-UNC, Response to Set 15 DR 1

[116] FirstEnergy Products & Services webpage, https://www.firstenergycorp.com/products/products-services.html, accessed July 13, 2021.

[117] FirstEnergy Products & Services webpage, https://www.firstenergycorp.com/products/products-services.html, accessed July 13, 2021.

[118] Case No.18-736-EL-CSS, Commission Entry January 15, 2019.

[119] Case No. 17-0974-EL-UNC, Response to Set 14 DR 16

FirstEnergy Home is a registered d/b/a of Suvon, LLC.[120] However, FEP and FirstEnergy Home are essentially the same business unit.[121] Since FirstEnergy Home is part of Suvon, a registered Competitive Retail Electric Service (CRES) provider, FirstEnergy Home is unregulated. FEP Operations provides back-office support to both FEP (the regulated channel) and FirstEnergy Home (the unregulated channel).[122] See Figure 11 showing FEP and FE Home interaction with each other and with the customers.

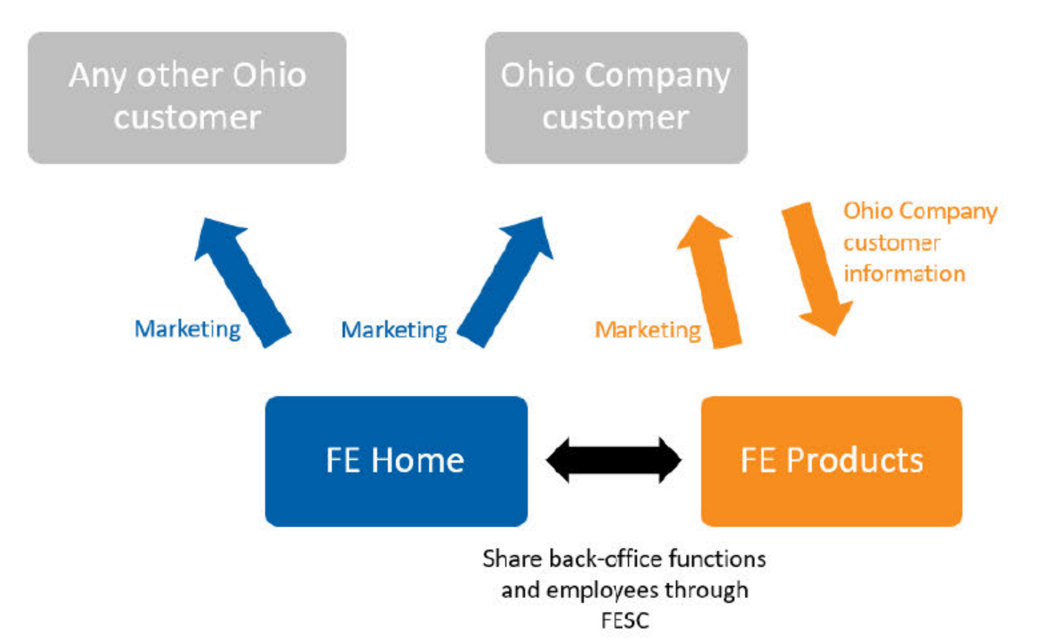

Figure 11. Interaction between FE Products (FEP) and FE Home

Ohio customers can be marketed to by both FEP and FirstEnergy Home.[123] Internally, a team within FirstEnergy Shared services (Products and Services) markets and sells products and services through both FEP and FirstEnergy Home.[124] Therefore, the regulated and unregulated operations and responsibilities of selling products and services are within the same internal group. The team could have access to confidential customer information as they provide support to FEP. It is challenging for the internal team supporting both FEP and FirstEnergy Home to maintain a "mental barrier" and

120 Case No. 17-0974-EL-UNC, Response to Set 15 DR 3

121 Case No. 17-0974-EL-UNC, Response to Set 13 DR 16

122 Case No. 17-0974-EL-UNC, Response to Set 13 DR 19. Note, FirstEnergy noticed an error on this DR and will be re-submitting. At this time, Daymark has not received the updated response.

123 Case No. 17-0974-EL-UNC, Response to Set 14 DR 19.

124 Case No. 17-0974-EL-UNC, Response to Set 13 DR 16.

keep confidential information, which they have access as they support FEP, aside while they are marketing on behalf of FirstEnergy Home.

Findings

Table 16 presents traffic-light findings from products and services related requirements. Daymark finds minor non-compliance for a couple of requirements due to marketing and delivery of products by Ohio Companies affiliates via FEP and similarity between FEP and FirstEnergy Home. We discuss these findings in detail below.

Table 16. Traffic-light based findings: Products and services related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
4901 1-37	04(D)(10)(a)	An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.			✓		Remove utility name from marketing materials to avoid customer confusion.
4901 1-37	04(D)(10)(b)	The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or	✓				
4901 1-37	04(D)(10)(c)	The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates or customers of affiliates preferential treatment or advantages over nonaffiliated competitors of retail electric service or their customers in matters relating to any product			✓		FEP has a competitive advantage by using the utility name and having access to the utility billing option
4901 1-37	04(D)(10)(d)	The electric utility shall strictly follow all tariff provisions.	✓				
4901 1-37	04(D)(10)(e)	Except to the extent allowed by any applicable law, regulation, or commission order, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any retail	✓				

Financial settlement

FirstEnergy is allowed to offer non-electric goods and services via a Commission-approved tariff.[125] Profits from FEP are settled to the Ohio Companies below the line, which means profits are not credited in any way to customers. However, FEP uses Ohio Companies' channels and reputations to sell their products. This is a competitive

[125] For Ohio Edison Company, see P.U.C.O. No. 11, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

For The Cleveland Electric Illuminating Company, see P.U.C.O. No. 13, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

For The Toledo Edison Company, see P.U.C.O. No. 8, Original Sheet 4, Section X.C, ("*Special Customer Services*"), p. 13 of 21, available here, accessed June 22, 2021.

[125] OAC 4901:1-37 Section 04(D)(11).

advantage for FirstEnergy affiliates because they have captive utility customers they can reach out to with little additional investment.

Additionally, the majority of FEP revenue during the 2016-2020 period was collected through customers' utility bills.[126] As shown in Figure 9, the majority of the eligible FEP revenue was collected through customers' electricity bill. This is a convenience offered to regulated customers that FirstEnergy competitors cannot offer. The payment option through customers' utility bills for non-electric products and services therefore provides a competitive advantage to FirstEnergy affiliates.

Soft transfers

As discussed earlier, Ohio Company customers can be transferred to the FEP group when they call for customer service-related issues. Once again, FirstEnergy competitors would not have access to this opportunity to gain customers through electric utility customer service calls. The profit from FEP business activities is also not credited back to the Ohio Companies because it settles below the line.[127]

Not enough separation between FEP and FirstEnergy Home

As discussed earlier, FirstEnergy offers some of the same products and services as FEP to all Ohio consumers through a channel known as FirstEnergy Home. It is unclear if Suvon d/b/a FirstEnergy Home employees are also FEP employees. The VP of Marketing, Product Development is in charge of FirstEnergy Home, but in several interviews, employees elsewhere in the FirstEnergy corporate organization seemed unclear about who was in charge.[128] That person and all dual employees would need to be extremely rigorous in allocating their time appropriately between FirstEnergy Home and FEP.

Furthermore, it appears FirstEnergy Home, an unregulated subsidy, also shares the same internal resources as FEP as both fall under the FirstEnergy Service Company. There is a risk of FirstEnergy Home sharing resources with FEP that are ultimately financed or coming from the Ohio Companies. If the same staffs support both regulated (FEP) and unregulated (FirstEnergy Home) services, it is challenging to maintain a "mental barrier" and keep confidential customer information set aside while providing support to an unregulated affiliate.

[126] Case No. 17-0974-EL-UNC, Response to Set 13 DR 36 Attachment A.

[127] Case No. 17-0974-EL-UNC, Response to OH-DM Set 13 DR 41.

[128] Case No. 17-0974-EL-UNC, Response to Set 14 DR 20

Recommendations

Daymark has concerns with a few aspects of the FirstEnergy Home operation regarding corporate separation. First, we recommend FirstEnergy perform an annual internal audit to ensure that adequate protections are in place to prevent the cross-subsidization of any protected information between FEP, the Ohio Companies, and Suvon d/b/a FirstEnergy Home.

Second, Suvon is spread throughout FirstEnergy's corporate structure. Although on FirstEnergy's affiliate organizational chart, Suvon appears as a separate affiliate,[129] Suvon employees are actually all FirstEnergy Service Company employees[130] and therefore not a separate affiliate. There is no entity on the Employee Organization Chart that indicates FirstEnergy Advisors or FirstEnergy Home, nor is it obvious based on anyone's title who works for either organization.[131] Furthermore, the Director of FEP Operations reports directly to the VP of Sales, who is a market-function employee of FirstEnergy Service Company assigned to support FirstEnergy Advisors. As we learned throughout the interview process, the Director of FEP Operations has access to protected customer information. We recommend that Suvon, including FirstEnergy Advisors and FirstEnergy Home, be separated into their own organization within FirstEnergy, and not be considered part of FESC.

Daymark recognizes that in the past, the Commission has allowed shared staff to work for both a competitive services affiliate and distribution utilities.[132]However, in this case, Suvon is a certified competitive retail electric service (CRES) provider and employees are only performing competitive functions. Previously, FirstEnergy's competitive service arm, FirstEnergy Solutions (FES), was a distinct affiliate that was not under FirstEnergy Service Company[133]. Separating Suvon from FESC would clarify who works for the competitive

[129] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 1 Attachment B. Note in Case No. 20-103-EL-AGG, in which Suvon was approved as a licensed competitive retail electric service provider, Suvon's memoranda contra the motions to suspend stated "Suvon notes that it is a separate corporate entity and that the use of shared service employees has nothing to with its corporate structure." Finding and Order, April 22, 2020 at P. 16. However, we find that Suvon staffs are employed by FESC and thus is not operating as a separate corporate entity.

[130]Case No. 17-0974-EL-UNC, Response OH DM Set 8 DR 8, Set 14 DR 13

[131] The most updated employee organizational chart we reviewed was received from Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR 1 Attachment A

[132] Case No. 20-103-EL-AGG, Commission Entry on Rehearing, P. 11. Here the Commission states: "In fact, the Commission has long allowed employees to be shared between electric distribution utilities and affiliated CRES providers, including shared officers and directors, as long as that sharing does not violate the code of conduct."

[133] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 1 Attachment B

business, as currently there appears to be confusion, and would also provide an additional protection against inadvertent sharing of information. It also makes cost allocation much more straight forward, avoiding any potential for cross-subsidization.

Recognizing that utility customers are providing FEP with a market for their products and services, and that the profits generated by that group are not seen by customers, we recommend a profit-sharing mechanism be adopted. Since the Ohio Companies provide access to their customers for the benefit of FEP, and ultimately the shareholders of FirstEnergy, a profit-sharing mechanism should be used to offset regulated customer energy costs. This profit-sharing should include profits from both FEP and any warm transfers of Ohio Companies' customers. Currently, Ohio Companies' customers receive no benefit from having their operating company associated with FEP.

One of FirstEnergy Products' competitive advantages is that it can offer a payment option for their services as part of the customer's utility bill. This is clearly a desirable option, as evidenced by [redacted] of the revenue in the 2016-2020 period being collected this manner. FEP's competitors do not have access to this option. A profit-sharing mechanism should be set up to allow for Ohio regulated customers to benefit from allowing unregulated affiliates access to its regulated customer billing system. FirstEnergy might also explore allowing other providers access to the regulated customer billing system to provide equitable treatment with their affiliates.

E. Marketing and branding

As shown in Table 17, OAC 4901:1-37 Section 04(D)(9) and Section 04(D)(11) address corporate separation, marketing, and branding. Subsection (9) prohibits FirstEnergy from making any preferences for an affiliate. Subsection (11) is similar in that it instructs FirstEnergy to clearly disclose on whose behalf they are making representations.

Table 17. Marketing and branding related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	Governing Doc Section	Requirement
4901 1-37	04(D)(9)	Employees of the electric utility or persons representing the electric utility shall not indicate a preference for an affiliated electric services
4901 1-37	04(D)(11)	Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services.

Daymark found that during interviews, employees were aware that they were not supposed to indicate a preference for an affiliate. The customer service procedure we received labeled "*Supplier Interactions*" clearly instructs staff that they cannot indicate a preference for any supplier.[134] Subsection 11 did not seem to affect many employees that we interviewed, but it comes into play regarding the marketing of the FirstEnergy Products and the jobbing and contracting work of the Ohio Companies.

FirstEnergy Products

As discussed earlier, FirstEnergy offers their non-electric products and services using two channels. One channel is through the operating utilities, which is referred to internally as FirstEnergy Products (FEP). The other channel is unregulated and can be offered to any Ohio electrical customers, via FirstEnergy Home.

Marketing for FEP products occurs in several ways. The FEP group, through a different name (for example, Ohio Edison Services for Ohio Edison customers) sends email or mail marketing to customers. Similarly, customer service groups could provide product related information when customers call asking for more information about non-electric products, or when they call with a different issue.

The FEP group adds "services" to Ohio Companies' names to market non-electric products and services. For example, Toledo Edison customers would interact with FEP through "Toledo Edison Services" (see Figure 10 for example). After some back and forth negotiation, FirstEnergy obtained permission for this marketing procedure from the

[134] Case No. 17-0974-EL-UNC, Response to OH DM Set 4-DR-34-Attachment A.

Commission Staff in 2014.[135] FirstEnergy believes that using the operating company name while adding "Services" puts the customer on notice that the product offering is separate from the distribution service offering and is not something a distribution service customer is required to purchase.[136] However, adding "Services" may not provide enough information for customers to distinguish between the entity offering products and services and their distribution company. A customer could reasonably assume that FirstEnergy Products, while using their utility's name, was also their utility.

Figure 12. Name branding of FirstEnergy Products for Ohio Companies Customers, Toledo Edison example

FirstEnergy Products does provide some disclosure language on their marketing materials. In an example brochure, there is a notice on the very bottom in small font that states: "All services are performed by an independent contractor that is neither an affiliate, nor an agent of FirstEnergy Corp. or its affiliated companies, (FirstEnergy), including the local electric utility company that provides your electric distribution service."[137] While having this disclosure is a good first step, it is so small the customer is unlikely to read it. A customer could still assume that when receiving this type of marketing that FirstEnergy Products was also their utility.

While customer service representatives do not directly sell products and services,[138] they do transfer customers to third parties who sell those products and services.[139] To assist the service representatives in the process, they maintain a document that lays out type of products, offered state territories, promotion types, and third-party transfer

[135] Case No. 17-0974-EL-UNC, Response to Set 13 DR 38 (b)

[136] Case No. 17-0974-EL-UNC, Response to Set 13 DR 38 (a)

[137] Case No. 17-0974-EL-UNC, Response to Set 13 DR 38 (c)

[138] Case No. 17-0974-EL-UNC, Response to Set 13 DR 8.

[139] Case No. 17-0974-EL-UNC, Response to Set 13 DR 12, 15.

contract information for the soft transfer.[140] Moreover, as discussed earlier, FirstEnergy also has a Connections Program. A customer calling for move-in services could be offered products like Surge Assist and HomeServe exterior electrical line protection.

Suvon d/b/a FirstEnergy Advisors

In January of 2020, in case number is 20-103-EL-AGG, Suvon LLC, owned by FirstEnergy and doing business as FirstEnergy Advisors, filed to be licensed as a competitive retail electric power broker and aggregator in the state of Ohio.[141] Numerous parties motioned to intervene in that case, including RESA, the Ohio Consumers' Counsel (OCC), Vistra Energy, and others. Several parties raised concerns with Suvon's application regarding corporate separation, noting that competitive affiliates must be fully separated from regulated utilities.[142] In particular, the parties had concerns that Suvon would be controlled by the management team of FirstEnergy, who also oversees the Ohio Companies.[143] Vistra also argued that the use of FirstEnergy's name is misleading for FirstEnergy Advisors.[144]

Suvon responded to the parties' arguments by stating that Suvon was a separate corporate entity operating separately from the Ohio Companies and following all corporate separation rules. Suvon also stated that use of a trade name, such as FirstEnergy, is constitutionally recognized as protected commercial speech.[145] The Commission decided that these corporate separation issues were best decided in the ongoing Corporate Separation docket of 17-974-EL-UNC (this present docket).

As part of Daymark's corporate separation audit, Daymark interviewed FirstEnergy Service Company staff assigned to support Suvon and issued DRs to understand how the business operated. On its website, FirstEnergy Advisors states the following: "*For any commercial or industrial business, community leader or individual resident who wants a local energy advisor they can trust, FirstEnergy Advisors will recommend the right programs, prices and products to suit your individual needs.*" Currently, FirstEnergy Advisors works with commercial and industrial customers who are shopping for an electric supplier. FirstEnergy Advisors helps a customer shop for an electric supplier by

[140] Case No. 17-0974-EL-UNC, Response to Set 13 DR 12.

[141] Case No.20-103-EL-AGG.

[142] Commission Order, Case No.20-103-EL-AGG, p. 4 para 14.

[143] Id.

[144] Commission Order, Case No.20-103-EL-AGG, p. 4 para 15

[145] Case No. 20-103-EL-AGG, Finding and Order, Paragraph 16.

understanding what the customer loads and needs are, conducting a bid process for them, and assisting the customer in choosing and contracting with a supplier. FirstEnergy Advisors does use proprietary customer information to assist them in their analysis. To obtain that information, FirstEnergy Advisors stated it has each customer sign a letter of authorization so that potential electric suppliers can access that customer's information to develop bid prices.

Currently, there is no marketing and sales overlap between FirstEnergy Products and FirstEnergy Advisors. Although FirstEnergy Advisors is structured under FESC, all of FirstEnergy Advisors' employees are designated with the Competitive Marketing Function Employee FERC classification,[146] which is the most restrictive used by FirstEnergy. FirstEnergy stated that none of FirstEnergy Advisors' costs are allocated to the Ohio Companies.[147] FirstEnergy Advisors can work with anyone in the state of Ohio, not just Ohio Companies' customers.

Jobbing and contracting

The Ohio Companies provide services known as "jobbing and contracting" directly to third parties. These include but are not limited to substation engineering, construction, inspection, maintenance, vegetation control and tree-trimming, breaker maintenance, transformer replacement and maintenance, line construction, and materials sales.[148] FirstEnergy uses the Ohio Companies' name and reputation to sell these services, as evidenced by their marketing materials. For instance, in a brochure advertising Toledo Edison's jobbing and contracting work, FirstEnergy states: "*When selecting an Operating Company of FirstEnergy, an investor-owned electric system, you can be confident of receiving the highest quality material and most experience workforce in the area.*"[149] The brochure further implores customers to "*place your trust in experts and ensure your project is done right the first time.*"[150]

Currently, Toledo Edison and Ohio Edison offer jobbing and contracting services. The Cleveland Illuminating Company has not offered these services since 2019.[151] From 2016-2020, Toledo Edison had over $1 million in profits from jobbing and contracting

[146] Case No. 17-974-EL-UNC, Response to OH DM Set 14 DR 14

[147] Case No. 17-0974-EL-UNC, Response to Set 14 DR 12

[148] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 7 Attachment A.

[149] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 7 Attachment A.

[150] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 7 Attachment A.

[151] Case No. 17-0974-EL-UNC, Response to OH DM Set 13 DR 16

and Ohio Edison had almost $4.5 million in profits.[152] Profit margins ranged from 29% to 63% over the five-year period from 2016-2020.

Findings

Table 18 presents traffic-light based findings for marketing and branding related requirements. We find that FESC employees disclose their affiliation when marketing to Ohio Company customers in the form of a small disclosure on the bottom of marketing materials. However, there is an opportunity for improvement for FirstEnergy in how it markets their products and services. The FEP group adds "Services" to the Ohio regulated Companies name to market non-electric products and services. As discussed earlier, adding "Services" may not provide enough information for customers to distinguish that the entity offering products and services is different than their distribution company. A customer could reasonably assume that FirstEnergy Products was also their regulated utility, which provides a competitive advantage to FirstEnergy.

Table 18. Traffic-light based findings: Marketing and branding related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
4901 1-37	04(D)(9)	Employees of the electric utility or persons representing the electric utility shall not indicate a preference for an affiliated electric services	✓				
4901 1-37	04(D)(11)	Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services.		✓			FEP marketing materials by adding "Services" in utility name. Although the marketing materials include disclosures, it is not very clear for the customers that FEP is not same as their utility.

Recommendations

Daymark recommends that FEP remove Ohio Companies' names and logos from their marketing materials and activities. Using the Ohio Companies' names to sell non-electric goods and services is capitalizing on the reputation of the Ohio Companies. Although there is a disclaimer on marketing materials, it is not highly visible and a customer could reasonably assume that FirstEnergy Products was their utility's offering, rather than an affiliate's offering. This is an advantage that other providers of the same services do not have.

[152] Case No. 17-0974-EL-UNC, Response to OH DM Set 6 DR 1 Attachment A and B Confidential.

IX. ACCOUNTING & COST ALLOCATION MANUAL

A. Introduction

OAC 4901 requires the Companies to maintain a Cost Allocation Manual (CAM). According to OAC 4901:1-37 Section 08(C): "*The CAM is intended to ensure to the commission that no cross-subsidization is occurring between the electric utility and its affiliates.*" Daymark reviewed and compared the contents of the CAM[153] to the list of components that are required by the OAC. Daymark reviewed the cost allocation process by which FESC passes charges along to the Ohio Companies. As part of that review, we asked for and received from FirstEnergy a record of all cost allocations from FESC to the Ohio Companies. The cost allocation spreadsheets provided a record of all monthly settlements between FESC and the Ohio Companies for the period from January 2016 to December 2020.[154] We did not look into every transaction in detail, as this was outside our audit scope, but rather focused on high-level spending trends and the processes by which costs were allocated by allocation factor.

Daymark did conduct a process review using a sample of CAM transactions. We chose a sample of 21 monthly settlements that represented a variety of allocation methods, business segments, and years. For this detailed analysis, FirstEnergy provided the individual entries that added up to the monthly settlement amounts on the previously provided cost allocation spreadsheets.[155] The intent of this sampling was not to verify whether or not the sample transactions were prudent, but rather focused on if the invoice level details flowed through correctly to the monthly settlement charge.

Daymark also learned throughout the audit that FirstEnergy utility companies (including the Ohio Companies) provide services to each other through a Mutual Assistance Agreement.[156] Daymark requested and received a record of all mutual service transactions between each of the three Ohio Companies and with other FirstEnergy affiliates (not including FESC).[157] Based on a review of the transactions and based on interviews with staff, it appears that the mutual assistance agreement is not only for emergency purposes; FirstEnergy uses the mutual assistance agreement to facilitate jobs

[153] Received from FirstEnergy on March 29, 2021, in response to Set 1 DR 9 Supplemental Attachment A Confidential.

[154] Case No. 17-974-EL-UNC, Response to Set 3 DR 29 Attachments A-E.

[155] Case No. 17-974-EL-UNC, Response to Set 11 DR 1

[156] Mutual Assistance Agreement received from Oh DM Set 2 DR 2 Attachment A Confidential.

[157] Case No. 17-974-EL-UNC, Response to Set 8 DR 15 Attachment A, Set 4 DR 14 Attachment A.

between its distribution companies. Labor costs are charged between utility companies for both capital projects and O&M. Materials costs are borne by the utility that owns the project.

In addition to the sampling of transactions analysis, Daymark conducted numerous interviews with FirstEnergy staff to understand the processes and procedures in place for complying with CAM-related requirements laid out in OAC 4901.

B. Requirements covered in this section

OAC 4901:1-37 Section 08 details the requirements related to maintaining a cost allocation manual. OAC 4901:1-37 Section 04(A)(5), Section 04(A)(6), and Section 04(B) are related to accounting and cost allocation manual requirements. The OAC 4901:1-37 Section 04(A)(5) states that all shared employees must appropriately record and charge their time based on fully allocated costs. Section 04(B) states that each affiliate must maintain separate books, accounts, and records. We present these requirements in Table 19 and Table 20.

Table 19. Accounting and cost allocation manual related requirements included in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	**Governing Doc Section**	**Requirement**
4901 1-37	04(B)	Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records, and accounts that are separate from the books, records, and account of its affiliates
4901 1-37	08(A)	Each electric utility that receives products and/or services from an affiliate and/or that provides productsand/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocated between the electric utility and affiliates and the regulated and nonregulated operations.
4901 1-37	08(B)	The CAM will be maintained by the electric utility.
4901 1-37	08(C)	The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.
4901 1-37	08(E)	The method for charging costs and transferring assets shall be based on fully allocated costs.
4901 1-37	08(F)	The costs should be traceable to the books of the applicable corporate entity.
4901 1-37	08(G)	The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum ofthree years.
4901 1-37	08(H)	Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months.
4901 1-37	08(I)	The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.
4901 1-37	08(J)	The staff may perform an audit of the CAM in order to ensure compliance with this rule.

OAC 4901:1-37 Section 08(D) specifically lists out the components that must be included in the CAM:

Table 20. Cost allocation manual related requirements in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS		
Governing Document	**Governing Doc Section**	**Requirement**
4901 1-37	08(D)	The CAM will include:
4901 1-37	08(D)(1)	An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are
4901 1-37	08(D)(2)	A description of all assets, services, and products provided to and from the electric utility and its affiliates.
4901 1-37	08(D)(3)	All documentation including written agreements, accounting bulletins, procedures, work order manuals, correlated documents, which govern how costs are allocated between affiliates.
4901 1-37	08(D)(4)	A copy of the job description of each shared employee.
4901 1-37	08(D)(5)	A list of names and job summaries for shared consultants and shared independent contractors.
4901 1-37	08(D)(6)	A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.
4901 1-37	08(D)(7)	A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.
4901 1-37	08(D)(8)	A log of all complaints brought to the electric utility regarding this
4901 1-37	08(D)(9)	A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.

