SAGE MANAGEMENT CONSULTANTS, LLC

COMPLIANCE AUDIT

OF THE

FIRSTENERGY OPERATING COMPANIES

WITH THE

CORPORATE SEPARATION RULES

OF THE

PUBLIC UTILITIES COMMISION OF OHIO

FINAL REPORT

May 14, 2018

CONTENTS

I. EXECUTIVE SUMMARY

This is the final report of the SAGE Management Consultants, LLC (SAGE) Compliance Audit of the FirstEnergy Operating Companies with the Corporate Separation Rules of the Public Utilities Commission of Ohio (PUCO). FirstEnergy Corp.'s utility operating companies in Ohio are the Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and The Toledo Edison Company (Toledo Edison) (collectively, the Ohio Companies).

This chapter provides an overview, general findings and recommendations, and a summary of all of the findings and recommendations in the report in four sections:

A. Background
B. General Findings
C. General Recommendations
D. Summary of All Findings and Recommendations

A. BACKGROUND

This section covers the scope of work of the investigation, the approach taken in the audit, and background information on the three FirstEnergy Corp. (FirstEnergy) Ohio Companies and their affiliates.

SCOPE OF WORK

The following is the scope of work specified by the Request for Proposals:

> *The auditor's investigation shall determine if the Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company (the Companies) have complied with the Commission's Corporate Separation Rules, as enumerated in Ohio Adm. Code 4901:1-37-04(D)(3), 4901:l-37-04(D)(6), 4901:l-37-04(D)(10)(c), 4901:l-37-4(D)(ll), and 4901:1-37-08(C).*
>
> *The auditor selected shall:*
>
> *Review, in detail, Case No.12-3151-EL-COI*
>
> *Review, in detail, the Corporate Separation Rules embodied in Ohio Adm. Code Chapter 4901: 1-37*
>
> *Obtain and review all appropriate documentation relating to the Companies' compliance with Ohio Adm. Code Sections 4901:l-37-04(D)(3), 4901:1-37-04(D)(6), 4901:l-37-04 (D) (10) (c), 4901:l-37-04 (D) (ll), and 4901:1-37-08 (C)*
>
> *Conduct all interviews relating to the Companies' compliance with Ohio Adm. Code sections 4901:1-37-04 (D) (3), 4901:1-37-04 (D) (6), 4901:1-37-04 (D) (10) (c), 4901:1-37-04 (D) (11), and 4901:1-37-08 (C)*

Administrative Code Chapter 4901: 1-37 Corporate Separation Rules

The Ohio Administrative Code Chapter 4901:1-37 is entitled, "Electric Utility and Affiliates." Section 4901: 1-37-02 defines its purpose and scope:

(A) The purpose of this chapter is to require all of the state's electric utilities to meet the same standards so a competitive advantage is not gained solely because of corporate affiliation.

(B) This chapter is intended to create competitive equality, prevent unfair competitive advantage, prohibit the abuse of market power and effectuate the policy of the state of Ohio embodied in section 4928.02 of the Revised Code.

(C) The commission may, upon an application or a motion filed by a party, waive any requirement of this chapter, other than a requirement mandated by statute, for good cause shown.

(D) To ensure compliance with this chapter, examination of the books and records of affiliates may be necessary.

(E) Violations of this chapter shall be subject to section 4928.18 of the Revised Code. The electric utility has the burden of proof to demonstrate compliance with this chapter.

Further, section 4901:1-37-03 defines its applicability:

(1) The activities of the electric utility and its transactions or other arrangements with its affiliates.

(2) Any shared services of the electric utilities with any affiliates.

(3) The sale or transfer of generating assets.

The Code sections that were specified for audit were:

4901:l-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 nonaffiliated competitors providing retail electric service.

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.

4901:l-37-04 (D) (10): The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following: (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:l-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.

> *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.*

Each of these specific sections is covered by a separate chapter in this report.

