

BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio )  
Edison Company, The Cleveland Electric )  
Illuminating Company and The Toledo )  
Edison Company for Authority to Provide )  
for a Standard Service Offer Pursuant to R.C. )  
4928.143 in the Form of an Electric Security )  
Plan )

Case No. 14-1297-EL-SSO

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**REBUTTAL REHEARING TESTIMONY OF**

**SARAH MURLEY**

**ON BEHALF OF**

**OHIO EDISON COMPANY  
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY  
THE TOLEDO EDISON COMPANY**

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**JULY 22, 2016**

1 **INTRODUCTION, PURPOSE, AND SUMMARY OF CONCLUSIONS**

2 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

3 A. My name is Sarah Murley. I am a Principal at Applied Economics LLC, an economic  
4 consulting firm based in Phoenix, Arizona that specializes in socioeconomic modeling,  
5 economic development, and economic and fiscal impact assessment. My business  
6 address is 11209 N. Tatum Blvd, Suite 225, Phoenix, Arizona.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND,**  
8 **PROFESSIONAL QUALIFICATIONS, AND EMPLOYMENT EXPERIENCE.**

9 A. I earned a Master of Science degree in economics from Arizona State University and a  
10 Bachelor of Arts degree in economics and mathematics from Pomona College in  
11 Claremont, California. In 1989, I began my career in economic consulting with  
12 Mountain West Research. I joined Coopers & Lybrand Consulting as an associate in  
13 1990 before joining the Economic Strategies Group in 1991 as a senior associate. In  
14 1995, I established Applied Economics with another partner. Over the past 20 years, I  
15 have constructed a large number of economic and fiscal impact models for  
16 municipalities, economic development organizations, and utilities in Ohio and throughout  
17 the country. I have also performed many custom studies to quantify economic and fiscal  
18 impacts of new and expanding companies, large scale development projects, utility  
19 generation facilities (traditional and solar), mines, major tourism events and attractions,  
20 and other large scale projects. I also teach continuing education courses for economic  
21 development professionals on economic impact analysis.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. My testimony addresses the economic and revenue impacts of the FirstEnergy Corp.  
3 headquarters (the “HQ”) on the state of Ohio. Staff witness Buckley failed to address the  
4 economic and revenue impacts of the HQ.

5 **Q. WHO IS INCLUDED IN THE HQ?**

6 A. The HQ houses the Shared Service employees who provide services to multiple operating  
7 subsidiaries. Those Shared Service employees are employed by FirstEnergy Service  
8 Company, which is a wholly owned subsidiary of FirstEnergy Corp. FirstEnergy Corp.  
9 has no employees. In the event FirstEnergy Corp. moves its headquarters the Shared  
10 Service employees would be relocated.

11 **Q. WHAT IS AN ECONOMIC IMPACT ANALYSIS?**

12 A. An economic impact analysis determines the impact that an existing, expanding, or  
13 contracting company may have on a region’s economy by identifying the impact on  
14 business activity, personal income and the nature of changes in jobs.

15 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN DIRECT, INDIRECT, AND  
16 INDUCED ECONOMIC IMPACTS.**

17 A. Direct economic impacts represent the direct production value generated by the company  
18 to the state’s economy. These direct economic impacts include payroll and jobs required  
19 to create that level of production. Indirect economic, or “supply chain,” impacts  
20 represent the vendor businesses and their employees that are supported by the company  
21 and are calculated using economic multipliers. These economic multipliers are a way of  
22 representing the larger economic impacts effect on the state’s economy. Induced  
23 economic, or “household spending,” impacts represent the effect of the payroll from the

1 subject business and how that payroll results in additional spending by employees, and  
2 the effect of that spending on the region.

3 In other words, the indirect and induced multiplier effects represent the recycling  
4 of local spending that creates new business opportunities. For the HQ economic impact  
5 analysis studies, I used industry and state-specific multipliers from the **IM** pact for  
6 **PLAN**ning (“IMPLAN”) model.

7 **Q. HOW IS DIRECT OUTPUT DEFINED FOR A HEADQUARTERS?**

8 A. Output is generally defined as the value of goods and services produced. Although the  
9 headquarters does not produce services that are sold to the public, there is a value to the  
10 services that they provide to the company internally. The direct output of the HQ is  
11 therefore defined as the value of the services produced.