C. Compliance assessment

Daymark first examined the Cost Allocation Manual (CAM) itself. Daymark finds that FirstEnergy has met most of the requirements of OAC 4901:1-37 Section 08(D) for the information that must be included in the CAM. There are a few pieces of information that were incomplete and other sections that could be improved. This is discussed in more detail in the findings section. Additionally, we note that it took FirstEnergy nearly a month to assemble and deliver all the pieces of the CAM. FirstEnergy explained that it considers several pieces of the CAM "dynamic" and as such these needed to be gathered from different sources.[158] Based on discussions in interviews, it does not appear that all elements of the CAM are fully incorporated into a single document. FirstEnergy maintains only one CAM for the entire company, with supplemental appendices for state-specific requirements. Several employees confirmed there were no state-specific cost allocation manuals. We discuss the compliance assessment of each of the OAC

[158] Case No. 17-0974-EL-UNC, Response to OH DM Set 1-DR-9.

4901:1-37 Section 08 requirements in the next section, including CAM documentation, cost allocation processes, and cost allocation reviews.

During the interviews, Daymark learned that the direct Ohio Companies' staff play little to no part in maintaining the cost allocation manual. FESC provides accounting services to the Ohio Companies. It does not appear that any direct Ohio Companies' staff review the cost allocations they are assigned, nor does the business services group assigned to serve the Ohio Companies review these allocations on a regular basis. There is no formalized process for disputing an allocated charge. To several interviewees' knowledge, no dispute had taken place during the audit period. It was also stated during numerous interviews that the Ohio Companies have no control over the costs allocated to them by FESC.

The business services group within FESC provides budgeting services to the Ohio Companies. Budgeting services include management of the budget for direct costs such as O&M expenses and capital investments. The budget for each of the Ohio Companies is set up by the business services group under the direction of FirstEnergy corporate in a rolling 5-year forward period. The business services group helps the Ohio Companies manage their budget by preparing monthly variance reports and monitoring actual spending deviations from the budget.[159] Through interviews we learned that the business services group will dig into any anomaly in actual spending that appears, but do not analyze any items that are close to budgeted spend. This means that a cost that was incorrectly spent but ended up close to budget would not be investigated. FirstEnergy stated that those errors would tend to show up eventually because it would throw something else off down the line. This process also means that if an inappropriate cost was built into the utility budget from the beginning, it may not be investigated either.

In our interviews, FirstEnergy described the process in place for setting up a new cost center. FirstEnergy has a template[160] in which employees can request to set up a new cost center. According to FirstEnergy, "*The determination of the cost center's allocation factor is made by the requestor and their management, with assistance by General Accounting when needed.*"[161] The allocation should "*most accurately distribute costs to the companies benefitting from the activity in the proposed cost center.*"[162] Once the cost

[159] Case No. 17-0974-EL-UNC, Response to OH DM Set 12 DR 5 Attachments A-Q

[160] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 10 Attachment A Confidential

[161] Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 10

[162] Id.

center is established with an allocation factor, there are controls, including Sarbanes Oxley (SOX) controls, within the SAP system (FirstEnergy's Enterprise Resource Planning system) to ensure the costs within that cost center are allocated properly. FirstEnergy also conducts an annual internal review of all cost centers to make sure the then currently used allocation factors are still appropriate. After each such review, a presentation is prepared to management outlining the allocation factors that have changed and the dollar impact of that change.[163] FirstEnergy stated that no new factors had been created during the audit period. However, there are many iterations of subfactors within the allocation factors, and some of those have changed and been added during the audit period. Once a year, the percentages associated with each subfactor allocation are updated based on changing headcounts, assets, customer counts, etc.

Daymark confirmed that FirstEnergy is not leasing office space to affiliates. According to interviews with the Real Estate department, FirstEnergy either owns or leases their office space from a third party.

During our review, we learned that the Ohio Companies have little insight into the allocated charges they are receiving from FirstEnergy Service Company. The monthly budget variance reports do not provide details on allocated charges. There is no system in place for the Ohio Companies to review or dispute an allocated charge. Allocated charges are simply passed on to the Ohio Companies with little oversight from Ohio Company staff or even the business services group that works directly with the Ohio Companies.

Cost allocation process

The Shared Service Agreement details the services provided by the FESC to the Ohio Operating Companies.[164] These services are wide ranging, including accounting, customer service, human resources, IT, legal assistance, and many others. A full list of all services provided is in the Shared Service Agreement and on p. 24 in this report under FirstEnergy Shared Services. Importantly, the Shared Service Agreement also states that FESC will provide services at fully allocated cost, which is a requirement under OAC 4901:1-37 Section 08(E). The Shared Service Agreement also specifies that "*the primary basis for charges to affiliates is the direct charge method*,"[165] which complies

[163] Case No. 17-0974-EL-UNC, Response to OH DM Set 9-DR-29

[164] Case No. 17-0974-EL-UNC, Response to OH DM Set 1-DR 9 Attachment C Confidential.

[165] Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR 9 Attachment C Confidential, p. 8.

with Section V of the CAM, "*Transactions with Affiliates,*" which states: "*Where ever practicable, direct charges are made so far as costs can be identified and relate to a particular transaction so long as excessive effort or expense is not required.*"[166] It is important to allocate costs by the direct charge method not only because it is required by the Shared Service Agreement, but also because it assigns costs that can be associated with a particular service activity to a specific party that benefits from that service. It also promotes transparency by providing documentation that is easy for the recipient being charged for its proportionate share of the total cost, as well as the auditor, to confirm that each charge recorded in this manner is fair. In certain cases, a service is provided to many affiliates such that it is hard to directly assign the costs; in those cases, an indirect allocator must be used. Use of an indirect allocator does not automatically mean that costs have been wrongly assigned. In fact, use of an indirect allocator may be the fairest method to use, for example when allocating administrative services. But in every case where costs must be allocated, FESC should research and find the appropriate direct allocator, and, when it is determined that one is not available, should provide adequate documentation for reliance on the indirect method. In other words, direct charging is preferred wherever practical because it is transparent and ensures the most accurate assignment of costs.

CAM transactions

Daymark reviewed detailed FESC allocated costs to the Ohio Companies. The detailed monthly allocated costs included information such as cost centers for both originating and receiving parties, cost elements, allocation factors, and charge amount.[167] We provide a summary of CAM transactions in this section.

Table 21 shows annual FESC costs allocated to the three different Ohio Companies. Over the 2016-2020 period, the total FESC charges to the Ohio Companies was approximately $900 million. Annually, the costs allocated to Ohio Companies during this period was in the range of $166 million to $204 million.

[166] Case No. 17-0974-DL-UNC, Response to OH DM Set 1 DR 9 Attachment A Confidential, p. 16

[167] Case No. 17-0974-EL-UNC, Response to OH DM Set 3-DR-029 & Response to OH DM Set 3-DR-24.

Table 21. Annual FESC cost allocations to Ohio Companies[168]

Year	Cleveland Illuminating, $ millions	Ohio Edison, $ millions	Toledo Edison, $ millions	Annual Total, $ millions
2016	$59.3	$81.9	$27.3	$168.4
2017	$61.9	$86.8	$28.0	$176.8
2018	$74.0	$97.4	$32.5	$203.9
2019	$60.8	$79.0	$26.0	$165.7
2020	$67.9	$87.6	$28.8	$184.3
Total (2016-2020)	**$323.8**	**$432.7**	**$142.6**	**$899.2**

During the audit period, FESC used a total of 18 allocation factors.[169] Within those 21 allocation factors are a plethora of subfactors where FirstEnergy varies the relative allocation percentages for each affiliate. For instance, the Multiple Factor Utility factor had 67 different subfactors in 2020.[170] This means that there are actually 67 different combinations of the Multiple Factor Utility allocator. Table 22 presents the allocation factors along with their share in terms of percentage of total annual FESC costs charged to Ohio Companies. Although FESC used 21 different allocation factors, as shown in Table 22 and Figure 14, six allocation factors comprise more than 90% of total FESC charges to the Ohio Companies. These allocation factors included:

- Multiple Factor Utility (MU)
- Direct Charge
- Number of Customers (CR)
- Multiple Factor All (MA)
- Headcount (HC)
- Multiple Factor Utility/Non-utility (MT)

Table 22 below shows the relative reliance across the different allocation factors and over time. Two important trends emerged from this review. Allocations that were direct charged did increase from 2016 to 2020, which we deem as beneficial. The share of cost allocated to Ohio Companies using the direct charge increased from approximately 13% in 2016 to approximately 27% in 2020. Another trend was the decrease in reliance on the Headcount allocator, an example of an indirect allocator. The year 2020 saw the most significant decrease in allocation by Headcount, but the trend had been going down over time prior to 2020. FirstEnergy explained that this was primarily due to

168 Case No. 17-0974-EL-UNC, Response to OH DM Set 3-DR-029

169 Case No. 17-0974-EL-UNC, Response to OH DM Set 3 DR 30, Attachment A, tab Allocation Legend.

170 Case No. 17-0974-EL-UNC, Response to Set 10 DR 12 Attachment E

voluntary early retirement plan benefits in 2018 and a reduction in pension financing costs in 2019.[171] Multiple Factor All, another type of indirect allocator, saw a slight increase from 2016-2020. Other allocators tended to hold steady over the years.

Table 22. FESC cost charges (%) to the Ohio Companies by allocation factors[172]

Allocation Factor	2016-2020 Period	2016	2017	2018	2019	2020
Multiple Factor Utility	21.9%	25.3%	20.8%	21.7%	20.8%	21.0%
Direct Charge	19.3%	12.8%	20.0%	17.5%	19.3%	26.5%
Number of Customers	15.5%	15.4%	14.3%	13.3%	18.5%	16.5%
Multiple Factor All	14.5%	12.0%	13.7%	11.3%	16.4%	19.3%
Headcount	12.4%	16.3%	14.5%	21.5%	7.9%	0.6%
Multiple Factor Utility/Non-Utility	9.0%	9.2%	9.6%	8.3%	8.9%	9.3%
Direct Charge - Storeoom	2.5%	2.7%	2.8%	2.9%	0.3%	3.5%
Application Development-Network Services	1.1%	2.0%	1.4%	0.7%	1.0%	0.6%
Number of Shopping Customers	0.77%	0.6%	0.5%	0.4%	1.3%	1.1%
Multiple Factor Utility - Transmission	0.71%	1.8%	0.5%	0.5%	0.5%	0.2%
Direct Charge - Broad St	0.66%	0.1%	0.1%	0.0%	3.4%	0.0%
Application Development	0.43%	0.4%	0.5%	0.3%	0.6%	0.4%
Number of Computer Workstations	0.38%	0.2%	0.3%	0.8%	0.3%	0.2%
Direct Charge-Environmental	0.36%	0.4%	0.3%	0.4%	0.4%	0.3%
Daily Print Volume	0.14%	0.2%	0.2%	0.1%	0.1%	0.1%
Gigabytes Used - UNIX	0.12%	0.1%	0.1%	0.1%	0.1%	0.1%
Number of Intel Servers	0.09%	0.1%	0.1%	0.1%	0.1%	0.1%
Server Support Composite	0.06%	0.1%	0.1%	0.1%	0.0%	0.0%
Direct Charge- Beta	0.05%	0.0%	0.1%	0.1%	0.0%	0.0%
Number of Participating Employees	0.05%	0.2%	0.2%	-0.3%	0.1%	0.1%
Gigabytes Used - SAP	0.04%	0.1%	0.0%	0.1%	0.0%	0.0%

[171] Case No. 17-0974-EL-UNC, Response to OH DM Set 10 DR 8

[172] Case No. 17-0974-EL-UNC, Response to OH DM Set 3-DR-029.

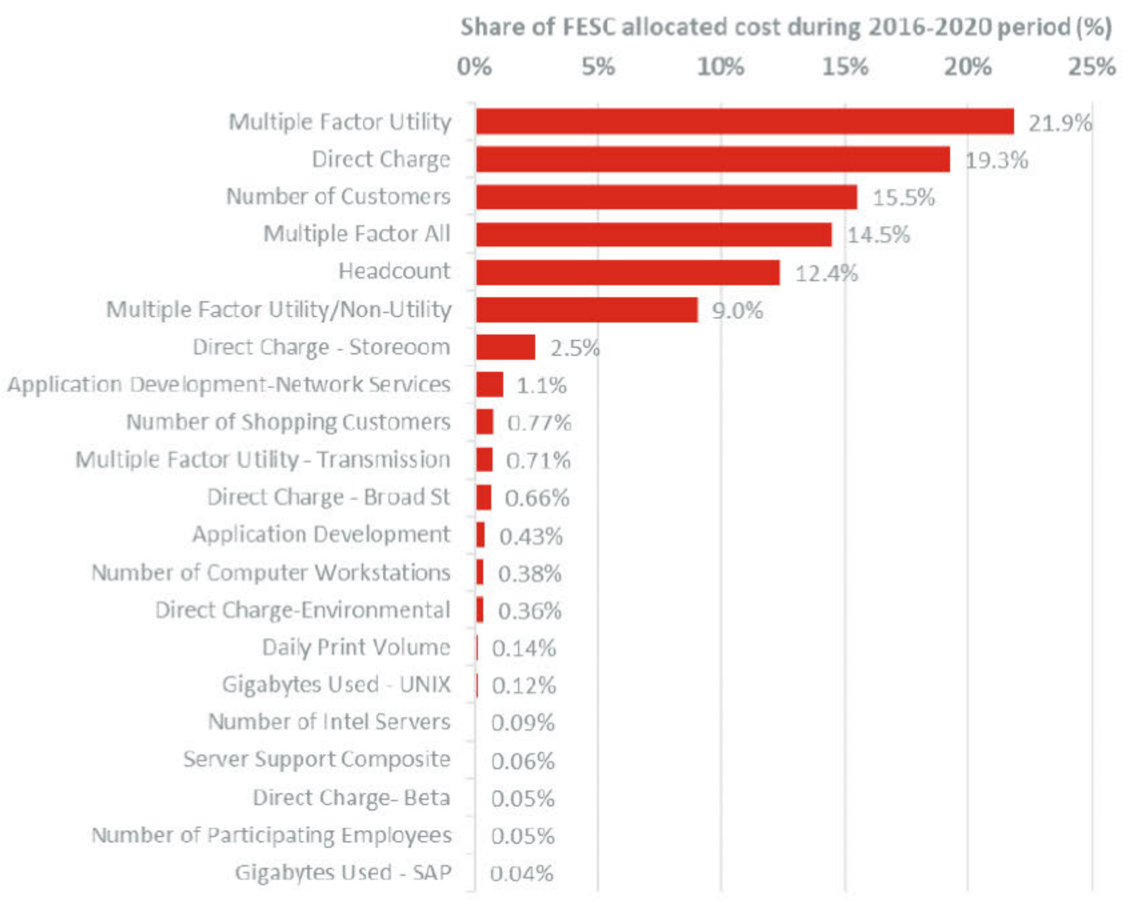

Figure 13. Share of FESC costs charged to Ohio Companies by allocation factor during the 2016-2020 period[173]

It is good to see the use of the direct charge method increasing, but this trend appears to have had no effect on reducing reliance on multi-factor, or indirect, allocators. Although the FESC Shared Service Agreement mentions that the Direct Charge allocation factor should be the primary method of charging costs to Ohio Companies, we find this practice being minimally enforced. In numerous interviews, we asked if there was any rule or procedure in place to ensure this happened. Other than verbal reminders from management, there is no procedure in place to help remind or ensure costs are directly charged as much as possible. As demonstrated by Table 22 above, the Direct Charge allocation factor accounts for, on average, 19% of all charges during the 2016-2020

[173] Case No. 17-0974-EL-UNC, Response to OH DM Set 3-DR-029

period. The Multiple Factor Utility allocation factor is used more than Direct Charge, and depending on the year, other allocators such as Headcount are also used more in terms of total dollars. Without any explicit directive or procedure in place, it is difficult to know if FESC is indeed direct charging their time as much as possible. Allocation factors are reviewed only annually, at which point it may be difficult and burdensome to require time consuming revisions that may favor some affiliates more than others. Until a concerted effort is made – especially at the beginning of the accounting period -- to question the use of indirect allocators, while promoting the use of direct assignment instead, it is difficult to say whether the Company has met the requirement of the code.

Process review of sample CAM transactions

Daymark sought detailed process related information for selected CAM transactions. Specifically, we selected 21 transactions in total spanning across the 2016 to 2020 period with different cost allocation methodologies. Our review focused on understanding the detailed time entries and other charges that amount to the dollar value reported in each sample transaction. We did not find any issues with the reviewed sample transactions.

As a part of the sample transaction review, we also reviewed the billing settlement process. For CAM transactions, FirstEnergy uses an intercompany billing process that is dictated by the CAM and applied using SAP. FirstEnergy further mentioned that "intercompany billings are performed using the SAP allocation process, which occurs through daily activity allocations and monthly settlements and assessments of every cost object charged to FESC."[174]

Cost allocation process review

Annually, FirstEnergy reviews all of the cost centers' allocation factors to determine the following: "whether the cost center is using the appropriate allocation methodology (e.g., Multi-Factor Utility vs. Transmission Factor, Multi-Factor All vs. Multi-Factor Utility/Non-Utility, etc.)" and "whether the companies included in the allocation are appropriate based on the affiliates benefitting from the work being performed by the cost center."[175] This effort is spearheaded by the Assistant Controller's group and General Accounting. As we learned from our interviews with staff, this process involves contacting the business services group responsible for the work in a certain cost center to verify that the work is still ongoing and has not substantially changed. We did not encounter a definition or written procedure of what "substantially changed" entails.

[174] Case No. 17-0974-EL-UNC, Response to OH DM Set 11-DR-1 (b)

[175] Case No. 17-0974-EL-UNC, Response to Set 15 DR 8

According to FirstEnergy, if the entity supported has changed or if the type of work has changed, that would be reviewed, and a possible new allocation factor assigned. Daymark reviewed files associated with these annual assessments for the 2016-2020 period.[176] In these annual assessments, FirstEnergy assigned a reviewer for each selected cost center who then reached out to the responsible business services group. At the end of this review process, a brief presentation is given to management on how many allocations changed and a very high-level financial impact of those changes by segment. Unless there is a significant dollar impact, FirstEnergy does not make any retroactive changes based on the allocation review.[177] FirstEnergy stated that no retroactive changes had been made during the audit period.[178]

Figure 14 presents the number of cost centers that were assigned different cost allocation factors during FirstEnergy's annual cost allocation review process. These cost centers are grouped by three primary reasons for the change in allocation factor: (1) change in underlying assumption, (2) change in entity supported, and (3) locking unused cost centers. There are a few trends to notice here. Most allocation factor changes are within the same allocation factor category. For instance, an MU32 factor may change to an MU25 factor. Both are Multiple Factor Utility factors, but the entities that are included and the respective allocation percentages are different. Only in a few instances were allocations changed to instead be a Direct Charge. Year 2017 saw the highest amount of change requests, with the largest category of changes being locking unused cost centers. The vast majority of locked cost centers were related to FirstEnergy Generation. Daymark did not find notes or comments associated with most of the closed cost centers, but at this time FirstEnergy was beginning to sell off generation assets.[179]

FirstEnergy did not record clear notes for most of the cost centers that underwent allocation factor changes. In general, numerous change requests had no accompanying explanation. In one instance, also in 2017, a note was made stating that a change should have been made to a cost center allocation back in 2013 but was never changed.[180] It is unclear if there was any follow-up to this error. Since this appeared to be an error that incorrectly excluded the unregulated businesses, it would be important for FirstEnergy to investigate and possibly correct any mischarges.

176 Case No. 17-0974-EL-UNC, Response to OH DM Set 9-DR-29 Attachments A-E

177 Case No. 17-0974-EL-UNC, Response to OH DM Set 15 DR 8

178 Id.

179 Case No. 17-0974-EL-UNC, Response to OH DM Set 3 DR 1

180 Case No. 17-0974-EL-UNC, Response to OH DM Set 15-DR-08

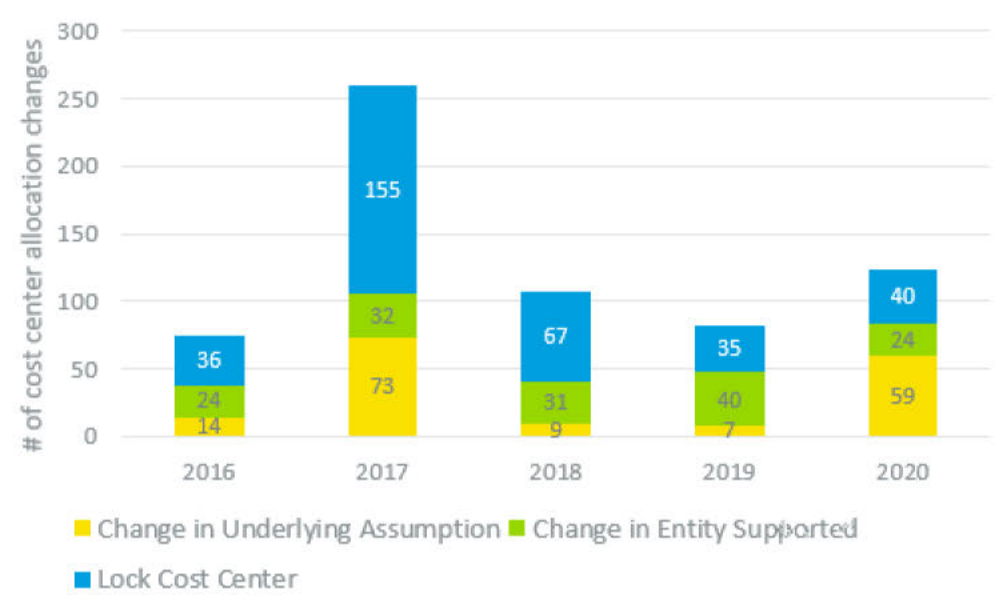

Figure 14. Types of cost center allocation changes by year

The annual allocation factor review process combined with a high-level summary of the impact of allocator revisions is not sufficient to track and monitor misallocation of funds.

D. Findings

We present accounting and cost allocation manual related traffic-light findings in Table 23 and Table 24. FirstEnergy is generally compliant with the requirements in this section, with four minor non-compliances. We did find some opportunities for improvement. FirstEnergy should always maintain an up-to-date CAM and further monitor and track costs passed through CAM to the Ohio Companies. The minor non-compliances are the following:

OAC 4901:1-37 Section 08(C) states *"The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates."* While FirstEnergy has maintained a CAM, the CAM lacks enough internal controls and oversight regarding the use of cost allocators and cost allocated to Ohio Companies to prevent cross-subsidization. We believe that maintaining CAM alone is not sufficient to prevent cross-subsidization; there needs to be accompanying processes, controls and oversight that actively ensure compliance. A recent delivery capital recovery audit report (DCR

Report) also found that some vendor payments were inappropriately allocated to the Ohio Companies from FESC.[181]

OAC 4901:1-37 Section 08(D)(5) requires *"A list of names and job summaries for shared consultants and shared independent contractors".* While FirstEnergy does have a list of contractors and consultants in Appendix D of the CAM, there are no job summaries of independent contractors.

OAC 4901:1-37 Section 08(D)(7) requires "*A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.*" FirstEnergy merely stated in OH DM Set 1 DR 9 Supplemental Attachment A that no incidences had occurred. Instead, this section of the CAM should describe when and how the senior management employees of FirstEnergy and the regulated and unregulated affiliates receive training in the CAM objective to prevent cross-subsidization among affiliates, how FirstEnergy confirms that training has been completed, and how attendees are tested for comprehension.

OAC 4901:1-37 Section 08(I) requires "*The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and sharing of employees.*" During Daymark's audit period, FirstEnergy's Chief Compliance Officer position was vacant and did not have anyone taking over the responsibilities. In addition, FirstEnergy was not able to locate the system and processes in place for compliance once the position became vacant. Such information should be centrally available and not tied to a single employee or backup employees should have access.

181 Case No. 20-1629-EL-RDR, Compliance Audit of the 2020 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, Expanded Scope. Blue Ridge Consulting Services Inc. Released August 3, 2021.

Table 23. Traffic-light based findings: Accounting and cost allocation manual related requirements included in Ohio Admin. Code 4901:1-37

Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
49011-37	04(B)	Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records, and accounts that are separate from the books, records, and account of its affiliates	✓				
49011-37	08(A)	Each electric utility that receives products and/or services from an affiliate and/or that provides productsand/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocated between the electric utility and affiliates	✓				
49011-37	08(B)	The CAM will be maintained by the electric utility.		✓			FESC is maintaining. Utility should be engaged in process (only sign service agreement once). FE took a long time to produce the entire CAM. CAM document should be alw ays maintained.
49011-37	08(C)	The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.			✓		Allocations review is not sufficient; only tracking with budget. Internal audit for OH Companies could be brought up to same standard of other states (PA/NJ) that requires FE to audit CAM on a regular
49011-37	08(E)	The method for charging costs and transferring assets shall be based on fully allocated costs.	✓				
49011-37	08(F)	The costs should be traceable to the books of the applicable corporate entity.	✓				Did not provide a diagram of cost flows
49011-37	08(G)	The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum ofthree years.	✓				
49011-37	08(H)	Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every	✓				Clarify who the director of the utilities dept is. We assumed PUCO
49011-37	08(I)	The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.			✓		FE was without a Chief Compliance officer for a few months and did not have anyone taking over duties. FE was not able to locate systems/processes in place for compliance because of the vacant position. Develop robust change management process so that systems/processes for monitoring should
49011-37	08(J)	The staff may perform an audit of the CAM in order to ensure compliance with this rule.	✓				

Table 24. Traffic-light based findings: Accounting and cost allocation manual related requirements included in Ohio Admin. Code 4901:1-37

OHIO REQUIREMENTS			Audit Findings				Audit Comments
Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
49011-37	08(D)	The CAM will include:					
49011-37	08(D)(1)	An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.		✓			Should be included in CAM, was not provided initially. And org chart should be updated annually in CAM.
49011-37	08(D)(2)	A description of all assets, services, and products provided to and from the electric utility and its affiliates.	✓				
49011-37	08(D)(3)	All documentation including written agreements, accounting bulletins, procedures, work order manuals, correlated documents, which govern how costs are allocated between affiliates.		✓			Asked for flow chart, did not receive. CAM only provides the text.
49011-37	08(D)(4)	A copy of the job description of each shared employee.		✓			Took time for FE to produce. Should be always maintained.
49011-37	08(D)(5)	A list of names and job summaries for shared consultants and shared independent contractors.			✓		Took time for FE to produce. Does not contain job summaries of independent contractors.
49011-37	08(D)(6)	A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.		✓			Took time for FE to produce. Also include tenure of employee transfers in CAM.
49011-37	08(D)(7)	A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.			✓		There is no log because FE claimed they have not exercised discretion. However, there should be details on what instances FE would exercise discretion and how they would approach those instances
49011-37	08(D)(8)	A log of all complaints brought to the electric utility regarding this chapter.	✓				
49011-37	08(D)(9)	A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.		✓			Took time for FE to produce. Should be always maintained.