Case No. 12-3151-EL-COL

On December 12, 2012, the PUCO initiated an investigation to identify steps that could be taken to enhance the health, strength, and vitality of the competitive retail electric services (CRES) market. Comments on this proposed investigation were filed by approximately 36 stakeholders, including utility companies, user groups, and advocacy organizations. Collaborative workshops were held in 2013, and the PUCO staff filed a status report and a market development work plan in January, 2014.

In addition to general comments on the investigation and work plan, specific comments by the stakeholders were grouped into the following categories:

- Standardizing the retail electric service market
- Ohio retail electric service market definition and measurements
- Confidentiality of supplier information
- Corporate separation
- Standard service offer as the default service
- Purchase of receivables
- Electronic data interchange
- Seamless moves/contract portability
- Bill format
- Customer enrollment
- Advanced metering infrastructure

The Commission addressed the stakeholders' comments on the work plan and ordered that the PUCO staff, the Ohio electric distribution utilities (EDUs), and the CRES providers comply with a number of directives on certain of the categories. A description of each of the directives to be complied with and the organization tasked with compliance are described in the following paragraphs.

Corporate Separation. Any EDU that does not maintain separate shareholders with any affiliate generation or competitive supplier should file with the Commission its policies and procedures for ensuring compliance with the code of conduct rules contained in Ohio Adm. Code 4901:137 within six months of this Order, or a statement conveying that there has been no change in those policies and procedures from those previously approved by the Commission. (Applies to PUCO Staff and EDUs)

Each utility's policies and procedures relating to the code of conduct rules between affiliates should be audited every four years. (Applies to PUCO Staff and EDUs.)

Purchase of Receivables. Each EDU should include in its next distribution rate case or standard service offer (SSO) an application to implement a purchase of receivables (POR) program or equivalent. (Applies to PUCO Staff, EDUs, and CRES providers.)

The EDUs should work with CRES providers through the Market Development Working Group (MDWG) to develop proper procedures for providing to CRES providers the total customer payment amount, the amount billed by the CRES provider, and the amount of payment allocated to the CRES providers, and should also flag customers that are on a payment plan. (Applies to PUCO Staff, EDUs, and CRES providers)

Electronic Data Interchange. Establish an Electronic Data Interchange (EDI) Policy Working Group consisting of CRES providers, the EDUs, and any other interested stakeholders to analyze and propose policies and procedures for improving any information exchanges and competitive retail enhancements that would benefit development of the retail electric market. (Applies to PUCO Staff)

Seamless Moves/Contract Portability. Facilitate discussion within the MDWG to develop an operational plan that will implement either a statewide seamless move, contract portability, instant connect, or warm transfer process, recognizing the Commission's preference for customers identified as shopping customers to maintain their status as shopping customers. (Applies to PUCO Staff)

Bill Format. Propose bill format changes to display the applicable CRES provider's logo, revise the price-to-compare, and identify the supplier of each service. EDUs should file an application, within six months of this Order, to revise their consolidated bill format to bring it into conformity with R.C. 4928.02, 4928.07, 4928.10, and this Order. (Applies to PUCO Staff, EDUs, and CRES providers)

Work with the MDWG and propose a plan that would implement a revised bill format for each EDU to reference supply and delivery charges once the EDU has divested its generation assets and moved to 100% market-based rates. (Applies to PUCO Staff, EDUs, and CRES providers)

Standardize the price-to-compare across the state of Ohio, using a rolling annual average price-to-compare, by using the SSO rate for the previous 12 months and divide it by the customer's usage. Bills should include language to inform customers that they can review available competitive supplier offers by visiting the PUCO's Energy Choice Ohio website. (Applies to EDUs)

Include on customer bills the applicable CRES provider's logo in the area containing the supply charges of the bill, matching the EDU's logo in size and appearance (should be in color if the EDU's logo is in color). (Applies to EDUs and CRES providers)