12 **Q. WHAT DATA INPUTS DID YOU USE TO CALCULATE THE ECONOMIC AND**  
13 **REVENUE IMPACT OF THE HQ?**

14 A. Several data inputs were provided by FirstEnergy Corp. and used to calculate the HQ’s  
15 economic and revenue impact on the state of Ohio. These inputs include total payroll,  
16 number of employees, charitable and philanthropic spending.<sup>1</sup> The HQ economic impact  
17 analysis quantifies the impacts on the state of Ohio. In Akron, Ohio, FirstEnergy Corp.  
18 directly (through FirstEnergy Service Company) employs about 1,360 employees with an  
19 annual payroll of \$151.3 million and supports an additional 2,047 jobs (i.e., 756 supply  
20 chain jobs plus 1,291 jobs related to employee spending) and \$93.3 million in payroll  
21 annually by other businesses throughout Ohio. The HQ has an estimated annual

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<sup>1</sup> See Attachment SM-R-1, Attachment A.

1 economic impact of \$568.0 million on Ohio’s economy, and directly and indirectly  
 2 supports approximately 3,407 jobs and \$244.6 million in annual payroll throughout the  
 3 state. While it is not possible to isolate the taxes exclusively paid by the HQ, the local  
 4 and state tax revenues from FirstEnergy Corp. HQ employees and other supported jobs  
 5 are estimated at \$20.0 million per year.

6 **Q. PLEASE DESCRIBE THE RESULTS OF YOUR ECONOMIC IMPACT**  
 7 **ANALYSIS FOR THE HQ.**

8 The HQ creates a total economic impact of \$568.0 million on the Ohio economy each  
 9 year by directly and indirectly supporting approximately 3,407 jobs with an annual  
 10 payroll of \$244.6 million. These figures include the value of the HQ operations, vendor  
 11 purchases, and employee spending at other local businesses.

**FIGURE 1**  
**ANNUAL ECONOMIC IMPACTS**  
**(Millions of Dollars)**

	Output	Employment	Personal Income
Utility Headquarters Operations	\$295.5	1,360	\$151.3
Vendor Purchases	\$110.2	756	\$39.8
Local Employee Spending	\$162.3	1,291	\$53.5
<b>Total</b>	<b>\$568.0</b>	<b>3,407</b>	<b>\$244.6</b>

12 The total economic impacts shown here are based on the IMPLAN model and include  
 13 direct and indirect jobs, personal income, and economic activity or output that is  
 14 generated by FirstEnergy Corp. The multipliers estimate the amount of statewide  
 15 purchasing that could occur within Ohio based on the types of industries that are present,  
 16 typical FirstEnergy Corp. vendor purchases, and typical household spending by  
 17 employees. That purchasing is then translated into jobs and personal income at

1 FirstEnergy Corp. vendor businesses, as well as businesses that capture employee  
2 spending.

3 The output multiplier for FirstEnergy Corp.'s headquarters operations in Ohio is  
4 1.92. This means that for every \$1 million of goods and services created by FirstEnergy  
5 Corp., an additional \$920,000 in economic activity is generated within the state's  
6 economy. Also, for every direct job retained at FirstEnergy Corp.'s headquarters, an  
7 additional 1.5 jobs are supported at other businesses in the state.<sup>2</sup>

8 **Q. WHAT ARE REVENUE IMPACTS AND HOW ARE THEY DIFFERENT FROM**  
9 **ECONOMIC IMPACTS?**

10 A. Economic impacts represent amount of jobs, payroll, and output that are generated by the  
11 subject company, as well as by other inter-related industries. This is one way to measure  
12 the impact of the HQ on the state. Another measure of the impact is the amount of state  
13 and local tax revenues generated by the HQ and its employees. These tax revenue  
14 impacts are distinct from the economic impacts. I estimated tax revenue impacts by  
15 using total income and employment from the economic impact results combined with  
16 state and local tax rates for the affected areas.