Recommendations

FirstEnergy should implement a more robust internal process to audit costs allocated to Ohio Companies. Similarly, this process should include the detailed review of cost allocator factors and whether they are appropriately utilized. There also needs to be a process set up to refund customers if FirstEnergy finds any misallocation during the internal audit process. The current cost allocation factor review does not include enough controls or oversight to ensure that the cost allocations are appropriate. For instance, in their 2020 10-K, FirstEnergy stated they had identified vendor payments that had been inappropriately allocated to the Ohio Companies and other utilities over a span of 10 years.[182] These were not identified during any cost allocation review.

[182] From FirstEnergy's 2020 10-K statement: "Also, in connection with the internal investigation, FirstEnergy recently identified certain transactions, which, in some instances, extended back ten years or more, including vendor services, that were either improperly classified, misallocated to certain of the Utilities and Transmission Companies, or lacked proper supporting documentation. These transactions resulted in amounts collected from customers that were immaterial to FirstEnergy, and the Utilities and Transmission Companies will be working with the appropriate regulatory agencies to address these amounts." For more information on this, see Case No. 20-1629-EL-RDR, where PUCO Staff released an audit report by Blue Ridge on August 3rd 2021 that discusses these vendor payments, recovery mechanisms and proposed refunds.

Daymark also recommends periodic external, independent audit of all current cost allocation factors and the cost centers they are being applied to. Currently there are over one hundred different subfactors.[183] The outcome of the independent review could include condensing the number of subfactors used in developing the allocator factors and developing a robust CAM review and oversight process.

We find a lack of controls and oversight regarding time entry. There is no reinforcement that employees should directly charge their time to a specific affiliate whenever possible. Through the interviews we learned that employee timesheets are reviewed by their supervisor, and there are no regular audits of timesheets. Once time is entered and approved, there appears to be a robust system in place for allocating costs. However, there are minimal checks to monitor whether time is entered accurately. Daymark recommends putting in place an internal timesheet auditing process to ensure timesheet entries are being properly monitored for compliance, perhaps using a sampling approach. This would provide the insight FirstEnergy needs to be confident that the entire cost allocation process is compliant or can identify potential areas for improvement – this is a proactive approach to ensuring compliance.

Daymark also recommends there be a process in place that enables Ohio Companies' staff to monitor and understand their allocated charges and resolve any disputes. Currently, Ohio Company staff have little visibility into what is being charged to them by FirstEnergy Service Company. Creating a report like the existing monthly budget report from the business services group might be a good starting point. The Ohio Company staff should be able to understand what each allocated charge means and why they are being charged for that particular service.

OAC 4901:1-37 Section (D)(5) requires that the CAM contain a list of names and job summaries for shared consultants and independent contractors. While FirstEnergy does list out contractor names in Appendix D of the CAM, there are no job descriptions. FirstEnergy should amend Appendix D to contain job summaries of each contractor.

There are several areas within the CAM that Daymark has identified as opportunities for improvement. In our opinion, these do not qualify as non-compliance, but addressing them will enhance FirstEnergy's compliance, assist in future auditing, and should help FirstEnergy monitor its own compliance.

[183] Subfactors are listed on Response to Set 10 DR 12 Attachments A-E.

OAC 4901:1-37 Section 08(D)(1): FirstEnergy provided an organization chart, but the structure is not well-described.[184] For instance, several of the affiliate descriptions were extremely vague. Also, it does not allow for quick assessment when changes occur. Additionally, in the response to OH DM Set 5 DR 2, which details FirstEnergy direct subsidiary investments, the list does not include American Transmission Systems, Inc.

OAC 4901:1-37 Section 08(D)(6): The report as provided in OH DM Set 1 DR 9 Supplemental Attachment A Confidential, Appendix E, (FirstEnergy's CAM) should be amended to include the tenure of each employee transferred so the auditor can assess if any affiliates are subsidizing each other with industry knowledge and skillsets. This is important for employees that transfer from regulated to unregulated affiliates. It should also include the status of the current and previous Compliance Officer(s), including their experience and the training they have received on FirstEnergy's CAM.

OAC 4901:1-37 Section 08(E): This section states that the method for charging costs shall be based on fully allocated costs. In OH DM Set 1 DR 6 Attachment A (FirstEnergy's Ohio Corporate Separation Plan), Section V mentions that services are provided at fully allocated costs as documented in the Shared Service Agreement, but no copies are provided as examples. Additionally, Section V mentions that Operating Companies (such as the Ohio Companies) may request goods and services from American Transmission Systems (which is a regulated affiliate; or from another, non-regulated affiliate) presumably at fully allocated costs (FAC) as mentioned on the same page above, but it does not discuss whether a comparison of FAC to Fair Market Value (FMV) is required. Finally, neither Section II nor V defines what a fully allocated cost is and whether it is based on FMV. Daymark recommends including a definition of fully allocated cost and an explanation as to how or if FMV comes into play. Daymark also recommends clarifying language around requesting goods and services from American Transmission Systems Inc. and whether those costs should also be fully allocated.

OAC 4901:1-37 Section 08(F): This section requires adequate audit trails for the books and records. Section VII in the Ohio Corporate Separation Plan should be modified to state affirmatively that audit trails have been verified and which members of senior management affirmed that claim. FirstEnergy's FERC form 60 and output from the SAP system (FirstEnergy's system used for time entry, cost allocation, and information access) provide some documentation and thus meet the minimum requirement to be compliant.

[184] Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR 9 Supplemental Attachment A Confidential, Set 5 DR 2 Attachment A

However, we have not been able to follow the full process for recording costs in the SAP system to say whether all items were adequately defined. Therefore, we are implicitly relying on the prevalence of the use of the SAP system by utilities and other business, as well as outside auditor statements in SEC filings.

FirstEnergy should have an updated copy of the entire CAM on hand and readily available. Daymark notes that it took FirstEnergy a month to produce a complete CAM that had all of the components required by the OAC 4901. At a minimum, the document should be updated once a year to be kept current. Senior management across all affiliates of FirstEnergy should be required to affirm that they have received training in the purpose of the CAM as it applies to the Amended and Restated Mutual Assistance Agreement, which the corporate officers of each affiliate signed at one point in time following the approval of the First Energy/GPU merger.[185]

[185]Case No. 17-0974-EL-UNC, Response to OH DM Set 2-DR-002-Attachment A Confidential, pages 2 and 8 of 20.

X. TRAINING

A. Introduction

Training and education are an integral part of any compliance plan, particularly when a set of regulations dictates actions that must *not* occur. Training to a set of regulations serves many purposes, including raising awareness of said regulations, providing opportunities for clarification questions, and setting a culture of compliance.

Corporate compliance trainings can take different forms. The most obvious type of training occurs in formal, scheduled sessions, led by an instructor. However, the majority of training required for daily tasks an employee undertakes can be considered "on-the-job training", done informally and at irregular intervals by supervisors or peers.

Figure 15. Types of training; audit focused on formal training

Formal trainings are easily repeatable while keeping the content identical, consist of a set lesson plan, materials, and slides, and ensure employees have exposure to the subject material. Additionally, formal trainings provide context to regulations, context like the source of any compliance requirement and identification of the associated responsibilities that places on employees. On-the-job training is ad hoc - information covered may be incomplete and inconsistent in content from employee to employee, and context cannot always be provided. While on-the-job training is crucial for instilling a working culture at the company, it is difficult to verify whether corporate compliance regulations are correctly passed along in an ad hoc setting. Therefore, this section primarily focuses on formal trainings provided by FirstEnergy in response to corporate separation compliance, unless otherwise noted.

B. Types of compliance related trainings relevant to the Ohio Corporate Separation Plan

Based on our review of available documents and interviews, FirstEnergy does not have a separate training program focused on corporate separation requirements laid out in OAC 4901. However, FirstEnergy does provide numerous compliance related trainings that cover some aspects of Ohio's corporate separation requirements. Table 25 presents the list of trainings along with a short description, the intended target group, and frequency of the trainings. The balance of this section discusses these trainings and their relevance to the Ohio Corporate Separation Plan.

Table 25. Types of compliance trainings relevant to the Ohio Corporate Separation Plan

Training Types	Description	Offered group	Frequency
Certificate of Compliance	Covers Ethics, Code of Business Conduct, and "tests employee understanding of state codes of conduct"	All employees	Annual
FERC Affiliate Restrictions	Covers FERC affiliate rules, which overlap with Ohio rules	All employees	"Periodic" – But not offered since 2017
States' Codes of Conduct	Overview of States' rules	New Hires	As needed
FERC Standards of Conduct		All employees	Annual

Our review indicates that all corporate separation-related trainings are covered in the "Certificate of Compliance" process. Crucially, FirstEnergy also states that employee understanding of Ohio's corporate separation regulations are tested in the Certificate of Compliance questionnaire.[186] The annual Certificate of Compliance process involves first reviewing the following documents: [187]

[186] Case No. 17-0974-EL-UNC, Response to OH DM Set 8 DR 5c and 5d

[187] Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR 3 Attachment E

1. Corporate Policy 101 – Code of Business Conduct
2. Corporate Policy 102 – Anti-Fraud Policy
3. Corporate Policy 103 – Corporate Compliance Program
4. Corporate Policy 201 – Conflicts of Interest
5. The States' Codes of Conduct for Corporate Separation

Review of these documents is required prior to submission of the questionnaire.[188] The States' Codes of Conduct for Corporate Separation document is the actual code, as laid out in the Ohio Administrative Code 4901:1-37, and not the training materials provided in the onboarding training.[189] Although employees are required to review Ohio corporate separation rules as part of this exercise, no questions are posed to employees to verify their understanding of the Ohio-specific rules.

Another set of trainings that are provided on a periodic basis are the FERC Affiliate Restrictions Program and FERC Standards of Conduct Trainings. FirstEnergy leverages portions of these trainings to achieve compliance with the Ohio Corporate Separation rules.[190] While the FERC Standards of Conduct training occur annually,[191] the FERC Affiliate Restrictions Program has not been provided since the split of FirstEnergy's competitive service supplier in 2017, but is planned to return in 2021.[192] The FERC Standards of Conduct training materials were provided to Daymark as part of the audit.[193] The training content's focus is on Marketing Function Employees, Transmission Function Employees, and "No-conduit" employees. No-conduit employees were discussed in more detail in the Structural Safeguards section, but essentially these employees are ones that FirstEnergy has identified as being able to transmit sensitive information based on their position. Several FirstEnergy employees interviewed referred to "Walled Wally", "Transmission Tammy," and "No-conduit Ned," which are the respective nicknames for the employee classes in the trainings, indicating that employees have retained at least the personification associated with the regulations. While the FERC trainings do overlap with Ohio Rules in the general themes and in the overall guiding principles, they do not cover all aspects of the Ohio Corporate separation rules, as discussed in Section V.C, Relevant FERC requirements.

[188] Case No. 17-0974-EL-UNC, Response to OH DM Set 1 DR 3 Attachment E

[189] Case No. 17-0974-EL-UNC, Response to OH DM Set 8 DR 5b

[190] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 8a

[191] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 8b

[192] Case No. 17-0974-EL-UNC, Response to OH DM Set 10 DR 1

[193] Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 8 Attachment A

As part of the new employee onboarding procedures, FirstEnergy requires a "States' Codes of Conduct" training.[194] The content of this training was provided to the Daymark team for review. The training is not specific to the Ohio Corporate Separation rules– rather it focuses on what is common to all the state rules in which FirstEnergy operates. The training does provide a short questionnaire to test an employee's understanding of the general concepts and provides guidelines on how to report potential violations. These guidelines include examples of key phrases which should be reported, and states that an employee may report a violation to their immediate supervisor or a phone number for the Employee Concerns Line. General guidelines covered in these trainings reference not providing preferential treatment to affiliated suppliers, not sharing proprietary customer information with suppliers without customer consent, and applying tariffs equally to both affiliated and unaffiliated companies.

Finally, many employees interviewed mentioned that corporate separation aspects of their job were handed down from their supervisors, mentors, or coworkers in what would amount to on-the-job training. As discussed previously, on-the-job training may be incomplete, inconsistent, and potentially even incorrect. While the Daymark team can report that most employees understood Ohio's corporate separation rules as it pertains to their specific job duties, they seemed to lack an understanding of certain provisions of Ohio's rules that they may not deal with on a daily basis. For example, Ohio Company employees may not know that a list of competitive retail suppliers can be provided to customers upon request, simply because they primarily deal with customer connections and not supply.

Findings

FirstEnergy has a responsibility to ensure employees are trained to have a thorough understanding of the Ohio corporate separation rules to ensure compliance. As part of Daymark's audit, we assessed whether the current training and education programs provide employees with sufficient reinforcement to ensure compliance. Key elements of the Ohio corporate separation rules that require consideration include structural safeguards, accounting and Cost Allocation Manual related requirements, code of conduct, and financial arrangements between affiliates.

Structural safeguards include various aspects of physical and digital separation of employees at different affiliates to ensure employees do not access materials inappropriate to their jobs. Daymark understands that many structural safeguards in

[194]Case No. 17-0974-EL-UNC, Response to OH DM Set 8 DR 5b

place at FirstEnergy relate to FERC designations and Critical Infrastructure Protection (CIP) compliance. FirstEnergy stated that NERC compliance trainings are not utilized to educate employees on the Ohio corporate separation rules.[195] There is certainly some overlap in terms of general principles of separation between NERC/CIP and Ohio corporate separation rules. However, NERC and CIP compliance, while more restrictive and at a more granular than the Ohio's separation rules, involves a population of employees that is somewhat limited and unclear. Furthermore, FirstEnergy states that there is no additional training for shared services employees such as accountants or IT staff (who may have incidental access to restricted information) beyond the Certificate of Compliance program and the FERC Standards of Conduct trainings.[196]

Accounting and Cost Allocation Manual related training content provided to Daymark were limited. While a detailed step-by-step General Accounting Department SOx Journal Voucher Preparer training was provided,[197] FirstEnergy also responded that its management are trained on accounting and CAM related items via the Certificate of Compliance process.[198] As stated previously, almost no questions relating to the Ohio rules in 4901 are in the Certificate of Compliance questionnaire – rather, employees are only told to review the Ohio regulation by opening the regulation documents prior to moving on in the certificate of compliance process.

The Certificate of Compliance process is the primary and only method of training demonstrated by FirstEnergy for the requirements related to financial arrangement regulations between affiliate companies.[199]

FirstEnergy has acknowledged that they have not developed a public website giving a description and timeline of all planned education and training throughout the holding company as required by Section IX of the Corporate Separation Plan.[200]

FirstEnergy's approach to compliance is to provide training and assume if a violation or hint of one becomes apparent it is taken care of – there is no reporting or monitoring to ensure compliance – the assumption is that compliance is happening until it is not happening and becomes an issue. The training and education related to compliance are

195 Case No. 17-0974-EL-UNC, Response to OH DM Set 9 DR 28

196 Case No. 17-0974-EL-UNC, Response to OH DM Set 6 DR 20

197 Case No. 17-0974-EL-UNC, Response to OH DM Set 4 DR 17 Attachment A

198 Case No. 17-0974-EL-UNC, Response to OH DM Set 15 DR 6

199 Case No. 17-0974-EL-UNC, Response to OH DM Set 4 DR 24

200 Case No. 17-0974-EL-UNC, Response to OH DM Set 2 DR 14

based on employee initiative of being aware of companies' policy documents. Interviewed staff referred to Code of Conduct training as the place where corporate separation was addressed, and many indicated they could not think of Ohio-specific corporate separation trainings.

The annual Certificate of Compliance program questionnaire does not contain any specific questions on Ohio's corporate separation rules. There does not appear to be a guarantee that employees read all of the Ohio regulations as part of the attachment that is provided with the Certificate of Compliance process. While the general spirit of the Ohio corporate separation rule are adhered to through FERC Standards of Conduct, FERC Affiliate Restrictions, and Code of Conduct trainings, some items specific to the Ohio regulations are neglected. Besides annual compliance training, FirstEnergy does not conduct other compliance related trainings. FERC affiliate restrictions training has not been offered since 2017.

Recommendations

The trainings provided by FirstEnergy should incorporate specific attention to all provisions specific to each state in which they operate. This can be as simple as creating pages for each state in the "States' Codes of Conduct" training demonstrating such regulations. Questions testing employee understanding of Ohio's corporate separation rules should be included in the Certificate of Compliance program questionnaire at a minimum for employees doing work for or on behalf of the Ohio operating companies.

Annual training should be holistic and inclusive of all regulations contained in Ohio's corporate separation rules regardless of an employee's direct responsibilities. Increased trainings should occur for shared services employees who are most susceptible to inadvertently becoming a conduit for said information. Increased trainings and focus should be paid to training of upper management on interactions between affiliates, including increased focus on elements of the Cost Allocation Manual.

Finally, FirstEnergy should establish a public website giving a description and timeline of all planned education and training throughout the holding company as required by Section IX of the Corporate Separation Plan.

XI. CONCLUSION & FORWARD LOOKING RECOMMENDATIONS

Daymark had the opportunity to interview Mr. Hyun Park, a recent hire by FirstEnergy for the role of Chief Legal Officer. While Mr. Park was not at FirstEnergy during the audit period, he offered valuable insight into FirstEnergy's culture of compliance and future plans for managing compliance. He stated that leadership is focused on building a best-in-class compliance program. One key step FirstEnergy was embarking on was looking for outside talent to fill leadership roles in compliance, including the Chief Ethics Officer (recently hired) as well as the Chief Risk Officer and the head of Internal Audit. Mr. Park also talked about the importance of collaboration between departments and the necessity of avoiding unclear accountability.

Daymark applauds the efforts FirstEnergy is taking towards rethinking and revamping their compliance program. There is an opportunity for FirstEnergy, while undergoing a transformative compliance process, to include Ohio corporate separation rules in its review. Currently, there appears to be a lack of oversight and ongoing monitoring specific to Ohio corporate separation rules. As part of an overarching compliance overhaul, Daymark urges FirstEnergy to consider strengthening its Ohio corporate separation compliance program. Specifically, Daymark would like to see monitoring and documentation procedures in place for Ohio rules. Daymark also recommends assigning clear points of responsibility for each rule section.

APPENDIX A – TRAFFIC LIGHT FINDINGS

APPENDIX B – FULL COMPLIANCE MATRIX

APPENDIX C – LIST OF DOCUMENTS REVIEWED

APPENDIX D – LIST OF INFORMATION REQUESTS ISSUED

APPENDIX E – FIRSTENERGY AFFILIATES ORGANIZATIONAL CHART

OHIO REQUIREMENTS				Audit Findings				Audit Comments
Source of the Requirement	Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(A)(1)	Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall function independently of each other.	✓				
Ohio Admin Code	4901 1-37	04(A)(2)	Each electric utility and its affiliates that provide services to customers within the electric utility's service territory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.			✓		Finding refers to Code of Conduct section 10, regarding warm transfers and the co-mingling of FEP & FE Home. There is also potential confusion for customers with FEP and utility- who is providing services?
Ohio Admin Code	4901 1-37	04(A)(3)	Cross-subsidies between an electric utility and its affiliates are prohibited. An electric utility's operating employees and those of its affiliates shall function independently of each other.			✓		Finding consistent with Code of Conduct section 10 and CAM findings. FEP and FE Home are not independent of each other. CAM does not have adequate controls in place.
Ohio Admin Code	4901 1-37	04(A)(4)	An electric utility may not share employees and/or facilities with any affiliate, if the sharing, in any way, violates paragraph (D) of this rule.		✓			Although Suvon employees are designated as Competitive Market employees and do not have access to confidential information, they are still part of FESC.
Ohio Admin Code	4901 1-37	04(A)(5)	An electric utility shall ensure that all shared employees appropriately record and charge their time based on fully allocated costs.		✓			Lacking some controls and review
Ohio Admin Code	4901 1-37	04(B)	Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records, and accounts that are separate from the books, records, and account of its affiliates	✓				
Ohio Admin Code	4901 1-37	04(C)(1)	Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.	✓				
Ohio Admin Code	4901 1-37	04(C)(2)	An electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate.	✓				
Ohio Admin Code	4901 1-37	04(C)(3)	An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate.	✓				
Ohio Admin Code	4901 1-37	04(C)(4)	An electric utility shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate.	✓				
Ohio Admin Code	4901 1-37	04(C)(5)	An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate.	✓				
Ohio Admin Code	4901 1-37	04(C)(6)	An electric utility shall not pledge, mortgage, or use as collateral any assets of the electric utility for the benefit of an affiliate.	✓				
Ohio Admin Code	4901 1-37	04(D)(1)	The electric utility shall not release any proprietary customer information (e.g., individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.	✓				

OHIO REQUIREMENTS				Audit Findings				Audit Comments
Source of the Requirement	**Governing Document**	**Governing Doc Section**	**Requirement**	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(D)(2)	On or after the effective date of this chapter, the electric utility shall make customer lists, which include name, address, and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in its service territory, unless otherwise directed by the customer. This provision does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services. This information shall not be used by the certified retail electric service providers for any other purpose than the marketing of electric service to the customer.		✓			Not everyone knows they can provide the lists. Customer accounts managers do not think they can be provided. Modify training.
Ohio Admin Code	4901 1-37	04(D)(3)	Employees of the electric utility's affiliates shall not have access to any information about the electric utility's transmission or distribution systems (e.g., system operations, capability, price, curtailments, and ancillary services) that is not contemporaneously available, readily accessible, and in the same form and manner available to a nonaffiliated competitors providing retail electric service.	✓				
Ohio Admin Code	4901 1-37	04(D)(4)	An electric utility shall treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and nonaffiliated, and shall not release such information, unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomes available to the public other than as a result of disclosure by the electric utility.	✓				
Ohio Admin Code	4901 1-37	04(D)(5)	The electric utility shall not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, or otherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or any other waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's affiliates.	✓				
Ohio Admin Code	4901 1-37	04(D)(6)	The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.		✓			Products and services group utilizes existing customer base to sell goods and services via customer service
Ohio Admin Code	4901 1-37	04(D)(7)	The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electric service providers operating on the system, but shall not endorse any competitive retail electric service providers, indicate that an electric services company is an affiliate, or indicate that any competitive retail electric service provider will receive preference because of an affiliate relationship.		✓			People whose job it is to provide the lists know, other employees would direct them to the PUCO website. More training.
Ohio Admin Code	4901 1-37	04(D)(8)	The electric utility shall use reasonable efforts to ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power and the electric utility's compliance officer shall promptly report any such unreasonable sales practices, market deficiencies, and market power to the director of the utilities department (or their designee).		✓			Does not seem to be pro-active. FE should be monitoring. Would be a piece of a good compliance plan. Typically only outliers gain attention.

OHIO REQUIREMENTS				Audit Findings				Audit Comments
Source of the Requirement	**Governing Document**	**Governing Doc Section**	**Requirement**	**COMPLIANT**	**OPPORTUNITY FOR IMPROVEMENT**	**MINOR N/C**	**MAJOR N/C**	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(D)(9)	Employees of the electric utility or persons representing the electric utility shall not indicate a preference for an affiliated electric services company.	✓				
Ohio Admin Code	4901 1-37	04(D)(10)(a)	An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.			✓		Remove utility name from marketing materials to avoid customer confusion.
Ohio Admin Code	4901 1-37	04(D)(10)(b)	The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or non affiliation.	✓				
Ohio Admin Code	4901 1-37	04(D)(10)(c)	The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates or customers of affiliates preferential treatment or advantages over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.			✓		FEP has a competitive advantage by using the utility name and having access to the utility billing option
Ohio Admin Code	4901 1-37	04(D)(10)(d)	The electric utility shall strictly follow all tariff provisions.	✓				
Ohio Admin Code	4901 1-37	04(D)(10)(e)	Except to the extent allowed by any applicable law, regulation, or commission order, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any retail electric service.	✓				
Ohio Admin Code	4901 1-37	04(D)(11)	Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services.		✓			FEP marketing materials by adding "Services" in utility name. Although the marketing materials include disclosures, it is not very clear for the customers that FEP is not same as their utility.
Ohio Admin Code	4901 1-37	04(E)(1)	Notwithstanding the foregoing, in a declared emergency situation, an electric utility may take actions necessary to ensure public safety and system reliability.					N/A
Ohio Admin Code	4901 1-37	04(E)(2)	The electric utility shall maintain a log of all such actions that do not comply with this chapter, and such log shall be subject to review by the commission and its staff.	✓				
Ohio Admin Code	4901 1-37	08(A)	Each electric utility that receives products and/or services from an affiliate and/or that provides products and/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocated between the electric utility and affiliates and the regulated and nonregulated operations.	✓				
Ohio Admin Code	4901 1-37	08(B)	The CAM will be maintained by the electric utility.		✓			FESC is maintaining. Utility should be engaged in process (only sign service agreement once). FE took a long time to produce the entire CAM. CAM document should be always maintained.
Ohio Admin Code	4901 1-37	08(C)	The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.			✓		Allocations review is not sufficient; only tracking with budget. Internal audit for OH Companies could be brought up to same standard of other states (PA/NJ) that requires FE to audit CAM on a regular basis
Ohio Admin Code	4901 1-37	08(D)	The CAM will include:					

OHIO REQUIREMENTS				Audit Findings				Audit Comments
Source of the Requirement	Governing Document	Governing Doc Section	Requirement	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	08(D)(1)	An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.		✓			Should be included in CAM, was not provided initially. And org chart should be updated annually in CAM.
Ohio Admin Code	4901 1-37	08(D)(2)	A description of all assets, services, and products provided to and from the electric utility and its affiliates.	✓				
Ohio Admin Code	4901 1-37	08(D)(3)	All documentation including written agreements, accounting bulletins, procedures, work order manuals, correlated documents, which govern how costs are allocated between affiliates.		✓			Asked for flow chart, did not receive. CAM only provides the text.
Ohio Admin Code	4901 1-37	08(D)(4)	A copy of the job description of each shared employee.		✓			Took time for FE to produce. Should be always maintained.
Ohio Admin Code	4901 1-37	08(D)(5)	A list of names and job summaries for shared consultants and shared independent contractors.			✓		Took time for FE to produce. Does not contain job summaries of independent contractors..
Ohio Admin Code	4901 1-37	08(D)(6)	A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.		✓			Took time for FE to produce. Also include tenure of employee transfers in CAM.
Ohio Admin Code	4901 1-37	08(D)(7)	A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.			✓		There is no log because FE claimed they have not exercised discretion. However, there should be details on what instances FE would exercise discretion and how they would approach those instances.
Ohio Admin Code	4901 1-37	08(D)(8)	A log of all complaints brought to the electric utility regarding this chapter.	✓				
Ohio Admin Code	4901 1-37	08(D)(9)	A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.		✓			Took time for FE to produce. Should be always maintained.
Ohio Admin Code	4901 1-37	08(E)	The method for charging costs and transferring assets shall be based on fully allocated costs.	✓				
Ohio Admin Code	4901 1-37	08(F)	The costs should be traceable to the books of the applicable corporate entity.	✓				Did not provide a diagram of cost flows
Ohio Admin Code	4901 1-37	08(G)	The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years.	✓				
Ohio Admin Code	4901 1-37	08(H)	Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months.	✓				Clarify who the director of the utilities dept is. We assumed PUCO
Ohio Admin Code	4901 1-37	08(I)	The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.			✓		FE was without a Chief Compliance officer for a few months and did not have anyone taking over duties. FE was not able to locate systems/processes in place for compliance because of the vacant position. Develop robust change management process so that systems/processes for monitoring should stay in place.