Work through the MDWG to resolve any issues regarding proposed additional bill format changes and include in its initial MDWG Staff Report, to be filed within six months of this Order, a proposal for any additional bill format changes that Staff believes should be adopted. (Applies to PUCO Staff)

Customer Enrollment. Only customers are able to authorize the release of their customer account numbers by an EDU. Directs Staff and the EDUs to continue to work together in developing a website registration system that ensures customer protections on a utility-by-utility basis. (Applies to PUCO Staff and EDUs)

Advanced Metering Infrastructure. Require EDUs that have deployed Advanced Metering Infrastructure (AMI) to file amended tariffs that specify the terms, conditions, and charges associated with providing interval customer energy usage data (CEUD), addressing or including the format, method, granularity, and frequency of CEUD that a CRES provider may receive; the implementation of individual network service peak load and peak load contribution formulas; as well as a mechanism to recover any necessary capital improvement or infrastructure costs. (Applies to PUCO Staff and EDUs)

Offer time-differentiated rates through AMI/Smartgrid programs and recover the costs through AMI/Smartgrid riders. However, the EDUs should offer pilot time-differentiated rates only for so long as it takes for the market to develop and for a reasonable number of CRES providers to begin offering this service in each service territory. Directs the EDUs, and encourages CRES providers, to participate in the MDWG to assist in the development of proper data exchange protocols to improve the ability for CRES providers to offer time-differentiated rates. (Applies to EDUs and CRES providers)

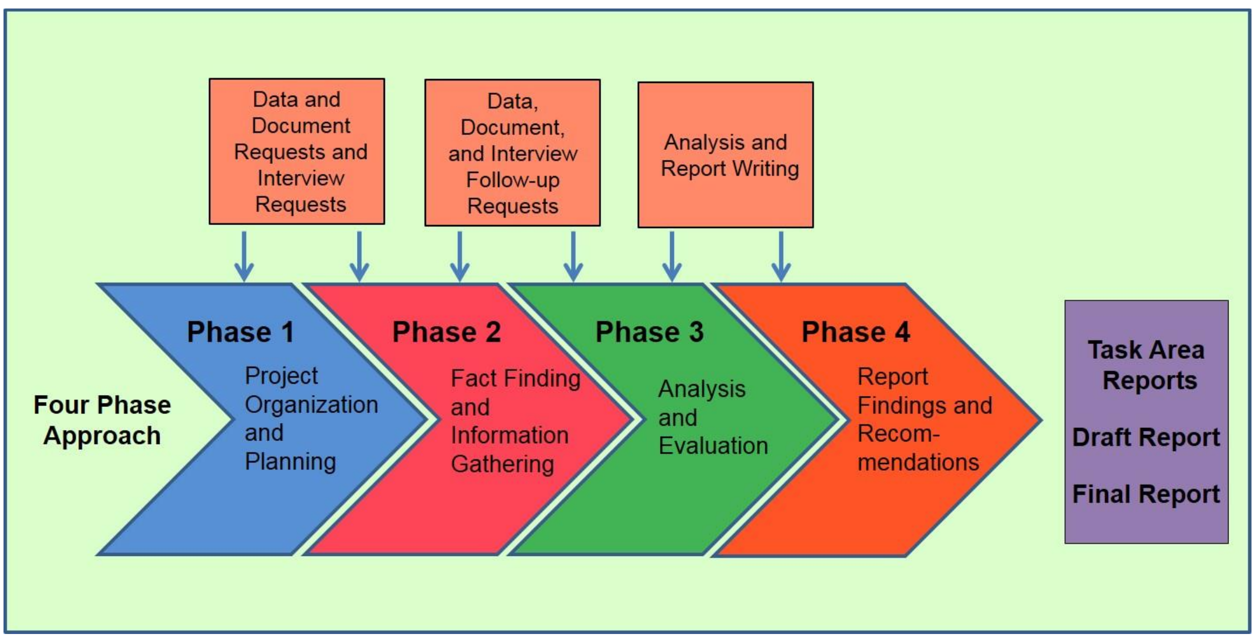
APPROACH

SAGE utilized a well-developed Four Phase Approach in conducting this Audit:

1. Project Organization and Planning
2. Fact Finding and Information Gathering
3. Analysis and Evaluation
4. Report Findings and Recommendations

This is illustrated in the following exhibit.