17 **Q. WHAT ARE THE REVENUE IMPACTS CREATED BY THE HQ?**

18 A. In addition to the economic impacts on related businesses in the state economy, the HQ  
19 employees, as well as indirect and induced employees at related industries, support an  
20 annual state and local tax revenue impact of approximately \$20.0 million.

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<sup>2</sup> The output multiplier and the jobs multipliers are not the same since jobs and output value are different units of measure.

**FIGURE 2**  
**LOCAL AND STATE REVENUE IMPACTS FROM EMPLOYEES**

	Local Taxes			State Taxes		Local & State Total
	Property	Sales	Income	Sales	Income	
Employee Tax Revenues						
FE Shared Service Employees	\$2,622,181	\$553,615	\$1,055,206	\$2,696,432	\$4,665,805	\$11,593,240
Other Supported Jobs	\$3,702,483	\$341,554	\$634,283	\$1,663,567	\$2,038,707	\$8,380,593
<b>Total</b>	<b>\$6,324,664</b>	<b>\$895,169</b>	<b>\$1,689,489</b>	<b>\$4,360,000</b>	<b>\$6,704,512</b>	<b>\$19,973,833</b>

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2 **Q. PLEASE BRIEFLY SUMMARIZE YOUR CONCLUSIONS.**

3 A. Overall, the HQ is a significant contributor to the local Akron economy, as well as the  
 4 Ohio economy. The HQ provides high paying jobs with benefits to thousands of  
 5 workers, supports the local and state economies with millions of dollars in vendor  
 6 purchases each year, and benefits local governments and school systems through tax  
 7 payments. The total economic impact associated with the HQ is \$568.0 million each  
 8 year, and the HQ directly and indirectly supports approximately 3,407 jobs in Ohio. If  
 9 the headquarters were to leave Ohio, those economic impacts and jobs would be gone,  
 10 translating into an immediate reduction in the level of economic activity in the state in  
 11 those amounts. This analysis is conservative because it does not take into account the  
 12 264 additional local employees who may migrate with the HQ if it relocates out of state.

13 The effects on local communities in Ohio would be significant if the HQ relocated  
 14 outside of Ohio. Local governments, as well as school districts, would lose revenues  
 15 from the taxes currently generated by the HQ and its employees.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes. I reserve the right to supplement my testimony.



**APPLIED ECONOMICS**

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**ECONOMIC AND REVENUE IMPACTS OF  
FIRSTENERGY CORPORATE HEADQUARTERS  
ON THE STATE OF OHIO**

**Prepared by:**

**Applied Economics LLC  
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**July 2016**

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## 1.0 Introduction

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### **Purpose of the Study**

Applied Economics was retained by FirstEnergy Corp. to perform an economic impact analysis of the FirstEnergy Corp. corporate headquarters in Akron Ohio. Although the corporate subsidiaries also operate six generation facilities, as well as numerous transmission and distribution facilities, throughout the State of Ohio, the focus of this analysis is limited to the headquarters operations. This analysis is intended to provide a framework for understanding the economic, revenue, and other community impacts that the headquarters creates on Ohio.

FirstEnergy Corp. is not only a major employer in the Akron area, but also FirstEnergy Corp. makes a substantial amount of local supplier purchases that support the region's economy. FirstEnergy Corp. (through FirstEnergy Service Company) employs 1,360 people at its headquarters with an annual payroll of \$151.3 million. These employees create local demand for goods and services in the communities where they live, which in turn supports other local businesses.

### **Applied Economics Background**

Applied Economics LLC ("Applied Economics") is an economic consulting firm, based in Phoenix, Arizona, specializing in economic development, economic and fiscal impact assessment, socioeconomic modeling, urban planning, and custom software applications. Applied Economics conducts economic and fiscal impact studies and develops models to measure the effects of a wide variety of activities. These activities include development land use and policy changes, business-driven economic impacts, incentives, and program-driven economic and fiscal impacts. The partners at Applied Economics have worked together for more than twenty years, and are very experienced in working with local and regional planning and development issues. Applied Economics was formed in 1995, and specializes in the technical aspects of economic research.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic, and fiscal conditions of the affected areas.<sup>1</sup>

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<sup>1</sup> This analysis is intended to aid FirstEnergy Corp. in quantifying the impacts of its headquarter's operation on the local economy. The assumptions in the report provided by FirstEnergy Corp. are attached hereto as Attachment A. In no way will Applied Economics LLC be held responsible, incur any liability, or be subject to damages as a result of this analysis. This report may be used only for the purposes for which it was intended.