OHIO REQUIREMENTS				Audit Findings				Audit Comments
Source of the Requirement	**Governing Document**	**Governing Doc Section**	**Requirement**	COMPLIANT	OPPORTUNITY FOR IMPROVEMENT	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	08(J)	The staff may perform an audit of the CAM in order to ensure compliance with this rule.	✓				

OHIO REQUIREMENTS				FERC REGULATIONS	COMPANIES' DOCUMENTS			Audit Findings				Audit Comments
Source of the Requirement	**Governing Document**	**Governing Doc Section**	**Requirement**	**Corresponding FERC Affiliate Restrictions rule**	**Corporate Seperation Policy**	**Corp. Sep. Policy Section and Paragraph**	**FirstEnergy's FERC Affiliate Restrictions Compliance Program**	COMPLIANT	Opportunity for Improvement	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(A)(1)	Each electric utility and its affiliates that provide services to customers within the electric utility's serviceterritory shall function independently of each other.	18 CFR 35.39 (C)	Corporate Seperation Plan	Section II, Paragraph 1	Separation of Functions, p. 5, p. 10	✓				
Ohio Admin Code	4901 1-37	04(A)(2)	Each electric utility and its affiliates that provide services to customers within the electric utility's serviceterritory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.	18 CFR 35.39(C)	Corporate Seperation Plan	Section II, Paragraph 2+3	Separation of Employees, p. 5, p. 10			✓		Finding refers to Code of Conduct section 10, regarding warm transfers and the co-mingling of FEP & FE Home. There is also potential confusion for customers with FEP and utility- who is providing services?
Ohio Admin Code	4901 1-37	04(A)(3)	Cross-subsidies between an electric utility and its affiliates are prohibited. An electric utility's operatingemployees and those of its affiliates shall function independently of each other.	No overlap	Corporate Seperation Plan	Section II, Paragraph 6	Background, p. 3; non-public information market information sharing not permitted, p. 5			✓		Finding consistent with Code of Conduct section 10 and CAM findings. FEP and FE Home are not independent of each other. CAM does not have adequate controls in place.
Ohio Admin Code	4901 1-37	04(A)(4)	An electric utility may not share employees and/or facilities with any affiliate, if the sharing, in any way,violates paragraph (D) of this rule.	18 CFR 35.39(C)(2)(i)	Corporate Seperation Plan	Section II, Paragraph 2+3	Separation of Employees, Sharing of Officers, No-Conduit Rule p. 5, p. 10		✓			Although Suvon employees are designated as Competitive Market employees and do not have access to confidential information, they are still part of FESC.
Ohio Admin Code	4901 1-37	04(A)(5)	An electric utility shall ensure that all shared employees appropriately record and charge their time based onfully allocated costs.	18 CFR 35.39(C)(2)(ii)	Corporate Seperation Plan	Section II, Paragraph 6	No mention of fully allocated costs		✓			Lacking some controls and review
Ohio Admin Code	4901 1-37	04(B)	Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principlesand an applicable uniform system of accounts, books, records, and accounts that are separate from the books, records, and account of its affiliates	No overlap	Corporate Seperation Plan	Section III		✓				
Ohio Admin Code	4901 1-37	04(C)(1)	Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.	No overlap	Corporate Seperation Plan	Section IV		✓				
Ohio Admin Code	4901 1-37	04(C)(2)	An electric utility shall not enter into any agreement with terms under which the electric utility is obligated tocommit funds to maintain the financial viability of an affiliate.	No overlap	Corporate Seperation Plan	Section IV		✓				
Ohio Admin Code	4901 1-37	04(C)(3)	An electric utility shall not make any investment in an affiliate under any circumstances in which the electricutility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions ofan affiliate.	No overlap	Corporate Seperation Plan	Section IV		✓				
Ohio Admin Code	4901 1-37	04(C)(4)	An electric utility shall not issue any security for the purpose of financing the acquisition, ownership, oroperation of an affiliate.	No overlap	Corporate Seperation Plan	Section IV		✓				
Ohio Admin Code	4901 1-37	04(C)(5)	An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise withrespect to any security of an affiliate.	No overlap	Corporate Seperation Plan	Section IV		✓				
Ohio Admin Code	4901 1-37	04(C)(6)	An electric utility shall not pledge, mortgage, or use as collateral any assets of the electric utility for thebenefit of an affiliate.	No overlap	Corporate Seperation Plan	Section IV		✓				

APPENDIX B

A compliance audit of the FirstEnergy Ohio Companies with corporate separation rules

OHIO REQUIREMENTS				FERC REGULATIONS	COMPANIES' DOCUMENTS			Audit Findings				Audit Comments
Source of the Requirement	Governing Document	Governing Doc Section	Requirement	Corresponding FERC Affiliate Restrictions rule	Corporate Seperation Policy	Corp. Sep. Policy Section and Paragraph	FirstEnergy's FERC Affiliate Restrictions Compliance Program	COMPLIANT	Opportunity for Improvement	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(D)(1)	The electric utility shall not release any proprietary customer information (e.g., individual customer loadprofiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except asrequired by a regulatory agency or court of law.	18 CFR 35.39(D)	Corporate Seperation Plan	Section VII.1	Non-public Market Information Sharing (although does not mention customer information specifically)	✓				
Ohio Admin Code	4901 1-37	04(D)(2)	On or after the effective date of this chapter, the electric utility shall make customer lists, which include name,address, and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certifiedretail electric service providers transacting business in its service territory, unless otherwise directed by thecustomer. This provision does not apply to customer-specific information, obtained with proper authorization,necessary to fulfill the terms of a contract, or information relating to the provision of general and administrativesupport services. This information shall not be used by the certified retail electric service providers for any otherpurpose than the marketing of electric service to the customer.	No overlap	Corporate Seperation Plan	Section VII.2			✓			Not everyone knows they can provide the lists. Customer accounts managers do not think they can be provided. Modify training.
Ohio Admin Code	4901 1-37	04(D)(3)	Employees of the electric utility's affiliates shall not have access to any information about the electric utility's transmission or distribution systems (e.g., system operations, capability, price, curtailments, and ancillaryservices) that is not contemporaneously available, readily accessible, and in the same form and manner availableto a nonaffiliated competitors providing retail electric service.	18 CFR 35.39(D)	Corporate Seperation Plan	Section VII.3	Non-public Market Information Sharing	✓				
Ohio Admin Code	4901 1-37	04(D)(4)	An electric utility shall treat as confidential all information obtained from a competitive retail electric serviceprovider, both affiliated and nonaffiliated, and shall not release such information, unless a competitive retailelectric service provider provides authorization to do so or unless the information was or thereafter becomes available to the public other than as a result of disclosure by the electric utility.	18 CFR 35.39(C)(2)(ii)	Corporate Seperation Plan	Section VII.4	Non-public Market Information Sharing	✓				
Ohio Admin Code	4901 1-37	04(D)(5)	The electric utility shall not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, orotherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or anyother waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariffprovisions, to the taking of any goods and/or services from the electric utility's affiliates.	No overlap	Corporate Seperation Plan	Section VII.5		✓				
Ohio Admin Code	4901 1-37	04(D)(6)	The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electricservice or to a product or service other than retail electric service and vice versa.	18 CFR 35.39(B)	Corporate Seperation Plan	Section VII.6	Non-Power Goods or Services, p. 6; Affiliate Transactions, p. 12		✓			Products and services group utilizes existing customer base to sell goods and services via customer service

APPENDIX B

A compliance audit of the FirstEnergy Ohio Companies with corporate separation rules

OHIO REQUIREMENTS				FERC REGULATIONS	COMPANIES' DOCUMENTS			Audit Findings				Audit Comments
Source of the Requirement	Governing Document	Governing Doc Section	Requirement	Corresponding FERC Affiliate Restrictions rule	Corporate Seperation Policy	Corp. Sep. Policy Section and Paragraph	FirstEnergy's FERC Affiliate Restrictions Compliance Program	COMPLIANT	Opportunity for Improvement	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(D)(7)	The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electricservice providers operating on the system, but shall not endorse any competitive retail electric service providers,indicate that an electric services company is an affiliate, or indicate that any competitive retail electric serviceprovider will receive preference because of an affiliate relationship.	No overlap	Corporate Seperation Plan	Section VII.7			✓			People whose job it is to provide the lists know, other employees would direct them to the PUCO website. More training.
Ohio Admin Code	4901 1-37	04(D)(8)	The electric utility shall use reasonable efforts to ensure retail electric service consumers protection againstunreasonable sales practices, market deficiencies, and market power and the electric utility's compliance officershall promptly report any such unreasonable sales practices, market deficiencies, and market power to thedirector of the utilities department (or their designee).	18 CFR 35.39(B)	Corporate Seperation Plan	Section VII.8			✓			Does not seem to be pro-active. FE should be monitoring. Would be a piece of a good compliance plan. Typically only outliers gain attention.
Ohio Admin Code	4901 1-37	04(D)(9)	Employees of the electric utility or persons representing the electric utility shall not indicate a preference foran affiliated electric services company.	18 CFR 35.39(B)	Corporate Seperation Plan	Section VII.9	Not included. See Set 6 DR 17 Attachment A: FE believes p. 4, waivers section covers this	✓				
Ohio Admin Code	4901 1-37	04(D)(10)(a)	An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.	18 CFR 35.39(F)(1)	Corporate Seperation Plan	Section VII.10.a	Not included. See Set 6 DR 17 Attachment A: FE believes p. 11, affiliates transactions and non-power goods covers this			✓		Remove utility name from marketing materials to avoid customer confusion.
Ohio Admin Code	4901 1-37	04(D)(10)(b)	The electric utility shall apply all tariff provisions in the same manner to the same or similarly situatedentities, regardless of any affiliation or nonaffiliation.	18 CFR 35.39(F)(1)	Corporate Seperation Plan	Section VII.10.b		✓				
Ohio Admin Code	4901 1-37	04(D)(10)(c)	The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates or customers of affiliates preferential treatment or advantages over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.	18 CFR 35.39(F)(1)	Corporate Seperation Plan	Section VII.10.c	No specific mention, just that FERC does not allow a "transfer of benefits"			✓		FEP has a competitive advantage by using the utility name and having access to the utility billing option
Ohio Admin Code	4901 1-37	04(D)(10)(d)	The electric utility shall strictly follow all tariff provisions.	18 CFR 35.39(F)(1)	Corporate Seperation Plan	Section VII.10.d		✓				
Ohio Admin Code	4901 1-37	04(D)(10)(e)	Except to the extent allowed by any applicable law, regulation, or commission order, the electric utility shallnot be permitted to provide discounts, rebates, or fee waivers for any retail electric service.	18 CFR 35.39(F)(1)	Corporate Seperation Plan	Section VII.10.e	No specific mention, just that FERC does not allow a "transfer of benefits"	✓				
Ohio Admin Code	4901 1-37	04(D)(11)	Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services.	No overlap	Corporate Seperation Plan	Section VII.11			✓			FEP marketing materials by adding "Services" in utility name. Although the marketing materials include disclosures, it is not very clear for the customers that FEP is not same as their utility.
Ohio Admin Code	4901 1-37	04(E)(1)	Notwithstanding the foregoing, in a declared emergency situation, an electric utility may take actionsnecessary to ensure public safety and system reliability.	18 CFR 35.39(C)(2)(iii)			Emergency Deviation Postings, p. 17					N/A

OHIO REQUIREMENTS				FERC REGULATIONS	COMPANIES' DOCUMENTS			Audit Findings				Audit Comments
Source of the Requirement	Governing Document	Governing Doc Section	Requirement	Corresponding FERC Affiliate Restrictions rule	Corporate Seperation Policy	Corp. Sep. Policy Section and Paragraph	FirstEnergy's FERC Affiliate Restrictions Compliance Program	COMPLIANT	Opportunity for Improvement	MINOR N/C	MAJOR N/C	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	04(E)(2)	The electric utility shall maintain a log of all such actions that do not comply with this chapter, and such logshall be subject to review by the commission and its staff.	No overlap			Emergency Deviation Postings, Posting of Disclosures (inadvertant sharing) p. 17 "The FCD will take the information, maintain a log, and address the issue with the appropriate person(s) to determine if the information disclosed was contrary to the Affiliate Restrictions." (note this seems to only be a log for disclosed information)	✓				
Ohio Admin Code	4901 1-37	08(A)	Each electric utility that receives products and/or services from an affiliate and/or that provides productsand/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocatedbetween the electric utility and affiliates and the regulated and nonregulated operations.	No overlap	Service Agreement	Set 1 DR 9 Attachment C	Affiliate Transactions, p. 10-11: "Management initiating affiliate transactions are primarily responsible for ensuring that the transactions are appropriately priced and billed in accordance with FirstEnergy's affiliate transaction policies as set forth in the Cost Allocation Manual"	✓				
Ohio Admin Code	4901 1-37	08(B)	The CAM will be maintained by the electric utility.	No overlap	Corporate Seperation Plan	VIII	p. 11: "The assistant controller of each affiliate company is responsible for properly recording affiliate transactions in which the companies participate"		✓			FESC is maintaining. Utility should be engaged in process (only sign service agreement once). FE took a long time to produce the entire CAM. CAM document should be always maintained.
Ohio Admin Code	4901 1-37	08(C)	The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electricutility and its affiliates.	No overlap	Corporate Seperation Plan	VIII	p.11 states managers are "responsible for...preventing cross subsidization"			✓		Allocations review is not sufficient; only tracking with budget. Internal audit for OH Companies could be brought up to same standard of other states (PA/NJ) that requires FE to audit CAM on a regular basis
Ohio Admin Code	4901 1-37	08(D)	The CAM will include:									
Ohio Admin Code	4901 1-37	08(D)(1)	An organization chart of the holding company, depicting all affiliates, as well as a description of activities inwhich the affiliates are involved.	No overlap	CAM section IV (Not a chart)				✓			Should be included in CAM, was not provided initially. And org chart should be updated annually in CAM.
Ohio Admin Code	4901 1-37	08(D)(2)	A description of all assets, services, and products provided to and from the electric utility and its affiliates.	No overlap	CAM Section I, III, V			✓				
Ohio Admin Code	4901 1-37	08(D)(3)	All documentation including written agreements, accounting bulletins, procedures, work order manuals, correlated documents, which govern how costs are allocated between affiliates.	No overlap	CAM section VI, VII (incomplete)				✓			Asked for flow chart, did not receive. CAM only provides the text.
Ohio Admin Code	4901 1-37	08(D)(4)	A copy of the job description of each shared employee.	No overlap	CAM Appendix A				✓			Took time for FE to produce. Should be always maintained.
Ohio Admin Code	4901 1-37	08(D)(5)	A list of names and job summaries for shared consultants and shared independent contractors.	No overlap	CAM Appendix B					✓		Took time for FE to produce. Does not contain job summaries of independent contractors.

OHIO REQUIREMENTS				FERC REGULATIONS	COMPANIES' DOCUMENTS			Audit Findings				Audit Comments
Source of the Requirement	**Governing Document**	**Governing Doc Section**	**Requirement**	**Corresponding FERC Affiliate Restrictions rule**	**Corporate Seperation Policy**	**Corp. Sep. Policy Section and Paragraph**	**FirstEnergy's FERC Affiliate Restrictions Compliance Program**	**COMPLIANT**	**Opportunity for Improvement**	**MINOR N/C**	**MAJOR N/C**	Findings and suggestions for process improvement
Ohio Admin Code	4901 1-37	08(D)(6)	A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new jobdescriptions.	No overlap	CAM Appendix C				✓			Took time for FE to produce. Also include tenure of employee transfers in CAM.
Ohio Admin Code	4901 1-37	08(D)(7)	A log detailing each instance in which the electric utility exercised discretion in the application of its tariffprovisions.	No overlap	Not included in CAM (Appendix G is about emergency situations and FE says none have occurred)					✓		There is no log because FE claimed they have not exercised discretion. However, there should be details on what instances FE would exercise discretion and how they would approach those instances
Ohio Admin Code	4901 1-37	08(D)(8)	A log of all complaints brought to the electric utility regarding this chapter.	No overlap	CAM Appendix E			✓				
Ohio Admin Code	4901 1-37	08(D)(9)	A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of threeyears.	No overlap	CAM Appendix F				✓			Took time for FE to produce. Should be always maintained.
Ohio Admin Code	4901 1-37	08(E)	The method for charging costs and transferring assets shall be based on fully allocated costs.	No overlap	No definition of fully allocated cost			✓				
Ohio Admin Code	4901 1-37	08(F)	The costs should be traceable to the books of the applicable corporate entity.	No overlap	CAM Section VII (no direct mention of traceable costs)			✓				Did not provide a diagram of cost flows
Ohio Admin Code	4901 1-37	08(G)	The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum ofthree years.	No overlap	CAM transactions of past 5 years were available			✓				
Ohio Admin Code	4901 1-37	08(H)	Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months.	No overlap	Set 1 DR 9 Attachment B			✓				Clarify who the director of the utilities dept is. We assumed PUCO
Ohio Admin Code	4901 1-37	08(I)	The compliance officer designated by the electric utility will act as the contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.	No overlap						✓		FE was without a Chief Compliance officer for a few months and did not have anyone taking over duties. FE was not able to locate systems/processes in place for compliance because of the vacant position. Develop robust change management process so that systems/processes for monitoring should stay in place.
Ohio Admin Code	4901 1-37	08(J)	The staff may perform an audit of the CAM in order to ensure compliance with this rule.	No overlap	Annual audit of CAM performed			✓				

APPENDIX C

A compliance audit of the FirstEnergy Ohio Companies with corporate separation rules

Document Number	Document Name	Description	Relevant Data Request	Confidental (Yes/No)
1	12-3151-EL-COI- Staff Analysis	Work plan developed by PUCO staff	NA	No
2	12-3151-EL-COI- Order	PUCO's Order accepting the Work Plan	NA	No
3	17-974-EL-UNC- Compliance Audit Report	Sage Consulting's Corp Separation Audit results	NA	No
4	OH DM Set 1-DR-001 Attachment A	FE Org Chart	Set 1 DR 1	No
5	OH DM Set 1-DR-006 Attachment A	Corporate Separation Plans for Ohio Edison, Cleveland Electric Illuminating Company and Toledo Edison Company	Set 1 DR 6	No
6	OH DM Set 1-DR-003-Attachment A	Regulatory Code of Conduct and Affiliate Transactions, Business Practice 3.2	Set 1 DR 3	No
7	OH DM Set 1-DR-003-Attachment B	Regulatory Codes of Conduct Webpage screenshot	Set 1 DR 3	No
8	OH DM Set 1-DR-003-Attachment C	OH Corporate Separation Rules Webpage screenshot	Set 1 DR 3	No
9	OH DM Set 1-DR-003-Attachment D	OH Corporate Separation Rules Q&A Webpage screenshot	Set 1 DR 3	No
10	OH DM Set 1-DR-003-Attachment E	Certificate of Compliance portal page	Set 1 DR 3	No
11	OH DM Set 1-DR-003-Attachment F	Corporate Ethics Portal page	Set 1 DR 3	No
12	OH DM Set 1-DR-003-Attachment G	FERC afflliate restrictions compliance program	Set 1 DR 3	No
13	OH DM Set 1-DR-003-Attachment H	FERC standards of conduct compliance program	Set 1 DR 3	No
14	OH DM Set 1-DR-010-Attachment A (1 of 5)	2016 FirstEnergy Service Co. Allocations to Ohio Companies	Set 1 DR 10	No
15	OH DM Set 1-DR-010-Attachment A (2 of 5)	2017 FirstEnergy Service Co. Allocations to Ohio Companies	Set 1 DR 10	No
16	OH DM Set 1-DR-010-Attachment A (3 of 5)	2018 FirstEnergy Service Co. Allocations to Ohio Companies	Set 1 DR 10	No
17	OH DM Set 1-DR-010-Attachment A (4 of 5)	2019 FirstEnergy Service Co. Allocations to Ohio Companies	Set 1 DR 10	No
18	OH DM Set 1-DR-010-Attachment A (5 of 5)	2020 FirstEnergy Service Co. Allocations to Ohio Companies	Set 1 DR 10	No
19	OH DM Set 1-DR-005-Attachment A	Template emails for the annual Certificate of Compliance training	Set 1 DR 5	No
20	OH DM Set 1-DR-005-Attachment B	Sample notification for FERC Affiliate Restrictions training	Set 1 DR 5	No
21	OH DM Set 1-DR-005-Attachment C	Sample notification for FERC Affiliate Restrictions training	Set 1 DR 5	No
22	OH DM Set 1-DR-001 Supplemental Attachment B	2017 Organizational Chart (from Sage audit)	Set 1 DR 1	Yes
23	OH DM Set 1-DR-007-Attachment A Confidential	FE's Internal 2014 Audit Summary Report	Set 1 DR 7	Yes
24	OH DM Set 1-DR-009-Attachment A Confidential	Cost Allocation Manual (CAM)	Set 1 DR 9	Yes
25	OH DM Set 1-DR-009-Attachment B Confidential	Summary of Changes to CAM	Set 1 DR 9	Yes
26	OH DM Set 1-DR-009-Attachment C Confidential	Service Agreement of FE Services Company to OH Companies	Set 1 DR 9	Yes
27	OH DM Informal IDR 001 Confidential	Tenure of Senior Executives	Informal	Yes
28	FE Comments on 2017 Audit Filed 12.31.18	FE's response to Sage Audit Recommendations	Set 2 DR 4	No
29	OH DM Set 2-DR-001 Attachment A	FE Affiliate Org Chart	Set 2 DR 1	No
30	OH DM Set 2-DR-001 Attachment B	FE Affiliate Org Chart 2016-2020 Changes	Set 2 DR 1	No
31	OH DM Set 2-DR-006 Attachment A	RESA Corp Sep Written Complaint	Set 2 DR 6	Yes
32	OH DM Set 2-DR-006 Attachment B	FE Memo on RESA Complaint	Set 2 DR 6	Yes
33	OH DM Set 2-DR-006 Attachment C	FE Email Exchange on Complaint	Set 2 DR 6	Yes
34	OH DM Set 2-DR-007 Attachment A	2019 Compliance Training Questions	Set 2 DR 7	No
35	OH DM Set 2-DR-007 Attachment B	2018 Compliance Training Questions	Set 2 DR 7	No
36	OH DM Set 2-DR-007 Attachment C	2017 Compliance Training Questions	Set 2 DR 7	No
37	OH DM Set 2-DR-007 Attachment D	2016 Compliance Training Questions	Set 2 DR 7	No
38	OH DM Set 2-DR-007 Attachment E	List of Employees that signed certificate of compliance	Set 2 DR 7	Yes
39	OH DM Set 2-DR-002 Attachment A	Mutual Assistance Agreement	Set 2 DR 2	Yes
40	OH DM Set 3-DR-020 Attachment A	Work Order system presentation	Set 3 DR 20	Yes