SAGE Four Phase Approach



The draft report was reviewed by the Ohio Companies' representatives in the FirstEnergy Service Company for fact accuracy and confidential information. The findings and recommendations are the SAGE consulting team's opinions.

Documents Reviewed

The SAGE consulting team requested and reviewed 250 documents in the conduct of this case. The document requests are listed in Appendix A. In addition, the team reviewed 51 FirstEnergy call center calls relevant to the audit. The organization charts depicted in this report are as of August 1, 2017.

Interviews and Site Visits Conducted

The SAGE consulting team interviewed 82 FirstEnergy personnel from the FirstEnergy Ohio Companies, FirstEnergy Service Company (Service Company), and other affiliates, including FirstEnergy Solutions Corporation (FES). SAGE also conducted a tour of all relevant physically secure sites in the Akron area.

REPORT ORGANIZATION

The Final Report is organized into six chapters. Following this Chapter I, Executive Summary are chapters on each of the Corporate Separation Rules Compliance Audit scope elements:

II. Transmission and Distribution System Access: 4901:I-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 nonaffiliated competitors providing retail electric service.

III. Anticompetitive Subsidies: 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.

IV. Comparable Access: 4901:I-37-04 (D) (10): The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following: (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.

V. Public Representation Disclosures: 4901:I-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.

VI. Cost Allocation Manual: 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.

FIRSTENERGY CORP.

FirstEnergy was formed in 1997 through the merger of Ohio Edison Company and Centerior Energy Corporation. Through this merger, FirstEnergy Corp. became the holding company for Ohio Edison and its Pennsylvania Power Company subsidiary, as well as the Cleveland Electric Illuminating Company and the Toledo Edison Company.

At that time, FirstEnergy was the 11th largest investor-owned electric system in the nation, based on annual electric sales of 64 billion kilowatt-hours, and with total assets of nearly $20 billion. Based in Akron, Ohio, the new company employed 10,000 employees, served 2.2 million customers within 13,200 square miles of northern and central Ohio and western Pennsylvania, and had approximately 12,000 megawatts of generating capacity.

FirstEnergy nearly doubled its revenue to more than $12 billion and customers served to more than 4.3 million when it merged with the former GPU, Inc., based in Morristown, N.J., in 2001. GPU served 2.1 million customers in a 24,000 square-mile service area in Pennsylvania and New Jersey through its three operating companies: Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power & Light Company.

In 2011, FirstEnergy completed a merger with Allegheny Energy, a Greensburg, Pennsylvania-based company that served 1.6 million customers in Pennsylvania, West Virginia, Maryland, and Virginia. The merger more than doubled FirstEnergy's coal generation capacity and provided additional opportunities for the company to grow and expand into new markets.

Today, FirstEnergy is one of the nation's largest investor-owned electric systems based on the six million customers it serves. As of year-end 2016, FirstEnergy Corp. had $43 billion in total assets, $15 billion in annual revenues, 16 thousand employees, 24,500 miles of transmission lines, and 17,000 megawatts of generation.

FIRSTENERGY BUSINESS SEGMENTS

In 2016, FirstEnergy’s reportable business segments were Regulated Distribution, Regulated Transmission, and Competitive Energy Services.

Regulated Distribution Segment

The Regulated Distribution segment consists of eleven utility operating companies serving six million customers in six states, including the three Ohio Companies. These companies, including the Ohio Companies, meet purchase provider of last resort, standard offer service, and other default electric commodity requirements for customers who do not choose competitive electric commodity suppliers. This segment includes 3,790 megawatts of regulated generation in West Virginia and New Jersey. There is no regulated generation in Ohio. The service areas and customers served by these regulated distribution utilities are shown in the following table.