## 2.0 Impact Summary

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This summary describes the economic impacts of FirstEnergy Corp.'s corporate headquarters in Akron, Ohio. Economic impacts measure the effects of economic stimuli, or expenditures, in the local economy. These impacts include direct and indirect jobs, personal income, and economic activity or output that is generated by FirstEnergy Corp. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees throughout the state that benefit from the company's headquarters.

This analysis represents a conservative estimate of the impacts of FirstEnergy Corp.'s corporate headquarters in that it only includes impacts associated with the 1,360 employees in Shared Services (those employees who provide services to multiple operating companies). However, there are 264 additional local employees that service the generation business and would likely migrate with corporate headquarters' employees should the headquarters relocate out of state. These 264 generation support employees, with an annual payroll of \$32 million, create additional indirect and induced impacts that are not included in this analysis.

**FirstEnergy Corp. is a Fortune 500 Company.** At number 188, FirstEnergy Corp. is one of only two Fortune 500 companies in Akron, Ohio. In 2008, Northeast Ohio was home to eleven Fortune 500 companies. Predominantly through merger and acquisition activity over the past several years, that total shrunk to seven companies in Northeast Ohio by 2015. The state of Ohio has 24 Fortune 500 companies, down from 28 in 2008. Fortune 500 companies are important for economic development because they demonstrate that the city or region is a proven business location for headquarters operations.

### Economic Impacts

**On-Going Economic Impacts.** The Akron headquarters of FirstEnergy Corp. creates an annual economic impact of \$568.0 million on the Ohio economy each year. The locally headquartered company directly and indirectly supports an estimated 3,407 jobs and \$244.6 million in annual payroll in Ohio.

**Jobs and Income.** FirstEnergy Corp. employs (through FirstEnergy Service Company) about 1,360 employees in Shared Services, or corporate headquarters operations, with an annual payroll of \$151.3 million. Through the multiplier effect, an additional 2,047 jobs (i.e., 756 supply chain jobs plus 1,291 jobs related to employee spending) and \$93.3 million in payroll are supported annually by other businesses throughout the state.

**Supply Chain Impacts.** In 2015, FirstEnergy Corp.'s Shared Services spent an estimated \$110.2 million with Ohio-based vendors based on results from the IMPLAN model. This supply chain spending supports an estimated 756 additional jobs and \$39.8 million in payroll at local vendor businesses. These indirect or supply chain impacts are part of the total economic impact created by the company. Locally headquartered companies are more likely to purchase from local vendors. This is particularly true for professional services such as legal, accounting,

advertising, and business support services. These local vendors, in turn, are also more likely to make purchases in-state, resulting in a cascade of economic impacts to the state.

**Employee Spending.** The 1,360 employees at the corporate headquarters create a significant amount of consumer demand in the communities where they live. Through their household or induced spending, they support an additional 1,291 jobs and \$53.5 million in payroll or personal income at the local business where they make purchases.

### **Revenue Impacts**

**State and Local Taxes.** FirstEnergy Corp. employees generate substantial property, sales, and income tax revenues in Ohio. State and local revenues from FirstEnergy Corp. headquarters employees are estimated at \$11.6 million per year. The secondary employees at vendor businesses and at establishments where employees shop also generate state and local tax revenues of \$8.4 million per year. All total, direct and indirect employees associated with FirstEnergy Corp.'s headquarters operations support \$20.0 million per year in state and local tax revenues in Ohio.

### **Other Community Impacts**

FirstEnergy Corp. also creates other community benefits, in addition to the economic and revenue impacts generated by the corporate headquarters. While it is not possible to isolate the share of community impacts that are directly related to the corporate headquarters versus other FirstEnergy Corp. operations in Ohio, these additional benefits are exemplified by the following impacts that all of FirstEnergy Corp.'s Ohio employees have on their local communities.