Document Number	Document Name	Description	Relevant Data Request	Confidental (Yes/No)
41	OH DM Set 3-DR-029 Attachment A	2016 Transactions by Cost Allocation	Set 3 DR 29	yes
42	OH DM Set 3-DR-029 Attachment B	2017 Transactions by Cost Allocation	Set 3 DR 29	Yes
43	OH DM Set 3-DR-029 Attachment C	2018 Transactions by Cost Allocation	Set 3 DR 29	Yes
44	OH DM Set 3-DR-029 Attachment D	2019 Transactions by Cost Allocation	Set 3 DR 29	Yes
45	OH DM Set 3-DR-029 Attachment E	2020 Transactions by Cost Allocation	Set 3 DR 29	Yes
46	OH DM Set 3-DR-030 Attachment A	Cost Allocation changes (by year) and legend	Set 3 DR 30	Yes
47	OH DM Set 2-DR-018 Attachment A	Business Practice 3.5: Ethics and Business Conduct	Set 2 DR 18	no
48	OH DM Set 2-DR-018 Attachment B	Business Practice 3.6: Employee Concerns Hotline	Set 2 DR 18	No
49	OH DM Set 2-DR-018 Attachment C	Corporate Policy 103: Corporate Compliance Program	Set 2 DR 18	No
50	OH DM Set 2-DR-018 Attachment D	Corporate Policy 301: Employee Concerns Hotline	Set 2 DR 18	No
51	OH DM Set 3- DR-017 Attachment A	Example FESC Time Sheet	Set 3 DR 17	No
52	OH DM Set 3- DR-017 Attachment B	Time Report Approval Process	Set 3 DR 17	No
53	OH DM Set 2- DR-008 Attachment A	FERC Standard of Conduct training handout	Set 2 DR 8	No
54	OH DM Set 2- DR-008 Attachment B	SAP list of employees that completed annual FERC training	Set 2 DR 8	No
55	OH DM Set 2- DR-015 Attachment A	Business Practice 1.2: Business Practice Overview	Set 2 DR 15	No
56	OH DM Set 2- DR 019 Attachment A	Template email for managers for annual training	Set 2 DR 19	No
57	OH DM Set 3- DR-028 Attachment A	List of OH Employees that input transactions into ERP	Set 3 DR 28	Yes
58	OH DM Set 4- DR 002 Attachment A	Excel spreadsheet of certain allocation factors	Set 4 DR 2	Yes
59	OH DM Set 4- DR 002 Attachment B	Description of multiple factor allocators	Set 4 DR 2	Yes
60	OH DM Set 5- DR 002 Attachment A	Equity breakdown of all FE affiliates	Set 5 DR 2	No
61	OH DM Set 5- DR 007 Attachment A	Examples of allocations for each factor	Set 5 DR 7	No
62	OH DM Set 4- DR 026 Attachment A	Suvon Service Agreement	Set 4 DR 26	Yes
63	OH DM Set 4- DR 033 Attachment A	Procedure Form for Incorrect Enrollment (Slamming)	Set 4 DR 33	no
64	OH DM Set 4- DR 033 Attachment B	Procedure Form for Misrepresentation/Harassment	Set 4 DR 33	No
65	OH DM Set 4- DR 033 Attachment C	List of customer complaints received by PUCO (just by #, no info)	Set 4 DR 33	No
66	OH DM Set 4- DR 034 Attachment A	Procedure Form for Supplier Interactions	Set 4 DR 34	No
67	OH DM Set 6- DR 013 Attachment A	Review of FERC Classifications	Set 6 DR 13	No
68	OH DM Set 6- DR 014 Attachment A	Monitoring of Employee and Contractor Transfers with FERC ID	Set 6 DR 14	No
69	OH DM Set 6- DR 016 Attachment A	Example of an interconnection agreement between ASTI, OH CO	Set 6 DR 16	No
70	OH DM Set 6- DR 019 Attachment A	FERC compliance investigation procedure	Set 6 DR 19	No
71	OH DM Set 7- DR 019 Attachment A	Business Code of Conduct (corporate policy 101)	Set 7 DR 19	No
72	OH DM Set 6- DR 006 Attachment A	Overhead allocation process description	Set 6 DR 6	No
73	OH DM Set 4- DR 017 Attachment A	SOX Journal Voucher training (also has reference #'s)	Set 4 DR 17	No
74	OH DM Set 4- DR 028 Attachment A	Peak Load data- how to share with suppliers	Set 4 DR 28	No
75	OH DM Set 4- DR 028 Attachment B	Ohio Web Portal User Guide (for suppliers)	Set 4 DR 28	No
76	OH DM Set 4- DR 028 Attachment C	Example of an electronic usage data request	Set 4 DR 28	No
77	OH DM Set 6- DR 022 Attachment A	Controlling Access to FERC Sensitive Information Applications	Set 6 DR 22	No
78	OH DM Set 6- DR 022 Attachment B	SAP Restricted Access Controls	Set 6 DR 22	No
79	OH DM Set 6- DR 022 Attachment C	Controlling Access to Non-SAP FERC Sensitive Information Applications	Set 6 DR 22	No
80	OH DM Set 6- DR 022 Attachment D	Shared Folder Network Access	Set 6 DR 22	No
81	OH DM Set 6- DR 022 Attachment E	SharePoint Site Access	Set 6 DR 22	No
82	OH DM Set 6- DR 022 Attachment F	FE-CSAC-PSD-04-S3 Security Categorization Ratings of Information Assets	Set 6 DR 22	Yes

Document Number	Document Name	Description	Relevant Data Request	Confidental (Yes/No)
83	OH DM Set 6- DR 022 Attachment G	FE-CSEC-PSD-04-S4 Sensitive Data Tracking Annual Review	Set 6 DR 22	Yes
84	OH DM Set 1- DR 009 Supplemental Attachment A Confidential	Entire CAM	Set 1 DR 9	Yes
85	OH DM Set 1- DR 009 Supplemental Attachment C Confidential	Updated shared service agreement	Set 1 DR 9	Yes
86	OH DM Set 4- DR 014 Attachment A	Record of Labor charged between affiliates	Set 4 DR 14	No
87	OH DM Set 4- DR 013 Attachment B	Guidance for managing cross-functional groups or teams	Set 4 DR 13	No
88	OH DM Set 4- DR 013 Attachment A	Guidance for cross-functional meetings	Set 4 DR 13	No
89	OH DM Set 4- DR 012 Attachment A	FERC Compliance Policy	Set 4 DR 12	No
90	OH DM Set 4- DR 030 Attachment A	Log of inadvertant disclosures	Set 3 DR 30	Yes
91	OH DM Set 4- DR 029 Attachment A	Procedure for providing customer lists	Set 4 DR 29	No
92	OH DM Set 5- DR 006 Attachment A	SEC approval of multiple factor-all	Set 5 DR 6	No
93	OH DM Set 5- DR 006 Attachment B	SEC approval of multiple factor-all document 2	Set 5 DR 6	No
94	OH DM Set 6- DR 002 Attachment A	Transactions with Davis Besse	Set 6 DR 2	Yes
95	OH DM Set 6- DR 003 Attachment A	Example work order with Davis Besse	Set 6 DR 3	Yes
96	OH DM Set 6- DR 001 Attachment A	Jobbing and Contract revenue for Toledo Edison	Set 6 DR 1	Yes
97	OH DM Set 6- DR 001 Attachment B	Jobbing and Contract revenue for Ohio Edison	Set 6 DR 1	Yes
98	OH DM Set 6- DR 007 Attachment A	Log of common OH tariff interpretations- Rates and Regulatory group	Set 6 DR 7	No
99	OH DM Set 6- DR 011 Attachment A	Org chart filtered for FESC employees	Set 6 DR 11	No
100	OH DM Set 6- DR 012 Attachment A	FERC classifications diagram	Set 6 DR 12	No
101	OH DM Set 6- DR 024 Attachment A	Default access granted based on FERC designation	Set 6 DR 24	No
102	OH DM Set 6- DR 024 Attachment B	TFE Workspace Visitor Registration and Access Control	Set 6 DR 24	No
103	OH DM Set 7- DR 003 Attachment A	List of all waivers granted under Affiliate Restrictions program	Set 7 DR 3	No
104	OH DM Set 7- DR 005 Attachment A	Record of all power sales from FE affiliate to OH Companies	Set 7 DR 5	No
105	OH DM Set 7- DR 010 Attachment A	2017 FERC Affiliate Restrictions training	Set 7 DR 10	No
106	OH DM Set 8- DR 015 Attachment A	Mutual Services transactions 2016-2020	Set 8 DR 15	No
107	OH DM Set 7- DR 027 Attachment A	Index of Cost Elements	Set 7 DR 27	No
108	OH DM Set 7- DR 006 Attachment A	TFE RESTRICTED WORKSPACE VISITOR REGISTRATION AND ACCESS CONTROL	Set 7 DR 6	No
109	OH DM Set 7- DR 014 Attachment A	Employee transfer process diagram	Set 7 DR 14	No
110	OH DM Set 8- DR 001 Attachment A	Previous version: Business Practice #3.5: Ethics and Business Conduct	Set 8 DR 1	No
111	OH DM Set 8- DR 001 Attachment B	Previous version: Corporate Policy 301	Set 8 DR 1	No
112	OH DM Set 8- DR 001 Attachment C	Previous version: Corporate Policy 103	Set 8 DR 1	No
113	OH DM Set 8- DR 001 Attachment D	Previous version: Business Practice #3.6	Set 8 DR 1	No
114	OH DM Set 8- DR 005 Attachment A	State Regulatory Codes of Conduct training materials	Set 8 DR 5	No
115	OH DM Set 8- DR 010 Attachment A	Revised supplier list	Set 8 DR 10	No
116	OH DM Set 9- DR 001 Attachment A	Access checklist form for transferred employees	Set 9 DR 1	No
117	OH DM Set 9- DR 002 Attachment A	Ohio Edison campus map	Set 9 DR 2	No
118	OH DM Set 9- DR 005 Attachment A	Business Practice #3.2: regulatory codes of conduct and affiliate transactions	Set 9 DR 5	No
119	OH DM Set 9- DR 007 Attachment A	Jobbing & Contracting brochure: Toledo Edison	Set 9 DR 7	No
120	OH DM Set 9- DR 007 Attachment B	Jobbing & Contracting brochure: Ohio Edison	Set 9 DR 7	No
121	OH DM Set 9- DR 009 Attachment A	FERC form 60 2016	Set 9 DR 9	No
122	OH DM Set 9- DR 009 Attachment B	FERC form 60 2017	Set 9 DR 9	No
123	OH DM Set 9- DR 009 Attachment C	FERC form 60 2018	Set 9 DR 9	No
124	OH DM Set 9- DR 009 Attachment D	FERC form 60 2019	Set 9 DR 9	No

Document Number	Document Name	Description	Relevant Data Request	Confidental (Yes/No)
125	OH DM Set 9- DR 010 Attachment A	Cost center request form	Set 9 DR 10	Yes
126	OH DM Set 9- DR 010 Attachment B	Cost center analyzation process	Set 9 DR 10	Yes
127	OH DM Set 7- DR 012 Attachment A	New supervisor quick reference card for time entry	Set 7 DR 12	No
128	OH DM Set 7- DR 012 Attachment B	SAP time report process	Set 7 DR 12	No
129	OH DM Set 7- DR 011 Attachment A	Supply Chain Enterprise Sourcing Procedure	Set 7 DR 11	No
130	OH DM Set 9- DR 029 Attachment A	2016 Annual Cost Allocator review	Set 9 DR 29	Yes
131	OH DM Set 9- DR 029 Attachment B	2017 Annual Cost Allocator review	Set 9 DR 29	Yes
132	OH DM Set 9- DR 029 Attachment C	2018 Annual Cost Allocator review	Set 9 DR 29	Yes
133	OH DM Set 9- DR 029 Attachment D	2019 Annual Cost Allocator review	Set 9 DR 29	Yes
134	OH DM Set 9- DR 029 Attachment E	2020 Annual Cost Allocator review	Set 9 DR 29	Yes
135	OH DM Set 9- DR 029 Attachment F	2016 Presentation on cost allocation changes	Set 9 DR 29	Yes
136	OH DM Set 9- DR 029 Attachment G	2017 Presentation on cost allocation changes	Set 9 DR 29	Yes
137	OH DM Set 9- DR 029 Attachment H	2018 Presentation on cost allocation changes	Set 9 DR 29	Yes
138	OH DM Set 9- DR 029 Attachment I	2019 Presentation on cost allocation changes	Set 9 DR 29	Yes
139	OH DM Set 9- DR 029 Attachment J	2020 Presentation on cost allocation changes	Set 9 DR 29	Yes
140	OH DM Set 9- DR 011 Attachment A	Example of cost center flows	Set 9 DR 11	Yes
141	OH DM Set 9- DR 024 Attachment A	Example report on FERC classification changes	Set 9 DR 24	Yes
142	OH DM Set 7- DR 023 Attachment A	State Code of Conduct hyperline page	Set 7 DR 23	No
143	OH DM Set 7- DR 023 Attachment B	Content of Ohio Corporate Separation Rules	Set 7 DR 23	No
144	OH DM Set 9- DR 018 Attachment A	List of all rented facilities and allocation	Set 9 DR 18	No
145	OH DM Set 9- DR 033 Attachment A	List of all FESC services not direct charged	Set 9 DR 33	No
146	OH DM Set 12- DR 003 Attachment A	Jobbing and Contracting FAQ's	Set 12 DR 3	No
147	OH DM Set 12- DR 003 Attachment B	Jobbing and Contracting FAQ's	Set 12 DR 3	No
148	OH DM Set 12- DR 003 Attachment C	Jobbing and Contracting FAQ's	Set 12 DR 3	No
149	OH DM Set 12- DR 003 Attachment D	Jobbing and Contracting FAQ's	Set 12 DR 3	No
150	OH DM Set 12- DR 003 Attachment E	Jobbing and Contracting FAQ's	Set 12 DR 3	No
151	OH DM Set 12- DR 003 Attachment F	Jobbing and Contracting FAQ's	Set 12 DR 3	No
152	OH DM Set 12- DR 005 Attachment A	CEI December 2020 report that shows budgeted vs actual spend.	Set 12 DR 5	No
153	OH DM Set 12- DR 005 Attachment B	OE December 2020 report that shows budgeted vs actual spend.	Set 12 DR 5	No
154	OH DM Set 12- DR 005 Attachment C	TE December 2020 report that shows budgeted vs actual spend.	Set 12 DR 5	No
155	OH DM Set 12- DR 005 Attachment D	CEI December 2019 report that shows budgeted vs actual spend.	Set 12 DR 5	No
156	OH DM Set 12- DR 005 Attachment E	OE December 2019 report that shows budgeted vs actual spend.	Set 12 DR 5	No
157	OH DM Set 12- DR 005 Attachment F	TE December 2019 report that shows budgeted vs actual spend.	Set 12 DR 5	No
158	OH DM Set 12- DR 005 Attachment G	CEI December 2018 report that shows budgeted vs actual spend.	Set 12 DR 5	No
159	OH DM Set 12- DR 005 Attachment H	OE December 2018 report that shows budgeted vs actual spend.	Set 12 DR 5	No
160	OH DM Set 12- DR 005 Attachment I	TE December 2018 report that shows budgeted vs actual spend.	Set 12 DR 5	No
161	OH DM Set 12- DR 005 Attachment J	CEI December 2017 report that shows budgeted vs actual spend.	Set 12 DR 5	No
162	OH DM Set 12- DR 005 Attachment K	OE December 2017 report that shows budgeted vs actual spend.	Set 12 DR 5	No
163	OH DM Set 12- DR 005 Attachment L	TE December 2017 report that shows budgeted vs actual spend.	Set 12 DR 5	No
164	OH DM Set 12- DR 005 Attachment M	CEI December 2016 report that shows budgeted vs actual spend.	Set 12 DR 5	No
165	OH DM Set 12- DR 005 Attachment N	OE December 2016 report that shows budgeted vs actual spend.	Set 12 DR 5	No
166	OH DM Set 12- DR 005 Attachment O	TE December 2016 report that shows budgeted vs actual spend.	Set 12 DR 5	No

Document Number	Document Name	Description	Relevant Data Request	Confidental (Yes/No)
167	OH DM Set 12- DR 005 Attachment P	Listing of all of the direct charge cost centers that the OH business services group managed for 2016-2020.	Set 12 DR 5	No
168	OH DM Set 10- DR 004 Attachment A	IT Regional Com PA costs	Set 10 DR 4	No
169	OH DM Set 10- DR 004 Attachment B	IT Regional Com MD costs	Set 10 DR 4	No
170	OH DM Set 10- DR 004 Attachment C	IT Regional Com NJ costs	Set 10 DR 4	No
171	OH DM Set 10- DR 004 Attachment D	IT Regional Com WV costs	Set 10 DR 4	No
172	OH DM Set 10- DR 009 Attachment A	Details of direct charge differences (Grid Mod)	Set 10 DR 9	Yes
173	OH DM Set 10- DR 012 Attachment A	Allocation % for 2016	Set 10 DR 12	No
174	OH DM Set 10- DR 012 Attachment B	Allocation % for 2017	Set 10 DR 12	No
175	OH DM Set 10- DR 012 Attachment C	Allocation % for 2018	Set 10 DR 12	No
176	OH DM Set 10- DR 012 Attachment D	Allocation % for 2019	Set 10 DR 12	No
177	OH DM Set 10- DR 012 Attachment E	Allocation % for 2020	Set 10 DR 12	No
178	OH DM Set 13- DR 007 Attachment A	Customer Data Lake standards	Set 13 DR 7	Yes
179	OH DM Set 13- DR 014 Attachment A	Justified Complaints summary (customer service)	Set 13 DR 14	No
180	OH DM Set 13- DR 003 Attachment A	Annual Budgeting Reports	Set 13 DR 3	No
181	OH DM Set 13- DR 004 Attachment A	Day 4 Closing Report	Set 13 DR 4	No
182	OH DM Set 13- DR 020 Attachment A	Customer information release form	Set 13 DR 20	No
183	OH DM Set 13- DR 033 Attachment A	List of all products and associated costs/revenues	Set 13 DR 33	No
184	OH DM Set 12- DR 001 Attachment A	List of all C-NET procedures	Set 12 DR 1	No
185	OH DM Set 12- DR 001 Attachment B	Authorization of release of customer electrical account info	Set 12 DR 1	No
186	OH DM Set 12- DR 001 Attachment C	Ohio Supplier Portal screenshots	Set 12 DR 1	No
187	OH DM Set 13- DR 011 Attachment A	C-NET Supplier Hotline	Set 13 DR 11	No
188	OH DM Set 13- DR 011 Attachment B	C-NET Supplier Interactions	Set 13 DR 11	No
189	OH DM Set 13- DR 011 Attachment C	C-NET Supplier Website- Password	Set 13 DR 11	No
190	OH DM Set 13- DR 011 Attachment D	C-NET Supplier Website	Set 13 DR 11	No
191	OH DM Set 13- DR 036 Attachment A	Product Revenue breakdown by billing option	Set 13 DR 36	No
192	OH DM Set 13- DR 038 Attachment A	PUCO approval of FEP logo and "services" name	Set 13 DR 38	No
193	OH DM Set 13- DR 038 Attachment B	Marketing materials of FEP	Set 13 DR 38	No
194	OH DM Set 10- DR 002 Attachment A	Transactions with ATSI	Set 10 DR 2	No
195	OH DM Set 12- DR 002 Attachment A	List of sensitive system business owners	Set 12 DR 2	No
196	OH DM Set 12- DR 002 Attachment B	List of Shared Senior Staff	Set 12 DR 2	No
197	OH DM Set 13- DR 009 Attachment A	Evaluation form for customer service employees	Set 13 DR 9	No
198	OH DM Set 13- DR 012 Attachment A	FERC Compliance Dashboard	Set 13 DR 22	Yes
199	OH DM Set 13- DR 033 Attachment A	Products Revenue and Costs	Set 13 DR 33	No
200	OH DM Set 13- DR 034 Attachment A	Surge Assist (warm transfer) revenue and costs	Set 13 DR 34	No
201	OH DM Set 13- DR 037 Attachment A	Example bill with product billing	Set 13 DR 37	No
202	OH DM Set 13- DR 039 Attachment A	Example FEP marketing email	Set 13 DR 39	No
203	OH DM Set 13- DR 039 Attachment B	Example FEP direct mailing marketing	Set 13 DR 39	No
204	OH DM Set 13- DR 041 Attachment A	Screenshot of FEP FERC settling accounts	Set 13 DR 41	No
205	OH DM Set 13- DR 043 Attachment A	FERC quarterly separation report (review of sensitive accounts)	Set 13 DR 43	Yes
206	OH DM Set 13- DR 044 Attachment A	FERC critical transfer report	Set 13 DR 44	Yes
207	OH DM Set 13- DR 045 Attachment A	List of FERC critical transfers (all possible combos)	Set 13 DR 45	No

Document Number	Document Name	Description	Relevant Data Request	Confidental (Yes/No)
208	OH DM Set 13- DR 042 Attachment A	IT Hub Access - adding people	Set 13 DR 42	No
209	OH DM Set 13- DR 042 Attachment B	IT Hub Training	Set 13 DR 42	No
210	OH DM Set 13- DR 042 Attachment C	IT Hub Approvers Guide	Set 13 DR 42	No
211	OH DM Set 13- DR 042 Attachment D	IT Hub - Setting a delegate	Set 13 DR 42	No
212	OH DM Set 13- DR 042 Attachment E	IT Hub - Quick reference guide	Set 13 DR 42	No
213	OH DM Set 14- DR 018 Attachment A	FE Home Email marketing	Set 14 DR 18	No
214	OH DM Set 14- DR 018 Attachment B	FE Home marketing flyer	Set 14 DR 18	No
215	OH DM Set 15- DR 007 Attachment A	Employee transfers with tenure	Set 15 DR 7	Yes
216	OH DM Set 14- DR 005 Attachment A	2016-2020 Power purchases from Energy Harbor	Set 14 DR 5	No
217	OH DM Set 14- DR 014 Attachment A	FE Advisors FERC designation	Set 14 DR 14	No

Set	Q	Data Request
1	1	Please provide the detailed organizational charts of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company (collectively, FirstEnergy or Companies) and each affiliate with which the Companies had transactions within 2016 – 2020 period. Please show all positions, the reporting relationships, the title of the position, their tenure, the department or the unit name. If these organization charts for any Companies or its affiliates have changed during the November 1, 2016 to October 31, 2020 period, please provide the earlier versions of the organizational charts as well.
1	2	For each of the three Ohio Companies and its affiliates, please provide the list of all policies, procedures, controls, business process documents, training documents and activities that are established to comply with Ohio laws governing Corporate Separation embodied in R.C. 4928.17 and Corporate Separation Rules embodied in Ohio Adm. Code 4901: 1-37. For each listed document, please provide a brief description or mapping of specific Ohio corporate
1	3	Please provide the latest copies of all policies, procedures, and business process document listed in Data Request 2. For any document that has been revised during the November 1, 2016 to October 31, 2020 period, please provide the earlier versions of the documents as well.
1	4	Please identify the individual position or team/department that is responsible for developing, maintaining, and ensuring the corporate separation plans for the Companies. For such team/s, please provide the team structure outlining all positions, the reporting relationships, the title of the position, their tenure, the department or the unit name.
1	5	Please provide all communications about corporate separation compliance issued by the individuals/teams identified in request (4) during the November 2016 to October 31, 2020 time period if they are not included in the requests 1 through 3 above, including but not limited to, internal memorandums, compliance reports to management or the Board.
1	6	If not already provided in request (3), please provide corporate separation compliance plans of the Companies and their affiliates.
1	7	Please provide all internal audits performed/ordered by the Companies or its affiliates or any of the Boards of the Companies and their affiliates regarding the corporate separation compliance during the November 2016 to October 31, 2020 timeframe.
1	8	Please provide copies of current Code of Conduct documents of Companies and their affiliates. For any document that has been revised during the November 1, 2016 to October 31, 2020 period, please provide the earlier versions of the documents as well.
1	9	Please provide current cost allocation manual (CAM) of all Companies and their affiliates. For any document that has been revised during the November 1, 2016 to October 31, 2020 period, please provide the earlier versions of the documents as well.
1	10	Please provide all transactions subject to the Companies' cost allocation manual for the years 2016 to 2020, separately by Company (Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company) and year. Please provide transaction data in the spreadsheet format.
1	Informal	Can you please share the employment date and tenure (at current position) of staffs listed in the spreadsheet? This will enable us to identify appropriate staffs for the interviews in our compliance audit process

Set	Q	Data Request
2	1	Please provide the latest copy of affiliate-level organization chart of FirstEnergy Corp. And, if there has been changes in affiliates during 2016 – 2020 period, please provide the earlier versions of the affiliate-level organization chart of FirstEnergy Corp as well.
2	2	Regarding the shared services between Ohio Companies and FirstEnergy Corp, a. Please provide the list of all FirstEnergy Corp companies that provided shared services during 2016 to 2020 period. b. Please provide copies of all service agreements between Ohio companies and FirstEnergy affiliates identified in (a).
2	3	Regarding OH DM Set 1-DR-001 Attachment A, Page 1767, when was the Chief Ethics Officer position created? How long has it been vacant?
2	4	Refer to the Compliance Audit Report prepared by Sage Consulting in Case 17-974-EL-UNC, what actions did FirstEnergy take relative to the recommendations provided in the Compliance Report? Please respond to each finding and recommendation provided in that report, and refer to the appropriate recommendation number and page of the final report in the response for ease of comparison.
2	5	Refer to Section 4901:1.37-04(E) of the Ohio Admin Code, have Ohio Companies made any exceptions to its Corporate Separation Plan consistent with this requirement? If yes, please provide a log, as required by 4901:1.37-04(E)(2), of all such actions that do not comply with 4901:1-37.
2	6	Refer to Section 4901:1.37-05(B) (14) of the Ohio Admin Code, have there been any compliance concerns raised during the audit period? If yes, please provide the record of the concerns along with actions taken as required by Ohio Admin Code 4901:1.37-05(B) (14).
2	7	Refer to Certificate of Compliance Training from OH DM Set 1-DR-002, a. Please provide the training contents included in the latest version of the compliance training. b. If the contents of this training have changed during the 2016 – 2020 period, please provide the training contents of all Compliance training offered during this period. c. Please provide the record of all staff completing the Compliance Training during 2016 – 2020 period. In this record, please include if the staff have completed multiple trainings during this period.
2	8	Refer to Code of Conduct training mentioned in Section IX of Corporate Separation Plan (page 11), OH DM Set 1-DR-006 Attachment A, a. Please provide the training contents included in the latest version of the code of conduct training. b. If the contents of this training have changed during the 2016 – 2020 period, please provide the training contents of all Compliance training offered during this period. c. Please provide the record of all staff completing the Code of Conduct Training during 2016 – 2020 period. In this record, please include if the staff have completed multiple trainings during this period.