FirstEnergy Operating Companies

Company	Areas Served	Customers (000)[1]
Ohio Edison Company (OE)	Central and Northeastern Ohio	1,045
Pennsylvania Power Company (Penn)[2]	Western Pennsylvania	165

Company	Areas Served	Customers (000)[1]
The Cleveland Electric Illuminating Company (CEI)	Northeastern Ohio	750
Toledo Edison Company (TE)	Northwestern Ohio	310
Jersey Central Power & Light Company (JCP&L)	Northern, Western, and East Central New Jersey	1,117
Metropolitan Edison Company (ME)	Eastern Pennsylvania	565
Pennsylvania Electric Company (PN)	Western Pennsylvania	588
West Penn Power Company (WP)	Southwest, South Central, and Northern Pennsylvania	724
Monongahela Power Company (MP)	Northern, Central, and Southeastern West Virginia	390
Potomac Edison Company (PE)	Western Maryland and Eastern West Virginia	404
The Waverly Electric Light and Power Company[3]	New York	4
Total		**6,062**

[1] As of December 31, 2016
[2] Operating subsidiary of Ohio Edison
[3] Operating subsidiary of Pennsylvania Electric Company

Regulated Transmission

The Regulated Transmission segment transmits electricity through transmission facilities owned and operated by American Transmission Systems, Inc. (ATSI)—which serves the Ohio Companies—and three other transmission companies, all subsidiaries of FirstEnergy Transmission (FET), and certain of FirstEnergy's utilities (JCP&L, ME, PN, MP, PE, and WP). This segment also includes the regulatory asset associated with the abandoned Potomac-Appalachian Transmission Highline (PATH) project.

Competitive Energy Services

The Competitive Energy Services segment, through FirstEnergy Solutions Corporation (FES) and Allegheny Energy Supply Company (AE Supply), supplies electricity to end-use customers through retail and wholesale arrangements, including competitive retail sales to customers primarily in Ohio, Pennsylvania, Illinois, Michigan, New Jersey, and Maryland and the provision of partial provider of last resort (POLR) and default service for some utilities in in Ohio, Pennsylvania, and Maryland. FES provides energy-related products and services. AE Supply is an unregulated generation subsidiary.

FIRSTENERGY OHIO UTILITY OPERATING COMPANIES

The three Ohio Companies are part of FirstEnergy's Regulated Distribution business segment.

Ohio Edison

Ohio Edison Company was a publicly traded holding company that began in 1930 from the consolidation of 200 electric companies. By 1950, it had two utility operating companies, Pennsylvania Power (acquired in 1944) and Ohio Edison. It also merged with the Ohio Public Service Company. Ohio Edison continued in existence until 1997, when its merger with Centerior formed FirstEnergy Corp.

The Cleveland Electric Illuminating Company

The Cleveland Electric Illuminating Company, commonly known as, "The Illuminating Company," was a publicly traded operating company through 1986 when it merged with Toledo Edison to come under the control of Centerior.