**Community Support.** The FirstEnergy Foundation, a 501(c)(3) organization, made grants and matching gifts to Ohio organizations totaling \$3.7 million in 2015, and FirstEnergy Corp. distributed an additional \$700,000 in economic development funds to numerous Ohio communities. FirstEnergy Corp.'s Ohio employees raised \$1.7 million for United Way last year, and employees donated 2.7 million meals in the Harvest for Hunger program, an annual charitable campaign aimed at fighting hunger in twenty-one of Ohio's counties.

**Community Involvement.** In 2015, Ohio employees of FirstEnergy Corp. were engaged in over 2,000 activities spread across 715 community organizations, including over 700 leadership roles. The senior executive leadership team has leadership roles within twenty-three local community organizations.

**Demand for Local Office Space.** The FirstEnergy Corp. corporate support groups occupy all or parts of fifteen separate buildings that encompass more than 1 million square feet of space in Akron.

**Sponsorships.** FirstEnergy Corp. annually spends over \$10 million in local sponsorships in support of organizations that are important to Ohio communities and that further promote

economic benefits to the region, such as the sponsorship of the All American Soap Box Derby, a youth gravity racing program administered by an Akron-based nonprofit organization.

**Tuition Reimbursement.** In 2015, FirstEnergy Corp. paid almost \$400,000 to Ohio-based colleges and universities for tuition reimbursement on behalf of its employees. Since employees pay a portion of the tuition expense, the economic impact enjoyed by these Ohio schools is significantly greater than this total.

**FIGURE 1**  
**SUMMARY OF RESULTS**  
**(Millions of Dollars)**

<b>FirstEnergy Employment and Payroll in Ohio</b>	
Corporate Headquarters	1,360
Annual Payroll	\$151.3
<b>Annual Economic Impacts on Ohio</b>	
Direct Spending	\$295.5
Secondary Spending	\$272.5
Total Impact in Ohio	\$568.0
Indirect Job Impact	2,047
Indirect Personal Income Impact	\$93.3
<b>Annual Employee Revenue Impacts</b>	
Property	<b>\$20.0</b>
Sales	\$6.3
Personal Income	\$5.3
	\$8.4

### 3.0 Economic Impacts

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#### Operations Impacts

FirstEnergy Corp.'s headquarters has an estimated annual economic impact of \$568.0 million on Ohio's economy from the operations of its corporate headquarters in Akron. It directly and indirectly supports approximately 3,407 jobs and \$244.6 million in annual payroll throughout the state (Figure 2). This includes the value of the headquarters operations, as well as the impacts of vendor purchases and employee spending at other local businesses. This is actually a conservative estimate of the headquarters impact because there are 264 additional local employees that service the generation business and would likely migrate with corporate headquarters employees should the headquarters relocate out of state. These 264 generation support employees, with an annual payroll of \$32 million, create additional indirect and induced impacts that are not included in this analysis.

**FIGURE 2**  
**ANNUAL ECONOMIC IMPACTS**  
**(Millions of Dollars)**

	Output	Employment	Personal Income
Utility Headquarters Operations	\$295.5	1,360	\$151.3
Vendor Purchases	\$110.2	756	\$39.8
Local Employee Spending	\$162.3	1,291	\$53.5
<b>Total</b>	<b>\$568.0</b>	<b>3,407</b>	<b>\$244.6</b>

Economic impact analysis is a means for identifying the nature of changes in jobs, personal income, and business activity that can occur in a given area. Economic impacts include direct and indirect jobs, personal income, and economic activity or output that is generated by the company through its headquarters operations in Ohio. Indirect impacts are the result of the multiplier effect, and capture supported supplier and consumer businesses and employees throughout Ohio that benefit from FirstEnergy Corp. Multiplier effects are a way of representing the larger economic impacts on the local economy. In essence, the multiplier effect represents the recycling of local spending that, in turn, creates new business opportunities.

Direct impacts from the FirstEnergy Corp.'s headquarters operations represent the value of goods and services produced including the cost of labor and other inputs. Vendor purchases by FirstEnergy Corp., in turn, become sales for other local businesses. In 2015, FirstEnergy Corp.'s Shared Services spent an estimated \$110.2 million with Ohio-based vendors based on results from the IMPLAN model used in this analysis. This supply chain spending supports an estimated 756 additional jobs and \$39.8 million in payroll at local vendor businesses.