Set	Q	Data Request
2	9	Refer to Corporate Ethics portal page from OH DM Set 1-DR-002, a. Please provide the training contents included in the latest version of the Corporate Ethics training. b. If the contents of this training have changed during the 2016 – 2020 period, please provide the training contents of all Compliance training offered during this period. c. Please provide the record of all staff completing the Corporate Ethics Training during the 2016 – 2020 period. In this record, please include if the staff have completed multiple trainings during this period.
2	10	Regarding Corporate Separation Plan provided in response to OH DM Set 1-DR-006 Attachment A, please provide a narrative on how areas of judgement in the Corporate Separation Plan, for instance rules that include language such as "as practical" and "as reasonable", are dealt with and decided. Who makes the judgement as to what is practical? Is there a document trail available for when decisions of this type are made? If yes, please provide such information for the audit period of 2016-2020.
2	11	Refer to the Corporate Compliance Plan, FE Corp org chart provided in OH DM Set 1-DR-001 Attachment A, and response to OH DM Set 1-DR-004: Recognizing that FE expects all employees to uphold the Corporate Separation Plan, please provide the specific FE employee(s) and their position that is (are) designated responsible for ensuring compliance with the following portions of the Corporate Separation Plan. a. Section III- Separate Accounting b. Section IV- Financial Arrangements c. Section V- Joint Marketing and Advertising d. Section VII- Code of Conduct e. Section VIII- Cost Allocation Manual f. Section IX- Education and Training g. Section X- Company Policy Statement h. Section XI- Compliance Monitoring Procedures and Corrective Actions i. Section XII- Complaint Procedures
2	12	Refer to Page 2, Section I of the Corporate Separation Plan, a. What is the relationship between American Transmission System Incorporated and First Energy? b. What is the relationship between American Transmission System Incorporated and Ohio Edison Company, The Cleveland Electric Illuminating Company, and Toledo Edison Company?
2	13	Refer to Page 6, Section V of the Corporate Separation Plan that states "In order to ensure compliance with corporate separation rules and regulations the Companies do not plan to joint advertise or joint market with any unregulated competitive affiliate, and if that position changes, they will advise the Commission Staff": Has there been any joint advertising or marketing since the approval of this plan? If so, has the Commission been advised and has the Commission given approval? Please provide any relevant docket numbers or documents associated with joint marketing decisions or activities that may have occurred from 2016-2020.

Set	Q	Data Request
2	14	Please refer to Page 12, Section IX of the Corporate Separation Plan. The plan states: "The Companies' will also maintain on their public web site a description and timeline of all planned education and training, throughout the holding company structure". a. Please provide the website address of where this information resides and whether this is accessible to the general public. If not available to the public, please provide screen shots of the information there. b. Please also note which department is responsible for maintaining the information on this website page.
2	15	Please refer to page 12, Section IX and Section X of the Corporate Separation Plan and a. Please confirm the certificate that employees must sign on a biennial basis (referred to in paragraph 2 of Section IX) is the same document that is referenced in Section X (the Compliance Policy Statement), and attached to the Corporate Separation Plan as "Attachment 3"? b. Paragraph 2 of Section IX describes "policies and procedures of the corporate separation rules." Please provide the most recent copies of all policies and procedures pertaining to the corporate separation rules, including any change logs that may accompany said documents. c. Section X defines the consequence for failure to comply with restrictions as "result[ing] in appropriate disciplinary action." Please provide examples of such action in the past. Please provide any written policies detailing and describing "appropriate disciplinary action." If a log of such actions is maintained, please provide a copy.
2	16	Please refer to Page 12, Section XI of the Corporate Separation Plan and a. Please provide any documents, reports, logs, or notes taken as part of the latest periodic review of the "education and training program, all policies and procedures, and the compliance log and record of violations." b. For the time period of November 2016 to October 31, 2020, please provide the end dates for any Compliance audit as directed by the Compliance Officer, along with any subsequent reports submitted to said officer, and any subsequent actions taken by the Legal Department and Compliance Officer to address the results of the internal audit. If there was a compliant that initiated the audit, please include that as well. c. For the time period of November 2016 to October 31, 2020, please provide the end date, report, findings and subsequent actions of any internal compliance audit conducted by someone other than the Compliance Officer and their department. If there was a complaint that initiated that audit, please include that as well.
2	17	Please refer to Page 13, Section XII of the Corporate Separation Plan and provide a current listing of all complaints received per Section XII, including the results of the investigation and descriptions of any subsequent actions taken.
2	18	Please refer to OH DM Set 1-DR-003-Attachment A – Business Practice #3.2: Regulatory Codes of Conduct and Affiliate Transactions and provide copies of the following documents listed in the "References" section: a. Business Practice 3.5 – Ethics and Business Conduct b. Business Practice 3.6 – Employee Concerns Line c. Corporate Policy 103 – Corporate Compliance Program d. Corporate Policy 301 – Employee Concerns Line

Set	Q	Data Request
2	19	Please refer to OH DM Set 1-DR-003-Attachment A – Business Practice #3.2: Regulatory Codes of Conduct and Affiliate Transactions, section "Authority and Responsibility" and provide any process documentation of steps that Management must take to fulfill their responsibilities to assure adherence to the Regulatory Codes of Conduct.
3	1	Please provide a timeline of major First Energy corporate events, starting with November 2016 to October 31, 2020. Please include details on any mergers, acquisitions, divestitures, bankruptcies and corporate restructuring events.
3	2	Please identify the dates of any added executive level positions and the title of the position that occurred during the period November 2016 to October 31, 2020.
3	3	Refer to page 923 of organization chart, are there any shared services employees with direct reports to Mr. Gary W Grant Jr (President of Ohio Operations) or anyone that reports to staff positions that report to Mr. Grant?
3	4	Are there any Ohio Companies employees with direct report obligations to the employees of the service company? If yes, please identify these staff and their titles consistent with the detailed organization chart included in OH DM Set 1-DR-001-Attachment A.
3	5	Refer to the Ohio Admin Code 4901:1-37-08(C), what are the processes and controls put in place by Ohio Companies to ensure that no cross-subsidization is occurring between the Companies and its affiliates?
3	6	What is the process of determining cost allocation factors for a shared service between Ohio Companies and their affiliates?
3	7	Please identify staff positions and name of the staff that are responsible for maintaining the cost allocation process for the Ohio Companies.
3	8	On p. 2, the CAM (OH DM Set 1-DR-009-Attachment A) states: "For any additional questions regarding information from this Cost Allocation Manual, please contact Tracy Ashton at XXX-XXX-XXXX". Is Tracy still the lead contact for the CAM? If not, please provide the current contact.
3	9	Please refer to Page 1-2 of CAM provided in response to OH DM Set 1-DR-009 Attachment A, please provide the missing sections including Section IV, Corporate Organization and Section V, Transaction with Affiliates.
3	10	In several places, OH DM Set 1 DR 009 Attachment A references a different "Appendix A" as part of the document. Please provide the Appendix that the CAM is referencing.
3	11	As is required by OH 4901:1-39, 8(D)(4), does the CAM also include individual job descriptions for each shared employee? If yes, please provide the job description for all shared employees.
3	12	As is required by OH 4901:1-39, 8(D)(5), does the CAM also include names and job summaries for each shared consultant and independent contractor? If yes, please provide the job descriptions of all shared consultant and independent contractors.
3	13	As is required by OH 4901:1-39, 8(D)(6), does the CAM also include a copy of all transferred employees previous and the new job descriptions? If yes, please provide the list of transferred employees and new job descriptions.
3	14	As is required by OH 4901:1-39, 8(D)(7), does the CAM also a log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions? If yes, please provide this information.

Set	Q	Data Request
3	15	As is required by OH 4901:1-39, 8(D)(8), does the CAM also a log of all complaints brought to the electric utility regarding this chapter? If yes, please provide the log of all complaints.
3	16	As is required by OH 4901:1-39, 8(D)(9), does the CAM also include a copy of the minutes of each board of directors meeting? If yes, please provide this information.
3	17	Please refer to p. 43 of the CAM, OH DM Set 1-DR-009 Attachment A, where it states: "All employees of FESC are required to ensure time is distributed to the appropriate accounting structure by entering a timesheet." a. Please provide actual sample timesheets that demonstrate this requirement. b. Do the Companies review the time entered by FESC prior to the settlement? If yes, please describe the process of this review and frequency of the review.
3	18	Please refer to p. 4 of the CAM, OH DM Set 1-DR-009 Attachment A. Please explain in more detail the role of the ED Asset Management and how they maximize the value of FE transmission and distribution assets
3	19	Please refer to p. 5 of the CAM, OH DM Set 1-DR-009 Attachment A. Please explain in more detail the role of Communications- Utility: Research.
3	20	Please refer to p. 42 of the CAM, OH DM Set 1-DR-009 Attachment A. Please provide a diagram or detailed description of how the work order system is utilized to allocate costs. How does the work order system differ from the four other cost collectors that FE uses?
3	21	With Companies response to OH DM Set-1 DR-010 Attachment A, 1-5, please confirm that the Companies have provided all cost allocation manual transactions that they are required to maintain in accordance with Ohio Admin Code 4901:1-37-08. If not, please provide the missing transactions.
3	22	The spreadsheet provided with OH DM Set-1DR-010 Attachment A, 1-5 shows the allocation of costs from FirstEnergy Service Company ("FESC") to the Ohio Companies. Did Ohio companies receive services from other First Energy affiliates besides FESC during the 2016 – 2020 period?
3	23	Did FESC provide services to other affiliates of Ohio Companies during the 2016 to 2020 period? If yes, please provide the details of the services and the affiliates.
3	24	For the spreadsheets OH DM Set 1-DR-010 Attachment A, 1-5, please provide the following: a. A definition of each column of tabs of each excel workpaper. b. The data source of each column of tabs of each excel workpaper.
3	25	For the spreadsheets OH DM Set 1-DR-010 Attachment A, 1-5, please confirm that a. Column J (PaCC) that includes OE01, CE01, and TE01, as values identify cost allocated to Ohio Edison Company, The Cleveland Electric Illuminating Company and Toledo Edison Company, respectively. b. Column M (Per) that includes 1 to 12 values represent monthly values. If not, please provide description of each value for this category.
3	26	Please provide brief description of the following categorical variables provided in spreadsheets OH DM Set 1-DR-010 Attachment A c. The description of each Account (Column A) d. The description of each Cost Element Name (Column G) e. The description of each CO object name (Column F) f. The description of each partner object name (Column L)

Set	Q	Data Request
3	27	Please refer to OH DM Set 1-DR-010 Attachment A, 1-5. What do positive and negative values for variable "Val/COArea Crcy" signify.
3	28	For transactions related to the Ohio Companies, who is responsible for putting entries into the Enterprise Resource Planning (ERP) database? Please provide employee names and titles.
3	29	Do the Cost Allocation records provided in OH DM Set 1 DR-010- Attachment A show which cost allocation method was used? (Reference methods discussed on p. 39-41 of CAM, OH DM Set 1-DR-009 Attachment A). If so where? If not, please provide records that have this information.
3	30	For a defined shared service listed within OH DM Set 1 DR-010- Attachment A, have the cost allocation factors for the Ohio Companies changed during 2016 – 2020 period. If yes, please identify the shared services and list the reasons for changing the allocation factors.
4	1	Do service employees provide their services to unregulated affiliates of FirstEnergy Corp? If yes, a. Please provide the list of services that service employees provide to each unregulated affiliate. b. Please provide the service agreements of all services identified above in 1(a).
4	2	Refer to page 39 of the CAM (OH DM Set 1-DR-009-Attachment A) regarding the cost allocation methodology a. Please provide documentation that the FESC or Companies maintain for estimating cost allocations. If applicable, please provide a spreadsheet with formulae intact. Please provide the detailed methodology used to calculate the Multiple Factor-Utility, including excel workpapers with formulae intact if applicable. b. Please provide the current Multiple Factor-Utility ratios being used for all Ohio companies.
4	3	Refer to FE's response to Set 1 DR 009. "Other components of the CAM are more dynamic - these are being compiled and will be produced upon completion." Please expand upon what this means. Are all components of the CAM stored in one place? If not, why not?
4	4	Please refer to FE Response to Set 1 DR 9b: "See OH DM Set 1-DR-009-Attachment B - Confidential for the annual summary of changes to the CAM submitted to PUCO Staff for the years 2017 through 2020, in accordance with O.A.C. 4901:1-37-08(H)." Please provide the confidential annual summary of changes to the CAM from 2017-2020.
4	5	Please refer to FE Response to Set 1 DR 9c. Please provide any confidential information that was not provided in OH DR Set 1-DR 009 Attachment C.
4	6	Please refer to Section III of the CAM, Description of Services. Are there any shared employees that do not fall into any of the categories described in Section III? If yes, please provide their titles names, and reporting organization.
4	7	In the CAM, please refer to the following Customer Service cost allocations - Supplier services, Regulatory interface and process improvement, Market support generation, Revenue reporting and Consumer products marketing. Please explain why these are only allocated to regulated utilities.
4	8	In the CAM, please refer to the Inserting Services and Printing Service cost allocation- Why is this designated to "utility" and not regulated/de-regulated?

Set	Q	Data Request
4	9	Please refer to the Nuclear Warehousing Services allocation. Why is this allocated to deregulated?".
4	10	Refer to p. 3, Section II Structural Safeguards, "each of the Companies and their affiliates that provide services to customers within the Companies' service territory from sharing facilities and services if such sharing in any way violates the Code of Conduct." a. At present, are there Ohio Companies' employees and competitive service employees that are placed in the same physical location? If yes, please identify which employees are in a shared space and what measures are in place to avoid cross-subsidization? b. What are the security procedures set in place so that employees cannot access an unauthorized area?
4	11	Refer to the statement p. 3, Section II Structural Safeguards, "utility services employees and unregulated competitive affiliated employees are not permitted to share common printers, copiers, fax machines, file cabinets, etc." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the documents. If not, please provide how Companies comply with the stated requirements. b. What is the process in place to identify and address if such sharing of common printers, copiers, fax machines, file cabinets etc. occurs between Ohio Companies and a competitive entity? c. Has any such sharing of common printers, copiers, fax machines, file cabinets etc. occurred between Ohio Companies and competitive entity during the 2016 to 2020 period? Is yes, please provide the log of such events and actions taken by the Companies in regard to such sharing.
4	12	Refer to the statement p. 3, Section II Structural Safeguards, "regulated entity employees and unregulated competitive affiliated employees are not permitted to share common computers, networks, data storage or information resources that cannot be properly restricted" a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the documents. If not, please provide how Companies comply with the stated requirements. b. What is the process in place to identify and address if such sharing of common computers, networks, data storage or information resources occurs between Ohio Companies and competitive entity? c. Has any such sharing of common computers, networks, data storage or information resources occurred between Ohio Companies and competitive entity during the 2016 and 2020 audit period? Is yes, please provide the log of such events and actions taken by the Companies in regard to such sharing.

Set	Q	Data Request
4	13	Refer to the statement p. 3, Section II Structural Safeguards, "regulated entity employees and unregulated competitive affiliated employees are not permitted to hold meetings, use conference rooms, have conversations or use speaker phones when discussing information in areas that can be overheard by those employees prohibited from receiving such information." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the documents. If not, please provide how Companies comply with the stated requirements. b. What is the process in place to identify and address if above activities occur between Ohio Companies and competitive entity? c. Has any such open discussion of information occurred between Ohio Companies and competitive entity during the 2016 to 2020 audit period? Is yes, please provide the log of such events and actions taken by the Companies in regard to such sharing.
4	14	Please refer to p. 3, Structural Safeguards, "Corporate support services employees are permitted to have access to all information but are prohibited from sharing such information with an employee that is not permitted to directly obtain the information. The Companies may also from time to time share employees between each other to assist with maintenance or service restoration," has any sharing occurred during the 2016-2020 audit period? If yes, please provide details.
4	15	Please refer to p. 3, Structural Safeguards, "The fifth structural safeguard requires the Companies to ensure that all shared employees appropriately record and charge their time based on fully allocated costs." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. During the 2016-2020 period, did any non-compliance with this requirement occur? If yes, please provide a log of such events and any action taken by the Companies.
4	16	Please refer to p. 3, Structural Safeguards, "The SAP financial system is set-up so that the separation of costs between the regulated and non-regulated affiliates will be maintained; intercompany transactions and related billings are structured so that non-regulated activities are not subsidized by regulated affiliates and vice versa; and that adequate audit trails exist on the books and records." a. What consists of the audit trail referenced above? Please provide any documentation involved in this audit trail. b. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. c. How is non-compliance identified and what steps are taken once non-compliance is identified? d. During the 2016-2020 period, did any non-compliance to this requirement occur? If yes, please provide a log of such events and any action taken by the Companies.

Set	Q	Data Request
4	17	Please refer to Section III, Separate Accounting, “The Companies also have cost accounting procedures and systems in place and in operation that assure that each business unit properly records the costs associated with that unit's activities and operations.” a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified? What actions are taken in the case of non-compliance? c. Can FE provide an example where a non-compliance was identified and the actions that were subsequently taken? d. How are employees trained on the above requirement? Please provide any training materials. e. How does FE rectify this requirement with the Cost Allocation Manual?
4	18	Please refer to Section IV Financial Arrangements, restriction (i): “any indebtedness incurred by an affiliate shall be without recourse to the Companies” a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies support, financially or by any other means, any indebtedness incurred by an affiliate between 2016 and 2020 period? Is yes, please provide the log of such events and actions taken by the Companies.
4	19	Please refer to Section IV Financial Arrangements, restriction (ii): “the Companies shall not enter into any agreement with terms under which the Companies are obligated to commit funds to maintain the financial viability of an affiliate” a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies entered into any agreement with terms under which the Companies are obligated to commit funds to maintain the financial viability of an affiliate between 2016 and 2020 period? Is yes, please provide the log of such events and actions taken by the Companies.

Set	Q	Data Request
4	20	Please refer to Section IV Financial Arrangements, restriction (iii): "the Companies shall not make any investment in an affiliate under any circumstances in which the Companies would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of the affiliate" a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies make any investment in an affiliate for which the Company would be liable between the 2016 and 2020 period? If yes, please provide a log of such events and action taken by the Companies.
4	21	Please refer to Section IV Financial Arrangements, restriction (iv): "the Companies shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate" a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies issue any securities for the purpose of financing an affiliate between the 2016 and 2020 period? If yes, please provide a log of such events and action taken by the Companies.
4	22	Please refer to Section IV Financial Arrangements, restriction (v): "the Companies shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate" a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies assume an obligation or liability with respect to security of an affiliate between the 2016-2020 period? If yes, please provide a log of such events and any action taken by the Company.

Set	Q	Data Request
4	23	Please refer to Section IV Financial Arrangements, restriction (vi): "the Companies shall not pledge, mortgage, or use as collateral any of their assets for the benefit of an affiliate" a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies pledge, mortgage or use as collateral any of their assets for the benefit of an affiliate from the 2016-2020 period? If yes, please provide a log of such events and any action taken by the Company.
4	24	Please refer to p. 12, Section IV Financial Arrangements, which states: "Companies are required to review and be familiar with the Companies' Ohio corporate separation rules that set forth such prohibitions". a. How do the Companies ensure its staff and service company's staffs familiarity with corporate separation rules? Please provide documentation for any processes/procedures. b. Are there any trainings involved in this process? If yes, please provide the content of such training if they were not previously provided via responses to OH DM Set2-DR-007, OH DM Set 2-DR-008, and OH DM Set 2-DR-009.
4	25	Please refer to p. 6, Section V Joint Advertising. Please provide the cost center for the unregulated affiliates for marketing.
4	26	Please refer to p. 6, Section V Joint Advertising, "FirstEnergy Solutions Corp., an unregulated retail energy business subsidiary of FirstEnergy Corp., remains a separate affiliate and is marketed as such." Have there been any new affiliates created in the 2016 to 2020 timeframe of this audit that are marketed separately? If yes, please provide their names along with information about their relationship and their separate cost center dedicated to advertising and other promotions.
4	27	Please refer to Section VI, Consumer Products. Please provide a comprehensive listing of all products and services that are offered by each Company.

Set	Q	Data Request
4	28	Please refer to p. 7, Section VII, the Code of Conduct, #1: "The Companies may not release any proprietary customer information (e.g., individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. Did the Companies release any proprietary customer information to affiliates during the 2016-2020 period that would make it non-compliance with this requirement? If yes, please provide a log of such events and any action taken by the Company. d. Did the Companies release any proprietary customer information to affiliates during the 2016-2020 period with compliant to this requirement? If yes, please provide a log of such occurrence.
4	29	Please refer to p. 7, Section VII, the Code of Conduct, #2: The Companies will make customer lists, which include name, address, and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in their respective service territory, unless otherwise directed by the customer." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. What is the process in place by the Companies to request customer information?
4	30	Please refer to p. 7, Section VII, the Code of Conduct, #3: "Employees of the Companies' affiliates may not have access to any information about the Companies' transmission or distribution systems (e.g., system operations, capability, price, curtailments, and ancillary services) that is not contemporaneously available, readily accessible, and in the same form and manner available to nonaffiliated competitors providing retail electric service." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. During the 2016-2020 period, did the employees of the Companies' affiliates have access to any information about the companies T&D systems that was not contemporaneously available, readily accessible, and in the same form and manner available to nonaffiliated competitors providing retail electric services? If yes, please provide a log of such events and any action taken by the Company.

Set	Q	Data Request
4	31	Please refer to Section VII, Code of Conduct #4: "The Companies will treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and nonaffiliated, and may not release such information, unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomes available to the public other than as a result of disclosure by the Companies." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. During the 2016-2020 period, did non-compliance to this requirement occur? If yes, please provide a log of such events and any action taken by the Companies.
4	32	Please refer to Section VII, Code of Conduct #7: "The Companies, upon request from a customer, will provide a complete list of all competitive retail electric service providers operating on the system, but may not endorse any competitive retail electric service providers, indicate that an electric services company is an affiliate unless specifically and independently asked by a customer or other third party, or indicate that any competitive retail electric service provider will receive preference because of an affiliate relationship." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. During the 2016-2020 period, did non-compliance to this requirement occur? If yes, please provide a log of such events and any action taken by the Companies. d. Please identify the staff (in each Company) responsible for providing the list of competitive electric service providers to customers.
4	33	Please refer to Section VII, Code of Conduct #8, "The Companies will use reasonable efforts to ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power and the Companies' compliance officer will promptly report any such unreasonable sales practices, market deficiencies, and market power to the director of the Commission's utilities department (or their designee)." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. What is the process to report such complaints by customers to the Companies? d. Have there been any complaints made during the 2016-2020 period? If yes, please provide a log of these complaints along with any action taken.

Set	Q	Data Request
4	34	Please refer to Section VII, Code of Conduct #9, "Employees of the Companies or persons representing the Companies may not indicate a preference for an affiliated electric services company." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. During the 2016-2020 period, did non-compliance to this requirement occur? If yes, please provide a log of such events and any action taken by the Companies.
4	35	Please refer to Section VII, Code of Conduct #11, "Shared representatives or shared employees of the Companies and affiliated electric services company will clearly disclose upon whose behalf their public representations are being made when such representations concern the entity's provision of electric services." a. Are there any process/procedures/controls in place to enforce the above requirement? If yes, please provide such documentation along with staff responsible for owning and maintaining the process and documents. If not, please provide how Companies comply with the stated requirements. b. How is non-compliance identified and what steps are taken once non-compliance is identified? c. During the 2016-2020 period, did non-compliance to this requirement occur? If yes, please provide a log of such events and any action taken by the Companies.
4	36	Please refer to Section IX. What happens when an employee does not sign a certificate certifying they have read and understand the Corporate Separation Rules?
4	37	Please refer to Section X. What is the "disciplinary action" that results when there is a failure to comply with the rules? Has any disciplinary action occurred from 2016-2020? If so, please provide details.
4	38	Please refer to Section XII, Complaint Procedures. a. How do FE employees become aware of the complaint procedure? b. This section states: "The Companies will maintain the written statements of the complaints and any resulting investigations (if applicable) in the CAM for at least three years." Does the CAM maintain any written complaints? If so, please provide. If not, please explain why not.
4	39	Please refer to Section X, Compliance Policy Statement requirement: "All employees who have access to any nonpublic electric utility information must sign the Companies' Compliance Policy Statement". a. How does FE ensure that all employees who have access to nonpublic information sign this policy agreement? b. Where are these signed agreements stored? c. Please provide a copy of the Compliance Policy Statement
4	40	Please refer to Section IX, Education and Training, where the plan states: "As a constant reminder of the different classifications of employees, the internal electronic phone listing identifies each employee as utility services, competitive services, or corporate support services." In an increasingly electronic world, how are employees reminded of employee classifications other than on the phone listing? Is there any email designation?

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4	41	Please refer to Section XI, please provide documentation of all periodic reviews of the Corporate Separation Plan.
5	1	Refer to OH DM Set 1-DR-009-Attachment C-Confidential, p. 6 of Exhibit A, the signatory page for the "Client Companies", and explain: a.How does senior management of each of these Client Companies affirm that they have read, understood, and agreed with and will follow the terms of this agreement, if not by signature? b.Do all the companies listed comprise all the utility and non-utility subsidiaries of First Energy excluding Jersey Central Power & Light as of today? c.If not, please provide an updated list as of today.
5	2	Refer to OH DM Set 1-DR-009-Attachment C-Confidential, starting on page 8, Cost Allocation Methodology of Exhibit A, "Description of Services and Allocation Methodology" for following DR 2 – 10: Provide First Energy's equity investment in each utility and non-utility subsidiary in both dollar and percentage terms.
5	3	Identify the source for your answer to 2) above, and if it was publicly filed please identify with whom and when?
5	4	Please identify the entity referred to as "ServCo" on the 6th line of the Overview paragraph.
5	5	Refer to Overview paragraph, line 3, statement that "The primary basis for charges to affiliates is the direct charge method" and confirm what percentage of total Service Company costs are allocated by the Direct Charge Method for the last five (5) years.
5	6	Refer to 2.a., "Multiple Factor – All", and the reference to "First Energy will bear 5% of these Indirect Cost", and explain how this value was derived?
5	7	For each Allocation Method a through r, provide an example showing how costs are allocated using the applicable percentages.
5	8	Explain how the allocator "Number of Participating Employees" is defined, including whether it includes all employees, including full time, full-time equivalent employees or former/retired employees now working as consultants
5	9	How does FE allocate all costs (salary, benefits and resources) for employees of a subsidiary who have been temporarily assigned to work for another subsidiary?
5	10	Refer to Indirect Allocation method e. "Direct Charge Ratio" on p. 9 of 29 and explain: a.Which costs or services are allocated by this factor? b.Why is this allocation method needed or required? c.Why can't these costs or services be direct assigned?
5	11	Refer to "Warehousing Space Charge" in p. 22 of OH DM Set 1-DR-009-Attachment C-Confidential and explain: a. How many warehousing facilities are there? b. Who owns each warehousing facility property? c. How are individual warehousing facilities/space assigned to utility vs non-utility subsidiaries? d. Why isn't the warehousing space charge based on square footage, volume and/or time in warehouse rather than the Multi-Factor allocators on pp. 8-9?
5	12	On Response to OH DM Set 2 DR 06, Attachment B, there is some redacted information. Please provide a non-redacted version of OH DM Set 2 DR 06, Attachment B.