Toledo Edison Company

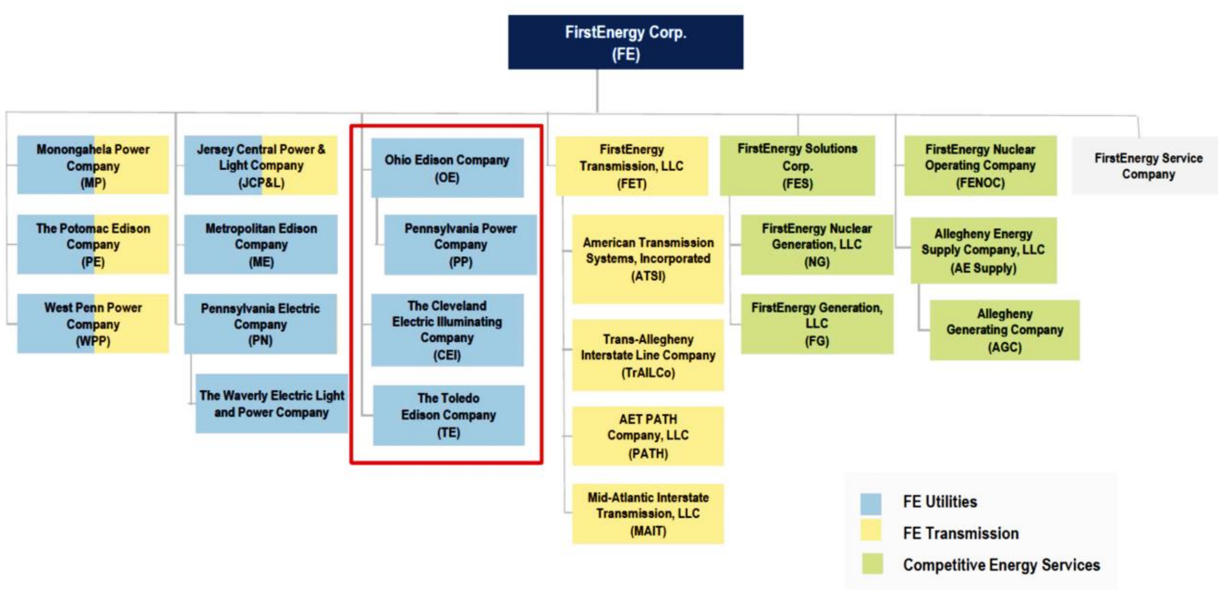
Toledo Edison Company was a publicly traded utility operating company until it merged with the Cleveland Electric Illuminating Company to form Centerior in 1986. Centerior was based in Independence, Ohio, and existed as a publicly traded holding company for only ten years until its merger with Ohio Edison formed FirstEnergy in 1997.

FIRSTENERGY OHIO COMPANIES' AFFILIATES

Corporate Organization Structure

FirstEnergy has a complex legal entity organization structure. FirstEnergy has 68 subsidiaries, either wholly or partially owned, arrayed in as many as five levels of subsidiaries. The following exhibit is a simplified view of the corporate legal structure adequate for the purposes of this corporate separations analysis.

FirstEnergy Corporate Legal Organization Structure



Notes
- Not all entities of FirstEnergy Corp. are represented in the chart above
- Some FirstEnergy utilities outside of Ohio own generation

The three Ohio Companies are electric distribution only and are part of the eleven regulated electric utility FirstEnergy Corp. subsidiaries. Pennsylvania Power Company, which operates in Pennsylvania, is technically a subsidiary of the Ohio Edison Company but, from a regulatory standpoint, is managed as part of the four Pennsylvania companies which also include West Penn Power Company, Metropolitan Edison Company, and Pennsylvania Electric Company. The Waverly Electric Light and Power Company is a subsidiary of the Pennsylvania Electric Company and it operates in New York. The other FirstEnergy Corp. regulated electric utility companies serve New Jersey, West Virginia, and Maryland.

The transmission assets within the Ohio Companies' service territories are owned by ATSI, which is a subsidiary of FirstEnergy Transmission, LLC which, in turn, is a subsidiary of FirstEnergy. ATSI also serves the Pennsylvania Power Company. The other three FirstEnergy transmission subsidiaries serve states other than Ohio. While the transmission assets in Ohio are owned by ATSI, the transmission assets are operated and maintained by the Ohio Companies' line workers and ATSI is charged for the work done.

The Competitive Energy Services legal entities are subsidiaries of FirstEnergy Solutions Corp. and FirstEnergy Nuclear Operating Company (FENOC). These subsidiaries house FirstEnergy Corp.'s generation assets and its competitive retail electric services businesses.