These indirect or supply chain impacts are part of the total economic impact created by the company. Locally headquartered companies are more likely to purchase from local vendors. This is particularly true for professional services such as legal, accounting, advertising, and business support services.

The employees of FirstEnergy Corp., as well as employees at local vendors, re-spend a portion of their paychecks in the region. Total employee spending, including spending by supported vendor employees, is estimated at \$162.3 million, which translates into sales at local retail and service establishments in the communities where employees live. Employee spending supports an estimated 1,291 local jobs and \$53.5 million in payroll at the consumer businesses that benefit from it.

### **Impacts in Related Industries**

These impacts can be further broken down to identify the specific industries that benefit most from vendor purchases and employee spending based on information in the IMPLAN model (Figure 3). Related industries include businesses that benefit from direct spending by FirstEnergy Corp. such as banking and insurance, real estate, business support services, computer services, other professional services, and wholesale trade. They also include industries like restaurants, health care, retail, and personal services that benefit from employee spending.

### **Community Benefits**

In addition to its utility operations, FirstEnergy Corp. is also an important corporate citizen in Ohio. While it is not possible to isolate the share of community impacts that are directly related to the corporate headquarters versus other FirstEnergy Corp. operations in Ohio, these additional benefits are exemplified by the impacts that FirstEnergy Corp.'s employees have on their local communities. In 2015, through its charitable foundation, FirstEnergy contributed \$3.7 million in matching gifts to local non-profit organizations. In addition, the company distributed \$700,000 in local economic development funds to communities in Ohio. FirstEnergy Corp.'s Ohio employees raised \$1.7 million for United Way last year, and employees donated 2.7 million meals in the Harvest for Hunger program.

The total impacts include both the direct impacts at FirstEnergy Corp. facilities, and the secondary impacts created by other local businesses and their employees. On average, the output multiplier for FirstEnergy Corp.'s operations in Ohio is 1.92. This means that for every \$1 million of goods and services created by FirstEnergy Corp., an additional \$920,000 in economic activity is generated in the state's economy. Similarly, for every direct job at FirstEnergy Corp. an additional 1.5 jobs are supported at other businesses in the state.

The secondary impacts of vendor spending and employee spending were estimated using economic multipliers from IMPLAN, a national vendor of economic impact software. These multipliers are specific to Ohio and specific to headquarters or management of companies and

enterprises. Employment and payroll information at the corporate headquarters provided by FirstEnergy Corp. was used as the basis for the impacts.

## 4.0 Revenue Impacts

In addition to creating demand and supporting jobs and payroll in the Ohio economy, FirstEnergy Corp. also generates substantial local and state tax revenues. Economic impacts represent the benefits to related industries, while revenue impacts represent the benefits to state and local government. As a result of all of its operations in Ohio, FirstEnergy Corp. pays property, sales, income, and kilowatt taxes. The company also indirectly supports additional tax revenues through its employees. While it is not possible to isolate the taxes paid by the company that are exclusively attributed to the headquarters, this analysis does provide estimates of taxes paid by employees. Employee revenue impacts shown here are for direct employees of FirstEnergy Corp.'s headquarters and for employees at vendor businesses and businesses where employees shop. Tax revenues from employees are estimated at approximately \$20.0 million per year (Figure 3).

**FIGURE 3  
LOCAL AND STATE REVENUE IMPACTS FROM EMPLOYEES**

	Local Taxes			State Taxes		Local & State Total
	Property	Sales	Income	Sales	Income	
Employee Tax Revenues						
FE Shared Service Employees	\$2,622,181	\$553,615	\$1,055,206	\$2,696,432	\$4,665,805	\$11,593,240
Other Supported Jobs	\$3,702,483	\$341,554	\$634,283	\$1,663,567	\$2,038,707	\$8,380,593
<b>Total</b>	<b>\$6,324,664</b>	<b>\$895,169</b>	<b>\$1,689,489</b>	<b>\$4,360,000</b>	<b>\$6,704,512</b>	<b>\$19,973,833</b>

FirstEnergy Corp. employees in Ohio generate a significant amount of property, sales, and income tax revenues. Based on average residential real property assessed value per capita and average local property tax rates for Northeast Ohio counties (according to the Ohio Department of Taxation), the direct employees at FirstEnergy Corp.'s headquarters generate an estimated \$2.6 million in annual property tax revenues. Employees at vendor businesses and businesses where employees shop generate an estimated \$3.7 million per year in property taxes.