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5	13	Regarding Response to OH DM Set 2 DR 11: "While different groups throughout the organization are involved in implementing portions of the Corporate Separation Plan, the Compliance Officer is designated responsible for ensuring compliance with the Corporate Separation Plan, in accordance with Section XI of the Corporate Separation Plan. The position of Compliance Officer is currently vacant." a. Who is assuming the responsibilities of the Compliance Officer while the position is vacant? b. What are the different groups throughout the organization that are involved in implementing portions of the Corporate Separation Plan, as stated above?
6	1	In reference to our interview with Mr. Sweeney, where we discussed how transactions are tracked at Toledo Edison, he stated that the account managers receive a monthly SAP report that they review. From our understanding, these monthly SAP reports contain records of all ongoing work orders during the report time period. a.Please confirm our understanding that Customer Accounts managers at the Ohio Companies receive monthly SAP reports that contain work order information. b. Please provide the monthly SAP reports that each Customer Accounts manager within Ohio Companies reviewed and/or generated each month during the audit period in order to ensure compliance with the Cost Allocation Manual. Please separate the reports by each Ohio Company.
6	2	Please provide all transactions that have occurred between Toledo Edison and Davis Besse power plant during the audit period of 2016 to 2020. Please provide in a separate spreadsheet from Response to Set 1 DR 10 Attachment A for the ease of reading.
6	3	Please provide a sample actual work order that was generated by one of the Ohio Companies for work with an affiliate.
6	4	In our interview with Mr. Sweeney, we asked if he knew of any Ohio Admin Code 4901:1-37 compliance documents or reports that he personally had to sign off on. At that time, he could not think of any. a. Please confirm whether Ohio Regional Presidents do not sign off on any 4901:1-37 compliance documents? b.If they do sign off on anything, please provide these documents. provide these documents.
6	5	How do the Ohio Companies track overhead expense for an affiliate work order?
6	6	Please provide the calculation methodology behind allocating overhead to an affiliate, with an example calculation.
6	7	Please provide the log of requests for interpretation of tariffs mentioned by Mr. Fanelli during the interview by Daymark on March 16, 2021 in whatever form it is available.
6	8	Please provide any records (phone logs and/or emails) of the Rates and Regulatory Affairs group assisting operating companies with questions about how to respond to tariff inquiries in ways that are compliant with the corporate separation policy.
6	9	It is our understanding that the person who was Compliance Officer during the audit period is no longer with the company. Please identify staffs with direct reports responsibilities to the previous Chief Compliance Officer and their current employee titles with the First Energy.
6	10	Who is responsible for tracking any complaints made regarding 4901:1-37 and 4928:17? If it is the Compliance Officer, who is taking that responsibility while the position is vacant?

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6	11	Please provide a list of employees considered First Energy Services Company employees and identify any other company affiliations they may have.
6	12	Please provide a listing and description of all employee FERC classifications, if it has changed from the table in Set 1 DR 3 Attachment G, p. 2. a. Please specify which FERC designations are applied to Ohio company employees. b. Please provide any protocols on how to assign FERC designations. c. What is the difference between an Orange Shared Services employee and a Green Senior Shared Services employee? Does access to information or buildings differ? If so, how? d. Do any employees have more than one designation? For instance, can a blue Competitive MFE also be coded as a red Regulated MFE? e. Are red and blue employees ever or were ever during the audit period in the same department? If so, what was/is the department and what were/are the safeguards so that information is not shared inappropriately?
6	13	Does First Energy have written processes or procedures regarding the review of employees' FERC designations and a written process to revise it when employees change positions? If yes, please provide such documentation.
6	14	Please provide a flow chart, diagram or chronological description of the processes that take place when an employee changes FERC designation. For instance, are their computers wiped, emails changed, badge changed, etc? In the description, please identify which departments are responsible for each step in the procedure.
6	15	Please provide an example of the weekly report that Mr. Mattiuz receives on any internal employee transfers. Please provide an example report where an employee did change designations from a regulated utility to First Energy Solutions and vice versa.
6	16	Please provide an example of FERC interconnection filing where an FE affiliate was interconnecting with the Ohio regulated utilities.
6	17	Has FE conducted a gap analysis between the FERC affiliate restriction and FERC code of conduct and OH Corporate Separation rules embodied in Ohio Admin Code (O.A.C) 4901? If so, please provide the results of the analysis. a. How does FirstEnergy approach FERC compliance and O.A.C 4901 compliance? Does the Company feel that FERC compliance takes cares of all O.A.C 4901 requirements?
6	18	Is there a process or checklist set up to check whether FERC designations are meeting OH Corporate Separation Rule requirements?
6	19	Please provide any written process or procedure that details a course of action for an email that is inadvertently sent between a regulated company and a non-regulated company, or any two FERC designations that are not allowed to be sharing information.
6	20	Do shared FE employees that work primarily at an Ohio Company, such as accountants, IT staff etc., have any additional Corporate Separation training other than the annual compliance certification? If not, why not?
6	21	For the audit time period of 2016 – 2020, please provide copies of any FERC non-compliance report related to the FERC code of conduct or affiliate restrictions, including any internal audit results.
6	22	Please provide all documentation, including policies, procedures and processes, on how the IT system is set up to restrict access to information based on an employee's FERC designation.

Set	Q	Data Request
6	23	Please provide a diagram or flow chart and if available, a written protocol on how employee access to information is controlled with each of the systems that FE has in place. Please point out any direct references to OH Corporate Separation Rules embodied in O.A.C. where appropriate. Please also identify which department has responsibility for each of the identified controls.
6	24	Please provide documentation that shows what FERC designation (for instance, red, blue, etc.) has access to in terms of information and physical locations. Please provide as much detail as possible.
7	1	Please refer to the response to OH-Set1-DR002, “In addition, elements of FirstEnergy Corp.’s FERC Compliance Program are leveraged to achieve compliance with many of the requirements of OAC 4928.17 and OAC 4901:1-37, which includes the FERC Affiliate Restrictions Compliance Program and the FERC Standards of Conduct Compliance Program.” a. Please explain how FERC Compliance Program elements are leveraged to achieve compliance with many of the requirements of ORC 4928.17 and OAC 4901:1-37? b. Please identify the list of 4901:1-37 requirements that are complied with by leveraging FE’s FERC Compliance Program. c. For the identified 4901 requirements above, please provide the detailed mapping between OAC 4901:1-37 requirements and FERC Compliance Program by providing information such as, but not limited to, FirstEnergy Corp’s process and procedure documents.
7	2	Please refer to OH-Set1-DR 003 Attachment G, FirstEnergy’s FERC Affiliate Restrictions program and identify specific FERC requirements relevant to OAC 4901 requirements and Companies’ Corporate Separation Plan.
7	3	Please refer to OH-Set1-DR 003 Attachment G, FirstEnergy’s FERC Affiliate Restrictions program. On page 4, FE notes that they have received several waivers from the Affiliate Restrictions. Please provide a description and copies of all waivers that FE has received and which companies they apply to.
7	4	Please refer to page 4, Waivers of FERC Affiliate Restrictions. a. Please describe which FE companies and transactions that FE Corp does not believe to be regulated by the FERC Affiliate Restrictions. b. Please confirm whether FE considers all three Ohio Companies to be regulated by the FERC Affiliate Restrictions?
7	5	Please refer to FERC Requirement #2, “Restrictions on Affiliate Sales of Electric Energy”. During the audit time period, were there any sales of electricity from a FE affiliate to any of the Ohio Companies? If so, please provide all related FERC approvals and a record of each identified transaction.
7	6	Please refer to FERC Requirement #3, “Separation of Functions”. This requirement puts an emphasis on separating marketing employees from regulated and non-regulated affiliates. Does FE also interpret this requirement to mean that all employees from a non-regulated affiliate should be separated from a regulated affiliate? If not, what are the exceptions? Please explain FE’s approach to this requirement and provide any policies addressing it.

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7	7	Regarding FERC Requirement #4, "Sharing of Employees", this requirement states that only the FCD (FERC Compliance Dept) or the CCO (chief compliance officer) have the authority to determine which employees can be shared. Please provide all documented protocols, procedures, or internal management memorandums that address the determination of which employees can be shared across the OH companies and other non-regulated affiliates.
7	8	Regarding FERC requirement #5, "Sharing of Officers", how does FE enforce that shared officers do not "participate in directing, organizing or executing generation or marketing functions […] or approving wholesale power sales or purchase contracts"? Please provide any written policies addressing this issue.
7	9	Please identify FE's Corporate Risk Officer? If this position was vacant during the audit period, please provide the name of staff overseeing the responsibilities of the Corporate Risk Officer.
7	10	Please refer to FERC Requirement #7, "No Conduit Rule" which states: "the No-Conduit Rule prohibits employees and officers from providing a regulated public utility's non-public market information to a competitive market affiliate". Please describe how FE enforces the above rule and how the FE monitors compliance with the above rule. Please provide supporting documentation including but not limited to FirstEnergy Corp's process and procedure documents.
7	11	Regarding FERC Requirement #8, "Non-Power Goods or Services" a. Referencing bullet #3. Since the sale of goods or services from a centralized service must be at cost, how does FE determine those costs? How does FE prevent any unnecessary inflation of those costs?
7	12	Please refer to page 11, "Affiliate Transactions and Non-Power Goods and Services". a. Is the Cost Allocation Manual referenced in this section the same that is used for compliance with OAC 4901? b. How are managers trained to ensure their employees properly record all their time? Please provide supporting documentation. c. Are there any regular audits or monitoring protocols conducted to ensure time is being recorded properly? If yes, what have been the results of those audits or monitoring reports? Please provide the audit and monitoring reports.
7	13	Please refer to page 11, "Review of Functional Responsibilities and Shared Facilities Use". a. How often are functional responsibilities reviewed to ensure there is a proper level of separation? If such a review has occurred, please provide the results and recommendations from that review. b. How often are employee FERC designations reviewed? If such a review has occurred, please provide the results and recommendations from that review.
7	14	Please refer to page 12, "Shared Network Drive Access", which states employee access rights are continuously reviewed. a. Who is responsible for this continuous review? Please provide supporting documentation. b. How often does this review occur? c. What happens when an employee is discovered to have improper access? Please provide supporting documentation. d. Has any improper access occurring during the audit period? If yes, please provide the log of such events and after actions taken by FE.

Set	Q	Data Request
7	15	Please refer to page 13, "Application Access; Non-SAP Applications", which states: "Non-SAP applications that contain FERC sensitive information are subject to the Quarterly Review of Security Access". How often does this quarterly review reveal that employees have access to information that they should not? What reports are produced as a result? Please provide any documentation of such review.
7	16	Please refer to page 15, "Cross Functional Work Groups". During the audit time period, has there been a cross functional work group that included OH Company employees and non-regulated affiliate employees? If so, please identify the time period during which the group was active and the purpose of the group and any written scope of the purpose or reports and memorandums issued as a result of the group effort. Please also identify who was in charge of this group and their title and role in FE.
7	17	Have there been any emergency deviations from the FERC Affiliate Restrictions during the audit period? If so, please provide detail on the circumstances and the deviation from the restriction.
7	18	Please refer to page 17, "Posting of Disclosures" which states that any inadvertent disclosure will be posted on the "Standards of Conduct and Affiliate Restrictions page of FirstEnergy's external website". a. Please provide the URL to this website. b. Please provide all non-compliance archived postings to this website that occurred during the audit period.
7	19	Please provide FE's Code of Business Conduct (Corporate Policy 101).
7	20	Please refer to page 3, under bolded #2, which states: "Additionally, the Senior Vice President and Chief Legal Officer, or designee, provides updates to the Board of Directors (or Board committees) regarding the content and operations of the Program, in addition to updates regarding its implementation and effectiveness. The Senior Vice President and Chief Legal Officer, or designee, is also responsible for recording within the company's corporate records all compliance-related updates and presentations provided to the Board of Directors." a. Please provide all communications regarding all such updates to content and operation of the Compliance Program as it relates to OH Admin Code 4901:1-37.
7	21	Please refer to page 5, which discusses the Internal Audit Committee. Does the Internal Audit Committee ever discuss and review compliance with OH Admin Code 4901:1-37? If there are any minutes, agendas, and other documents associated with the internal audit committee's discussion and compliance review of 4901, please provide those.
7	22	Please provide a narrative description on how a "Business Practice" and "Corporate Policy" fit together. For instance, is there a hierarchal difference? Are both applied equally to everyone?
7	23	Please refer to OH DM Set 2-DR-007-Attachment A, Page 1. In this list of documents to be reviewed, one document is listed as "States' Codes of Conduct for Corporate Separation.pdf." a. Please provide a copy of this document. b. Please confirm the pages relating to Ohio's Corporate Separation Rules are identical to those listed in Attachments B-D of Set 2-DR-007

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7	24	Please refer to the response provided to OH DM 2-DR-006. Is the complaint filed by Ohio chapter of the Retail Energy Supply Association (RESA) the only corporate separation related concern raised during the audit period? If yes, please confirm. If no, please provide details and follow up actions/investigation conducted by FirstEnergy for each additional concern identified
7	25	Please refer to the response provided to OH DM 2-DR-006 Attachment B. Was there any follow up to Mr. Yeboah's letter to RESA? If yes, please provide the details including the response to the email correspondence shared via OH DM 2-DR-006 Attachment C.
7	26	Please refer to Set 3 DR 26, c. a. Please explain what residual costs include. If this is referring to overhead, please provide an extensive list of what FE considers to be overhead. b. What is the difference between account 457002 and 457003?
7	27	Please refer to Set 3 DR 26, d. a. What does the P stand for at the end of some of the cost elements? b. Please provide an index of cost elements, matching column G to H. For example, 872260=ExAsmntSC00 PenSvc. In this index, please also provide a description of Column H.
7	28	Please refer to Set 3 DR 27. Why would the OH Companies be credited by FirstEnergy Service Company? Please provide an example.
7	29	Please refer to Appendix C, which lists the job descriptions of shared employees. a. For the Buyer position: i. What is their FERC level designation? ii. What OH Company information does this position have access to? b. For the Market Analyst Position i. What is their FERC level designation? ii. What OH Company information does this position have access to? c. For the Sourcing Specialist Position i. What is their FERC level designation? ii. What OH Company information does this position have access to? d. For the Regulated Energy Res Oper (All levels) i. What is their FERC level designation? ii. What OH Company information does this position have access to? e. Do all Director level positions have the same FERC designation? f. Are there any marketing employees that are shared? If so, what are their job titles?
8	1	Please refer to set 2 DR 18 Attachments A-D: are there previous versions of these documents? If so, please send any previous versions during that existed during the audit time frame. If not, please explain why these documents only were created in 2018.
8	2	Please refer to Set 2 DR 18 Attachment D. Have there been any complaints on the employee hotline related to the Corporate Separation policy?
8	3	Please refer to Set 1 DR 3 Attachment H. When was this document last updated?
8	4	Please refer to Set 1 DR 3 Attachment H, p. 15, which states: "All TFE's and MFE's are trained on these procedures as part of our Annual Communication Training." a. Do any OH Company employees take part in this training? If yes, please provide the staff participating in this training during 2016-2020 period. b. Is this training intended to communicate anything related to OH Corporate Separation Rules?

Set	Q	Data Request
8	5	In OH DM Set-1-DR-003-Attachment F, on page 2, a number of Ethics training courses are listed, including State Codes of Conduct. In OH DM Set-1-DR-003-Attachment E, the "States' Codes of Conduct for Corporate Separation.pdf" are listed under the Review Documents section. a. Please provide any materials created for or disseminated during the "State Codes of Conduct" Ethics Training Course as listed in DR-003-Attachment F. b. Is the States' code of conduct referenced in Appendix F the same as the document referenced in Appendix E? If not, what are the differences? c. Is an employee's understanding of the State Codes of Conduct, particularly the Ohio Corporate Separation Plans, tracked under the Certificate of Compliance questionnaire in OH DM Set-1-DR-003-Attachment E? Are there other places where compliance with OH Corporate Separation Rules are tracked? If so, please provide. d. Is the Certificate of Compliance questionnaire intended to capture all processes and requirements specified in the regulatory trainings?
8	6	Please refer to Set 2 DR 001 Attachment A. a. What is OE Funding LLC? What is its purpose? b. What is CEI Funding LLC? What is its purpose? c. What is TE Funding LLC? What is its purpose?
8	7	Where is Suvon, LLC headquartered? Do any of Suvon's staff share physical office space with FESC or OH Company staffs?
8	8	Where are Suvon employees located in FE's organizational chart (Set 1 DR 001 Attachment A)? Please give position titles and employees names that Suvon employees report to at FE.
8	9	How many employees does Ohio Edison, Toledo Edison, and Cleveland Illuminating Co employ, respectively?
8	10	On the downloadable document from the Ohio Companies website, under Consumer Choice, Suppliers List, labeled Licensed Generation Suppliers & Consultants, FirstEnergy Solutions is listed as a supplier which is updated as of March 2021. Link provided here for convenience: https://firstenergycorp.com/customer_choice/ohio_/supplier_list.html. Please explain why FirstEnergy Solutions is listed as a supplier.
8	11	Please refer to Set 1 DR 003, Appendix G, FE's FERC Affiliate Restrictions document. Refer to p. 11-12, Affiliate Transactions, which states: "Management initiating affiliate transactions are primarily responsible for ensuring that the transactions are appropriately priced and billed in accordance with FirstEnergy's affiliate transaction policies as set forth in the Cost Allocation Manual. The assistant controller of each affiliate company is responsible for properly recording affiliate transactions in which the companies participate." a. Please provide the Cost Allocation Manual as referenced above. b. Please provide the names of the assistant controller for each OH Company affiliate. c. Is the above referenced Cost Allocation Manual a FERC requirement? d.Does FE rely on the above referenced Cost Allocation Manual for meeting OH requirements? If yes, please identify specifically which OH requirements.
8	12	Please confirm that all FE Affiliates use the same Cost Allocation Methodologies defined in Set 1 DR 009 Supplemental Attachment A. If they do not, please explain why.

Set	Q	Data Request
8	13	Please refer to Section O.A.C. 4091:1-37-04 (A) Structural Safeguards, item (5) "An electric utility shall ensure that all shared employees appropriately record and charge their time based on fully allocated costs." a. Please provide a definition of what FE considers to be a "fully allocated cost". b. Please also provide a reference of where this is defined in the Cost Allocation Manual.
8	14	Please refer to the Mutual Assistance Agreement (Set 2 DR 002 Attachment A) and the FESC Service Agreement (OH DM Set 1-DR-009-Attachment C). a. Please explain the purpose behind having these two different documents. b. Are the services listed out in the Mutual Assistance Agreement, p. 2, 2nd paragraph, different from the services listed out in the FESC Service Agreement, p. 12-29? If so how are they different? c. Why are these both confidential documents?
8	15	Have Ohio Companies acquired services from FE Affiliates through the Mutual Assistance Agreement (Set 2 DR 002 Attachment A) during 2016-2020 period? If yes, please provide service-level, monthly costs charged to Ohio Companies by FE affiliates and follow up payments made in response to these services/cost.
8	16	Please refer to Set 3 DR 17 Attachment B, Time Report Approval. a. Under "Approving Time Reports", Step 3, the graphic shown does not give an option to make any edits or not approve the time sheet. Is this the case? b. If a supervisor noticed an error with the time sheet, how would they go about making changes? c. What is the purpose of the approve with comments option? Please provide an example of a situation when this would be used.
8	17	Please refer to Set 3 DR 17 Attachment A. a. What does column header "A/A…" mean? b. Under column A/A, what does WKDS stand for? c. Under column A/A what does DFD stand for? d. Under column A/A what does PTX stand for? e. What does column header "Receiver WBS element" mean?
9	1	Please provide the access checklist form that is used when employees transfer affiliates. If there is a separate form for each outgoing and incoming manager, please provide both.
9	2	Please provide a campus layout of Ohio Edison, including which departments are housed in which buildings.
9	3	Please list all ways in which FESC employees are separated in any way from Ohio Edison employees, including access to the common areas or printers.
9	4	Please provide a report of all employees that have transferred to Ohio Edison, Toledo Edison, and Cleveland Illuminating Company during the audit period. In the report, please note the previous and new position and company of the employee.
9	5	Please provide a copy of Regulatory Compliance Policy 302.
9	6	During the interview, interviewee had mentioned the only thing he recognized as having changed was the accounting and payment structure in his interactions with the Jobbing & Contracting Group. a. Please describe these referenced changes in detail.

Set	Q	Data Request
9	7	The interviewee mentioned that customers who may need high-voltage contractor work are given a handout describing the services offered by Toledo Edison's Jobbing & Contracting group. a. Please provide copies of all versions of this document for all Ohio Operating Companies. b.Please provide any revisions that have been made to the above documents during the audit period of Nov 2016 to October 2020.
9	8	For the audit time period, please provide all documentation related to the annual Cost Allocation Manual audit, as discussed with interviewee as occurring once per year. As part of this documentation, please include any review of the allocation factors for each cost center.
9	9	For the audit period, please provide the FERC Form 60 that is filed each year during the 2016-2020 period.
9	10	Please provide any documentation, procedure or checklist involved with setting up a new cost center and determining that cost center's allocation factor(s).
9	11	Please provide a flow diagram illustrating how a cost center is established and how all costs related to a service agreement among FE affiliates are first collected into this cost center before being allocated by direct charge or other allocation methodologies.
9	12	Please provide a flow diagram that lists the controls used to verify that all costs are included at the top level in the cost center collector and then, after applying embedded allocators, list the controls that confirm all costs have been collected.
9	13	What steps do FE shared services and the operating affiliates take to make sure that all employee time, including that of shared employees, is direct charged rather than default allocated?
9	14	Please identify the costs that FE allocates at fair market value. If not, please explain any other method or process used to determine the value of costs for services as if they were to be obtained from an independent third party.
9	15	Has a gap analysis been done regarding the FERC Cost Allocation rules and Cost Allocation rules embedded in Ohio Admin Code 4901? If so, please provide the results of that gap analysis.
9	16	Does FE assign a different cost allocator for cloud computing service contracts than that used for other IT products or IT software services? If so, please describe how the allocator used was determined to be appropriate?
9	17	Does the amount allocated for services from assets that depreciate or change in value, e.g., plant in use or corporate pool of company vehicles, change over the accounting life of the asset?
9	18	What methodology does FE use to allocate costs related to rental or leased office or warehouse space
9	19	Please identify all other major real estate services related to rental or leased space that FE provides for its affiliates including FESC.
9	20	Does FE use a methodology to charge or allocate rental or leased space that is based on Fair Market Value? If so, please describe that methodology. If not, please explain why not.

Set	Q	Data Request
9	21	The Interviewee mentioned that as part of the last corporate separation compliance audit (in 2017), First Energy had prepared a document mapping the relationship between FERC and Ohio corporate separation requirements. a. Please provide a copy of the mapping document prepared for 2017 audit. b. If applicable, please provide a revised mapping between FERC requirements and Ohio O.A.C 4901 requirements to reflect any changes in FE's processes and/or regulatory requirement. c. After the completion of mapping, did FE identified any gaps regarding the compliance of 4901 requirements with the use of its system/processes designed for FERC compliance? d. If yes to above, did FE take any further action to address any gaps identified in compliance with the Ohio Admin Code 4901 requirements? Please provide the details of such activities and final actions taken.
9	22	Please provide a copy of the FERC compliance section document that speaks to the division between federal and state compliance issues and the hand-off procedure for non-FERC issues.
9	23	How is performance oversight handled for shared services employees in HR or other functions who are primarily serving operating company but have direct reporting requirement to the shared service employee?
9	24	Please provide a copy of the FERC compliance section weekly report that details FERC classification changes for employees.
9	25	Please provide an actual copy of weekly "Mixed group report" used by the FERC compliance team to review active directory member participation of any week in 2020. If applicable, please describe how this report is used to identify any non-compliance related with Ohio Admin Code 4901 requirements.
9	26	Please provide an example timesheet to demonstrate how time entries with project codes are distinct from the "default cost center" described in the interview.
9	27	Please provide the meeting materials used in trainings on the topics of cyber-security or critical infrastructure protection.
9	28	Does FE utilize any North American Electric Reliability Corporation (NERC) compliance requirements to ensure compliance with Ohio Admin Code 4901 requirements? If yes, please: a. Provide the mapping of NERC requirements used in ensuring the compliance with Ohio 4901 requirements. b. Please provide any written policies, business practices, or processes relating to any NERC related requirements identified in (a).
9	29	For the audit period, please provide each presentation and any associated materials given to management on the annual review of the cost allocation manual and allocators. Please ensure the materials include the $ impact calculations of changing any allocators.
9	30	For the audit time period, please provide the actual percentages for each FE affiliate for each allocation factor. Please ensure to specify the affiliate name, allocation factor and year for each percentage calculation.