Based on employee payroll for FirstEnergy Corp. headquarters employees in Ohio, as well as personal income for indirect and induced employees shown in the economic impact results, all of these employees combined generate approximately \$895,000 in local sales tax revenues and \$4.4 million in state sales tax revenues each year. This estimate assumes that local employees spend approximately 31 percent of their wages on goods that are subject to sales tax, based on data from the Census Annual Consumer Expenditure Survey.

In terms of state and local income taxes, FirstEnergy Corp. headquarters employees generate approximately \$1.1 million in local income taxes and \$4.7 million in state income taxes. Indirect and induced employees at other related businesses generate an estimated \$634,000 in local



income taxes and \$2.0 million in state income taxes. Income taxes are based on average income per employee less a standard exemption, times the appropriate state, city, and school tax rates. City and school tax rates are based on an average rate for the Northeast Ohio region using data from the Ohio Department of Taxation. State tax rates are based on the 2015 IT 1040 schedule for Ohio. Note that income taxes shown here are only based on income associated with direct, indirect and induced employees, not their entire household. Therefore, if an entire household were to leave the region due to the relocation of FirstEnergy Corp.'s headquarters, the loss of income tax revenues would be greater.

## **5.0 Summary**

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FirstEnergy Corp. is a significant contributor to the state's economy. It provides a clean, reliable power to businesses and residents. It also provides high quality jobs to thousands of workers, and supports the local economy with millions of dollars each year in vendor purchases. This not only creates economic impacts to Ohio's economy, but also generates significant local tax revenues. FirstEnergy Corp. is also an important contributor to non-profit organizations, charitable causes, and other community organizations throughout the state.

**ATTACHMENT A  
INFORMATION PROVIDED BY FIRSTENERGY**

	2015 Regular Employees	2015 Total Gross (millions)	Covered Dependents
Shared Services	1,360	\$151.3	1738

- FirstEnergy Corp. is a Fortune 500 Company. At No. 188, FirstEnergy Corp. is one of only two in Akron, Ohio. In 2008, Northeast Ohio had eleven Fortune 500 companies. That total shrunk to seven by 2015.
- The FirstEnergy Corporate groups occupy all or parts of fifteen separate buildings that encompass more than 1 million square feet of space.
- In 2015, Ohio employees are engaged in over 2,000 activities spread across 715 community organizations, including over 700 leadership roles. The senior executive leadership team has leadership roles with 23 local organizations.
- FirstEnergy Corp.'s Ohio employees raised \$1.7 million for United Way in 2015 and donated 2.7 million meals in the Harvest for Hunger program. The FirstEnergy Foundation made grants and matching gifts to Ohio organizations totaling \$3.7 million in 2015, and FirstEnergy Corp. distributed an additional \$700,000 in economic development funds across Ohio communities.
- FirstEnergy Corp. annually spends over \$10 million in local sponsorships such as the All American Soap Box Derby.
- FirstEnergy Corp. paid almost \$400,000 to Ohio based colleges and universities in 2015 for tuition reimbursement on behalf of its employees.
- In 2015, FirstEnergy Corp. spent over \$2.5 billion spread across 4,395 Ohio based vendors to support Shared Services, Generation and Utilities.
- There are 264 generation support employees with an annual payroll of \$32 million that would likely migrate with Shared Services employees.
- FirstEnergy Corp. has no employees. The Shared Service employees who are located at the HQ are employees of FirstEnergy Service Company, a wholly owned subsidiary of FirstEnergy Corp.

**This foregoing document was electronically filed with the Public Utilities**

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**7/22/2016 3:35:43 PM**

**in**

**Case No(s). 14-1297-EL-SSO**

Summary: Testimony Rebuttal Testimony of Sarah Murley electronically filed by Mr. Nathaniel Trevor Alexander on behalf of Ohio Edison Company and The Cleveland Illuminating Company and The Toledo Edison Company