Set	Q	Data Request
9	31	Please clarify the intent of the Mutual Service Agreement. Is it for emergency situations only or is it used more broadly? Please provide specific examples of events the Mutual Service agreement has been used in the past related to the OH Companies.
9	32	For each OH Company, who reviews the transactions that are with other FE affiliates that do not include the FESC? Who determines the cost allocation for those transactions with affiliates?
9	33	Please provide a list of all FESC services that are not direct charged to OH Companies. Please also include the allocation used in charging these services.
9	34	Please explain the process through which allocation factors are approved. Who reviews the factors and approves them within FE and outside of FE?
9	35	Please provide established process and procedures that the CSA group within IT uses for granting information access rights for FE staffs.
9	36	Please provide a listing of reports that the state regulatory group reviews related to Ohio Corporate Separation compliance.
10	1	Please refer to FE response to Set 2 DR 008, b: “FERC Affiliate Restrictions training is delivered on a periodic basis, but has not been updated or delivered since 2017”. Please explain why this training not been offered since 2017.
10	2	Regarding American Transmission Systems Inc affiliate’s services to the OH Companies during the audit period a. Please provide a record of all services during the audit time period. b. Please provide monthly-level invoices provided by American Transmission Systems Inc to Ohio Companies for the listed services included in (a).
10	3	With regard to Suvon, LLC d/b/a FirstEnergy Advisors: a. What FERC and Ohio Administrative Code rules and regulations does FE believe Suvon to be subject to? Please provide the specific citation for each rule or regulation (OAC 4902:1-37(X)(x) or FERC Rule X: (x)-(X). b. Also, if there are any additional provisions (those with requirements in addition to the references in (a) in any FERC or Commission Orders that address code of conduct or corporate separation compliance, please provide the citation references for those too. c. For each rule or regulation cited in (a.) please detail all the actions FE and the EDUs engage in to ensure it is enforced? Please provide the list of FE’s policy and procedure documents developed to ensure the compliance of rules and regulations listed in (a). Please provide the start date of compliance and frequency of compliance requirement for the identified rules and regulation. d. Please provide a list of all FE employees with the names and prior and new job titles that have been transferred to Suvon, LLC.
10	4	Please refer to OH DM Set-3-DR-029-Attachment D: regarding the entries that have values of “IT Regional Com PA” or “IT Regional Com MD” or “IT Regional Com NJ” or “IT Regional Com WV” for “CO Object name” in Column F, a. Please explain what this cost object entails. b. Please describe the relevance of this charge to OH companies.
10	5	Please refer to OH DM Set-3-DR-029-Attachment D: regarding the entries that have values of “Assets Carrying Charges” for “Hierarchy” in P, there is a Hierarchy labeled. Please explain what that description means and what types of costs would be associated with that category.

Set	Q	Data Request
10	6	Please refer to OH DM Set-3-DR-029-Attachment D: Under Column P, there is a Hierarchy labeled “Customer Service”. a. Please explain what that description means. b. Please explain the relevance of entries that values such as “Distribution Overhead CWIP” or “Total CWIP” in Partner object name (Column L) to be charged under the “Customer Service” category under Hierarchy (Column P).
10	7	Please refer to OH DM Set-3-DR-029-Attachment D: under Column L, Partner Object Name, please explain in more detail the types of services that fall under the following: a. Plumbing Repair b. Laundry Repair c. Kitchen Repair
10	8	Please refer to cost allocation spreadsheet provided in response to OH DM Set-3-DR-029, the annual total $ values charged to the OH Companies using “Headcount” allocator decreased from approx. $43 million in 2018 to approx. $13 million in 2019 to approx. $1 million in 2020: a. Please explain the reason for this change in $ values charged during the period of 2018 to 2020. b. Were different cost allocators used to replace “headcount” to charge similar expenses in 2019 and 2020? If yes, list them and explain why. c. Please provide supporting documents such as internal review, audit that may have performed leading to this change in cost allocator methodology.
10	9	Please refer to cost allocation spreadsheet provided in response to OH DM Set-3-DR-029, the annual total $ values charged to the OH Companies using “total Direct Charge” allocation in 2020 was much higher than previous years- on average approx. $31 million in 2016-2019 period and approx. $49 million in 2020. a. Please explain the reason for this change in $ values charged in 2020 as compared with 2016-2019 period. b. Were different cost allocators used during 2016-2019 period to charge similar expenses that were charged using “total direct charge” allocated in 2020? If yes, list them and explain why. c. Please provide supporting documents such as internal review, audit that may have performed leading to the increase in $ values for this cost allocator methodology.
10	10	In years 2017-2019, the affiliate transaction database has an allocation factor called Direct Charge- Beta. Please provide: a. A narrative description of that factor and regulatory approval process (if applicable) b. Why was it only in place for three years and the reason for not using it for later the years. c. Any formulas associated with calculating that factor for the OH Companies.
10	11	Please reference cells P6 and Q6 in tab “Multi Factors”. a. What does “trAIL” stand for? Where does this utility fall in FE’s Affiliate Organization Chart? b. What does “MAIT” stand for? Where does this utility fall in FE’s Affiliate Organization chart?
10	12	Please provide a similar version of Set 4 DR 002 Attachment A for the budget years of audit period, that is: 2016, 2017, 2018, 2019, and 2020.

Set	Q	Data Request
12	1	a. Please provide copies of all call center procedures and guidelines, including but not limited to scripts, directions, and processes undertaken during a given call. b. Please provide a copy of the form that suppliers must complete, subject to customer authorization. c. Please provide access to the Supplier Services portal, if possible. If not possible, please provide pdf copies of portal landing pages, and any pages located therein. d. Please provide any scripts not addressed in Question a above relating to corporate separation concerns on behalf of the customer, including any scripts indicating how to respond to questions about suppliers.
12	2	a. Within the Sensitive Data Tracking System, Ms. Martin mentioned a listing of systems/programs and owners. Please provide this list of systems/programs with the designated primary owners. b.Please provide a listing of personnel designated as Shared Senior Employees, and please describe the systems access levels these personnel have.
12	3	a. Please provide the list of services marketed by Mr. Reynolds' group in Ohio on behalf of The Illuminating Company, Ohio Edison, and Toledo Edison. b. Please provide the packet of FAQ materials referred to by Mr. Reynolds describing the disclosure that the services are provided by third-party contractors, and not directly by FirstEnergy Operating Companies.
12	4	An interviewee stated that a review of FERC requirements vs OH requirements had been done during his tenure in the state legal group. a. Please share the results of the gap analysis. b. Please state date when the gap analysis was completed.
12	5	a. Please provide a copy of the December report from the Ohio Business Services monthly meetings between the business service group and Ohio Operating Company staff that shows budgeted vs actual spend. Please provide the December copy of this report for each year during the audit period of 2016 - 2020. b. Please provide a listing of all of the direct charge cost centers that the OH business service group is responsible for managing the budget. Please provide this list separately for each year during 2016 – 2020 period.
13	1	Please confirm whether First Energy Service Company or FirstEnergy is leasing any property to a FE affiliate. a. If yes, please provide details on the property type, how price of property is determined, and how costs are being allocated.
13	2	When a transmission project is ultimately cancelled, including those projects that cross state lines or are for HVDC lines, how are the related costs recovered? a. Are cancelled projects still being allocated? If so, please provide an explanation of which Ohio affiliates these are being allocated to, the allocation factor being used and why this cost is still being allocated.
13	3	Please provide the annual budgeting reports for each utility for the audit time period. Please also provide any secondary reports that support the detail breakdown on how cost elements are derived.

Set	Q	Data Request
13	4	Please provide an example of a Day 3 or Day 4 closing report that shows notes on something that was coded incorrectly and how that issue was addressed.
13	5	Please confirm the process and responsible department that sets budget for allocated, indirect costs (for shared services such as IT, HR, etc.) for the Ohio utilities.
13	6	Please provide a monthly closing report that shows a narrative on cost reconciliation and QC.
13	7	Please provide a copy of the one-pager Customer Service Data Lake Guiding Principles, as well as any other corporate policies that the guiding principles refer to.
13	8	Do call center or customer service employees market or sell FE products and services? If so, please provide the customer service script or instructions that detail how the employee goes about doing that.
13	9	Please provide an example of a QA checklist form a customer service evaluator would use to evaluate a supplier interaction customer service call. If any of the other service call forms include an item for monitoring corporate separation, please also provide those forms.
13	10	How are customer service calls monitored for compliance with OH Corporate Separation requirements laid out in O.A.C. 4901?
13	11	Please provide any C-NET's that relate to corporate separation questions or policies.
13	12	What is the process that occurs when a customer calls the customer service line about a third-party product? Please provide any document outlining the process, if any.
13	13	Who at FE communicates with third party suppliers (contractors) when they have questions? How is that group trained to handle corporate separation?
13	14	Please provide a sample copy of a Justified Complaints monthly report.
13	15	Do call center employees transfer callers to representatives for products & services offered by the regulated utility? (e.g. tree services, surge assistance, etc.). If so, please provide the customer service script or instructions that detail the transfer process.
13	16	Please provide a description of "Products & Services" and the "Jobbing & Contracting" divisions, including an example list of service and products offered in both categories.
13	17	Are the Products & Services and Jobbing & Contracting being offered by FirstEnergy Corporate or the Ohio Operating Companies? Please explain. a. Please also confirm who the Jobbing & Contracting customers are.
13	18	Please provide the PUCO ruling, statute, or regulation under which Jobbing & Contracting is offered.
13	19	Does FirstEnergy consider the two divisions mentioned above Regulated or Unregulated offerings?
13	20	Please provide a copy of the "standard" customer information release form for Ohio Edison, Toledo Edison, and The Illuminating Company. If there is no standard, please provide an example request.
13	21	Please provide a sample of the brochures given to customers seeking Jobbing & Contracting services from Ohio Edison, Toledo Edison, and The Illuminating Company.
13	22	Please provide a copy of the weekly report run by Mr. Pannel's group that monitors for new employees and contractors and ensures they receive the proper FERC designation.
13	23	Please provide a copy of an instance of the monthly report run by Mr. Pannel's group that ensures system-based access is changed for transferred employees.

Set	Q	Data Request
13	24	An interviewee referenced a gap analysis performed comparing FERC and Ohio corporate separation rules, potentially during but not limited to the 2017-2018 audit. Please provide a copy of this analysis.
13	25	Please provide a copy of the most recent FERC Compliance Log.
13	26	Please provide a copy of tariff allowing FE to sell products to the retail customers. Please provide the date of tariff approval.
13	27	Does FE have any internal document that provides guideline on what kind of products can be offered through the existing tariff. If yes, please provide such document.
13	28	How does the products team decide to offer a new product in the market? Specifically, what is the process taken to ensure the conformance with Ohio's Corporate Separation Rules.
13	29	What role does the Rates and Tariff Group play in providing guidance for new product offering or changing the current product list?
13	30	In regard to the products offering, Does the Products team or Rates and Tariff team seek guidance from the Legal Group? If it seeks input from the Legal Group, is there a record of such requests?
13	31	Has Rates and Tariffs provided direction/assessment/guidance regarding the manner and content regarding the offering of FE Products and their conformance corporate separation requirements? If so, when or for which services did such guidance occur? If guidance was provided, is there a written record of the guidance provided? If so, please provide the guidance provided for each service for which it was requested.
13	32	For all the products that are currently offered, please also provide the date that each product offering was put on the market. If there was a product removed from the offering during 2016-2020 period, please provide the start and end date of these product offering.
13	33	Please provide an itemized breakdown by product (see response to OH DM Set 4 – DR-027 for the list of products) offering of annual revenue and expenses. Please provide this information annually for 2016-2020 and for Ohio Companies only.
13	34	Based on an interview, it is our understanding that FE could offer products to the customer through 'warm transfers.' The 'warm transfer' occurs in a situation where customer, if agreed, could be transferred to learn about products offering when they call customer center for various reasons such as move-in/move-out etc. a. Please provide the list of products offered through the 'warm transfers.' b. Please provide revenue and expenses associated with the products offered through 'warm transfers' during 2016 – 2020 period. Please clarify whether the revenue received from 'warm transfers' are included in annual revenue provided in #33.
13	35	Please provide the list of payment method options available for customers for these products.
13	36	For the annual revenue provided in #33, please provide the revenue breakdown by payment method options during 2016 – 2020 period.
13	37	Please provide a sample copy of a customer bill that have a payment option through their utility bill.

Set	Q	Data Request
13	38	An interviewee mentioned that marketing of products is made through different name (Ohio Edison Services for Ohio Edison customers, Toledo Edison Services for Toledo Edison, and Cleveland Illuminating Services for Cleveland Illuminating customers). a. What is the purpose of using a different name (such as Ohio Edison Services) in marketing materials? b. Please provide the documentation of approval from the Commission or copy of tariff allowing FE to market customers using different name (such as Ohio Edison Services). c. Please provide a sample copy of marketing material that includes the name of marketing entity.
13	39	Please provide a sample of both a customer marketing email and direct mailing for FirstEnergy Products.
13	40	Is the manner of the provisioning of the FE Products for the Ohio EDUs the same as that for Suvon LLC and First Energy Advisors? If not, please detail any differences.
13	41	Where do the net profits/loss from FE Products go? Please provide a detailed schematic on how this net profit/loss flows into FE's accounting system.
13	42	Please provide the following documents from the IT Hub: a. Active Directory New Security Group Access. b. Client User Guide for Obtaining Access to a security group c. IT Hub approver guide. d. Approver delegation guide. e. Quick reference guide. f. IT hub training slide deck.
13	43	Please provide an example of the FERC quarterly separation report
13	44	Please provide a record or report of all FERC critical employee transfers that occurred during the audit period.
13	45	Please provide a description of a FERC critical transfer.
14	1	Please refer to OH Admin Code 4901:1-37 A-C. Has there been any sale or transfer of generating assets during the audit period? a. If yes, please provide the following: i. Objective of sale ii. Purpose of sale iii. Terms and conditions of sale iv. Purchase price, including fair market value determination and method v. Describe how the sale affected public interest
14	2	Please refer to the 2016 Organizational Chart of FirstEnergy affiliates. a. What purpose did Toledo Edison Capital Corporation serve? b. Why was it disbanded in 2018?
14	3	Please list all of the functions that the business services group performs for the Ohio Companies. This is in reference to the specific business services group for each Ohio Company, not FESC as a whole. a. Where are the business services group offices housed?
14	4	Please reconcile the response to OH DM Set 4 DR-030 Attachment A and the response to OH DM Set 7 DR-018b. Set 7 DR-018B states that no non-compliance postings have been made, yet OH DM Set 4 DR-030 Attachment A is a log of inadvertent disclosures.

Set	Q	Data Request
14	5	Please refer to response OH DM Set 7 DR-005. Are the FE Affiliates referenced in the attachment FE Solutions? Please specify the FE affiliate and dollar amount of sale for each affiliate if there are multiple.
14	6	During the audit period, were there any requests to bundle FirstEnergy Products offerings through electric service? a. If so, were there any discounts? i. Please provide detailed information on the product offering, the electric service provider, amount of discount on product offering, amount of discount on electric service, and date
14	7	Referencing 4901:4(10)(e): Except to the extent allowed by any applicable law, regulation, or commission order, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any retail electric service. a. Do the OH companies or FE offer any discounts, rebates or fee waivers for retail electric service? If so, please provide details on the discount, rebate or fee waiver and the applicable permissions obtained.
14	8	How do the three OH utilities procure standard offer service as the provider of last resort?
14	9	For the generation assets that FirstEnergy has partial ownership of, how is FirstEnergy ensuring that their portion of those assigned costs are correct? What is the process for assigning costs of a shared asset?
14	10	For the cost allocation factor Employee Headcount, a. How often is this factor updated to reflect the change in employment count? b. If it is only updated annually, why is it not updated more frequently as employee headcount changes? c. During the audit period, did this cost allocation factor had to be re-stated due to an error that was found?
14	11	Please provide an example authorization form that FE Advisors uses to request restricted confidential information of a customer as per the requirements of OAC 4901.
14	12	Do the costs associated with FE Advisor costs gets allocated to the Ohio Companies in any way?
14	13	Why are FE Advisor staffs FESC employees?
14	14	What FERC authorization level do FE Advisor employees have? Do they have same shared service employee designation (Code: 3-SS; Color: Green) as other shared service employees? a. If yes, please discuss the controls and processes in place to restrict confidential information to FE Advisors. Please provide these controls and processes. b. If not, what is the FERC classifications for FE Advisors? Please provide the supporting documents to verify their FERC classifications.
14	15	Please provide an example of the disclaimer that FE Advisors provides explaining that FE Advisors is separate entity from any Ohio Companies.
14	16	Can FE Products and FE Home groups offer the same products/services? If yes, please list all of the products/services that are offered by both FEP and FE Home groups.

Set	Q	Data Request
14	17	Please confirm whether FE Home is one of the third party contractors that provide the FE Products a. If yes, for the services completed by FE Home on behalf of FE Products, please provide the itemized breakdown of annual revenue by product/services, consistent with OH DM Set 13 DR-033,
14	18	How do customers learn about FE Home? Please provide a sample of FE Home marketing material.
14	19	Please confirm whether an OH Companies customers are marketed both by the FEP group and FE Home. a. If so, what are the differences, if any, in the customer process of choosing one over the other? b. Does the same group handle the marketing responsibilities for both FE Products and FE Home?
14	20	Please provide the name and title of the person in charge of FE Home. Please also provide their direct reports that are involved with FE Home.
15	1	In regard to FirstEnergy's internal investigation in response to RESA complaint (OH DM Set 2-DR-006-Attachment B), a. Does FirstEnergy currently operate "Smartmart by FirstEnergy" that was launched on October 9, 2017? b. If FirstEnergy does not offer Smartmart currently, i. Please specify why and when it stopped offering products under this service? ii. After this service was terminated by FirstEnergy, did FirstEnergy continue to offer products included in this service? For example, through a new service or by offering these products through other ongoing service? If yes, please state why this change was made?
15	2	Does FirstEnergy Products (FEP) and FE Home have a separate cost center and separate accounting and procedures in place for the marketing, advertising, promotion, financing and billing of nonelectric products and services? If yes, please list all the cost centers used by FEP and FE Home.
15	3	Please refer to the Affiliate Org Chart (OH DM Set 2 DR 1 Attachment A), and state where FirstEnergy Products (FEP) and FE Home situate within the FE's corporate structure.
15	4	Please refer to following statement from Cost Allocation Manual (Page 2 of 56) shared via OH DM Set 1-DR-009-Supplemental-Attachment A-Confidential, *"The purpose of this Cost Allocation Manual ("CAM") is to document the methods, policies and procedures that FirstEnergy Service Company ("FESC") will follow in performing services for affiliate companies, assuring compliance with PUHCA 2005. …* *The CAM also documents services between affiliates. Any additional requirements for this CAM under state public utility rules and regulations are addressed, subject to the further filing requirements and other oversight required by these regulatory agencies"* And please confirm that all CAM transactions associated with OH Companies, as referenced in the above statement, are included in FESC related transactions shared via OH DM Set 1-DR-010 & mutual service agreement transactions shared via OH DM Set 8-015. If not, please provide the missing transactions that were allocated to OH Companies through CAM for the 2016 – 2020 period.

Set	Q	Data Request
15	5	Please refer to following table that shows annual $ values grouped External Affairs & Communication (generated by adding $ values (Column I) for External affairs & Communication (from Column P, Hierarchy) of detailed CAM transactions shared via OH DM Set 1 DR 10 Attachments A-E: Hierarchy (Column P) Year CE01 OE01 TE01 Total External Affairs & Communications 2016 1,645,759 2,394,720 798,850 4,839,330 External Affairs & Communications 2017 1,966,725 2,890,018 960,556 5,817,300 External Affairs & Communications 2018 1,361,867 1,835,932 662,021 3,859,820 External Affairs & Communications 2019 1,972,166 2,514,981 853,692 5,340,840 External Affairs 2020 70,753 87,245 29,986 187,983 a. Please provide the type of services provided to Ohio Companies under this category for each year during the audit period. b. Please provide detailed explanation, along with supporting documents (if any), for the significant decrease in cost allocated for External Affair and Communication category in 2020 as compared with previous years. c. Did some of the services that were previously offered via "External Affairs & Communication" category during 2016-2019 period were offered via different category in 2020? If yes, please provide detailed description of these services along with the organizational category used in 2020.
15	6	Does FirstEnergy provide training to management in the Affiliate Code of Conduct and Cost Allocation Manual and related processes? If no, please explain why not. If yes, please answer the following: a. Which levels of management receive this training? b. How often do they receive this training? c.How is their comprehension of the purpose and ability to apply the CAM verified? d. Is this training provided across all affiliates, including FESC, parent company FE, utility and non-regulated affiliates? If not, why not?
15	7	Refer to OH DM Set 1 DR-009-Supplemental-Attachment A-Confidential, Appendix E. Please provide a new version of Appendix E revised to show the tenure of the employees who transfer from the regulated operating affiliates to FESC, the parent company FE and non-regulated affiliates.
15	8	Please refer to the annual review of cost allocation manual and allocators shared in response to OH DM Set 9-DR-029, a. What kind of issues are considered in the annual review? b. What is FirstEnergy's process of addressing issues/errors found during the annual review process? c. Does FirstEnergy retroactively adjust the $ values of cost centers that were found to have issues/errors during the annual review?
16	1	Please refer to FirstEnergy's response to OH DM Set 13-DR-035, where FirstEnergy mentions that customers are able to pay for products and services on their utility bill. Do other non-affiliated third party service companies have the option of offering to customers to pay for their services on their FirstEnergy bill? For example, can a customer pay for a third party tree trimmer (not associated with FEP) through their FirstEnergy utility bill?

Set	Q	Data Request
16	2	For products acquired through FE Home, can customers pay for their products and services through their FirstEnergy utility bill? If yes, please discuss the payment process.
16	3	Please refer to FirstEnergy's response to OH DM Set 10-DR-002 Attachment A, footnote that states "In September 2020, allocated costs from ATSI to the Companies increased due to an update to the allocation factor used and the commencement of affiliated rents from ATSI to the Companies." a. What was the allocator used before Sept 2020 and what is the allocator that is currently being used? b. Why did it change? c. Please provide the breakdown of the $ change due to ownership change, rent increase and allocator change. d. Please clarify the lessor and lessee for this service and if it has changed during the audit period. If it did change, please identify the previous lessor and lessee.

- FirstEnergy Corp.
  - Allegheny Energy Service Corporation
  - Allegheny Energy Supply Company, LLC
    - AE Supply Renaissance Southwest, LLC
    - Buchanan Energy Company of Virginia, LLC
  - Allegheny Ventures, Inc.
    - APS Constellation, L.L.C. (50%)
  - FELHC, Inc.
  - FirstEnergy Fiber Holdings Corp.
  - FirstEnergy Properties, Inc.
  - FirstEnergy Service Company
  - FirstEnergy Transmission, LLC
    - AET PATH Company, LLC
      - Potomac-Appalachian Transmission Highline, LLC
        - AYE Series
          - PATH Allegheny Transmission Company, LLC
            - PATH – Allegheny Land Acquisition Company
            - PATH Allegheny Maryland Transmission Company, LLC (97%)
            - PATH Allegheny Virginia Transmission Corporation
        - West Virginia Series (50%)
          - PATH West Virginia Transmission Company, LLC
    - American Transmission Systems, Incorporated
    - Mid-Atlantic Interstate Transmission, LLC
    - Trans-Allegheny Interstate Line Company
    - Grid Assurance, LLC
    - Keystone Appalachian Transmission Company
  - FirstEnergy Ventures Corp.
    - Bay Shore Power Company
    - Warrenton River Terminal, Ltd.
  - GPU Nuclear, Inc.
  - Green Valley Hydro, LLC
  - Suvon, LLC
    - Imperio, LLC
  - Jersey Central Power & Light Company
    - JCP&L Transition Funding II LLC
  - Metropolitan Edison Company
  - Monongahela Power Company
    - Allegheny Generating Company
    - Allegheny Pittsburgh Coal Company (25%)
    - MP Renaissance Funding, LLC
      - MP Environmental Funding LLC
  - Ohio Edison Company
    - OE Funding LLC
    - OES Ventures, Incorporated
    - Pennsylvania Power Company
  - Pennsylvania Electric Company
    - The Waverly Electric Light and Power Company
  - The Cleveland Electric Illuminating Company
    - CEI Funding LLC
  - The Potomac Edison Company
    - Allegheny Pittsburgh Coal Company (25%)
    - PATH Allegheny Maryland Transmission Company, LLC (3%)
    - PE Renaissance Funding, LLC
      - PE Environmental Funding LLC
  - The Toledo Edison Company
    - TE Funding LLC
  - West Penn Power Company
    - Allegheny Pittsburgh Coal Company (50%)
    - The West Virginia Power & Transmission Company
    - West Penn Southwest, LLC

Notes Regarding Companies Partially Owned:
Underlined and bolded companies indicate companies in which we have a partial ownership interest and we also have Board representation.

Allegheny Pittsburgh Coal Company – 25% owned by Monongahela Power Company, 25% owned by The Potomac Edison Company, and 50% owned by West Penn Power Company.

APS Constellation, L.L.C. – 50% owned by Allegheny Ventures, Inc. and 50% owned by a non-system company (Constellation Energy). (Name changed 12/31/05).

Global Mining Holding Company, LLC ("Global Holding") – 33.3% membership interest owned by FirstEnergy Ventures Corp. Global Holding is the sole member of **Global Mining Group, LLC** ("GMG"), **Global Rail Group, LLC** ("GRG"), and **Global Coal Sales Group, LLC** ("GCSG"). GMG is the sole member of Signal Peak Energy, LLC, which owns land and other assets used in the operation of the Signal Peak Coal Mine. GRG owns land and other assets for railroad spur track and power line servicing the Signal Peak Coal Mine. GCSG is the exclusive marketer of coal produced at the Signal Peak Coal Mine.

Mid-Atlantic Interstate Transmission, LLC – 100% Class A Member Interest by FirstEnergy Transmission, LLC. 59.85% Class B Member Interest by Pennsylvania Electric Company and 40.15% Class B Member Interest by Metropolitan Edison Company.

Mon Synfuel, LLC – 2.45% owned by Allegheny Energy Supply Company, LLC and 97.55% owned by a non-system company.

NYC Energy LLC – 50% owned by Allegheny Energy Supply Company, LLC and 50% owned by a non-system company (SEF Energy LLC and SEF Development Ltd.).

Ohio Valley Electric Corporation ("OVEC") - .85% interest owned by Ohio Edison Company, 4.0% interest owned by The Toledo Edison Company, and 3.5% interest owned by FirstEnergy Corp., representing FirstEnergy's combined interest of 8.35%. OVEC owns 100% of Indiana-Kentucky Electric Corporation ("IKEC"). Directors elected to OVEC are also elected to IKEC and are FERC reportable.

PATH Allegheny Maryland Transmission Company, LLC – 97% owned by PATH Allegheny Transmission Company, LLC and 3% owned by The Potomac Edison Company.

Potomac-Appalachian Transmission Highline, LLC – West Virginia Series – 50% owned by AET PATH Company, LLC and 50% owned by AEP Transmission Holding Company, LLC.

Utility Associates, Inc. – 6.19% owned by Allegheny Ventures, Inc. and 93.81% owned by non-system individuals.

Imperio LLC - 70% owned by Suvon, LLC and 30% owned by a non-system company (Aytomic Technology, LLC).

Grid Assurance – 9.9% owned by FirstEnergy Transmission, LLC and 90.1% owned by non-system companies.

10-23-2020