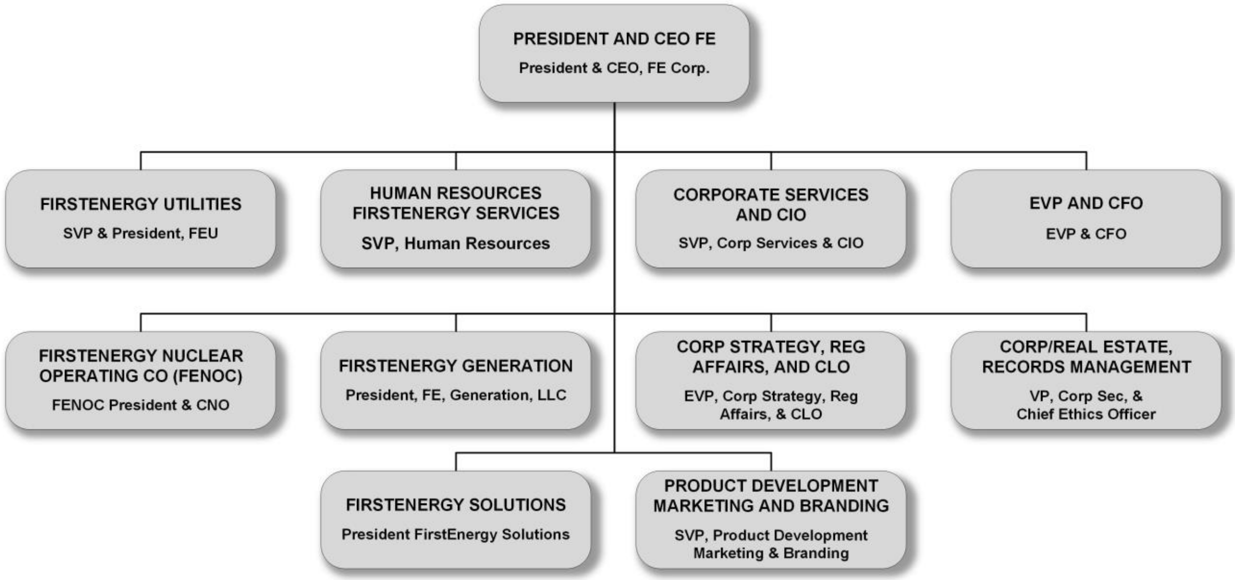
The FirstEnergy Service Company provides shared services to the FirstEnergy Corp. holding company and all of its subsidiaries.

For corporate separation purposes, the three Ohio Companies have affiliate relationships with ATSI (for work groups who do both transmission and distribution work and for leased property), the Competitive Energy Services entities for generation and competitive retail electric services, and the Service Company for common shared services.

EMPLOYEE ORGANIZATION STRUCTURE

FirstEnergy has almost 16,000 employees. They are deployed in a complex organization structure as shown in the following exhibit.

Employee Organization Structure



The FirstEnergy President and Chief Executive Officer has ten direct reports. The Ohio Companies, the other distribution utilities, the Transmission Companies, and Federal Energy Regulatory Commission (FERC) Compliance are managed by the FirstEnergy Utilities (FEU) Senior Vice President and President.

The Competitive Energy Services functions are managed by the:

- FirstEnergy Nuclear Operating Company (FENOC) President and Chief Nuclear Officer
- President, FirstEnergy Generation, LLC
- President, FirstEnergy Solutions (FES)

In addition, the Senior Vice President, Product Development, Marketing, and Branding has responsibilities for FES CRES retail sales and service in addition to a number of common functions that serve the three Ohio Companies and other FirstEnergy subsidiaries.

Corporate shared services are provided by the:

- Senior Vice President, Human Resources
- Senior Vice President, Corporate Services and Chief Information Officer
- Executive Vice President and Chief Financial Officer
- Executive Vice President, Corporate Strategy, Regulatory Affairs, and Chief Legal Officer
- Senior Vice President, Product Development, Marketing and Branding

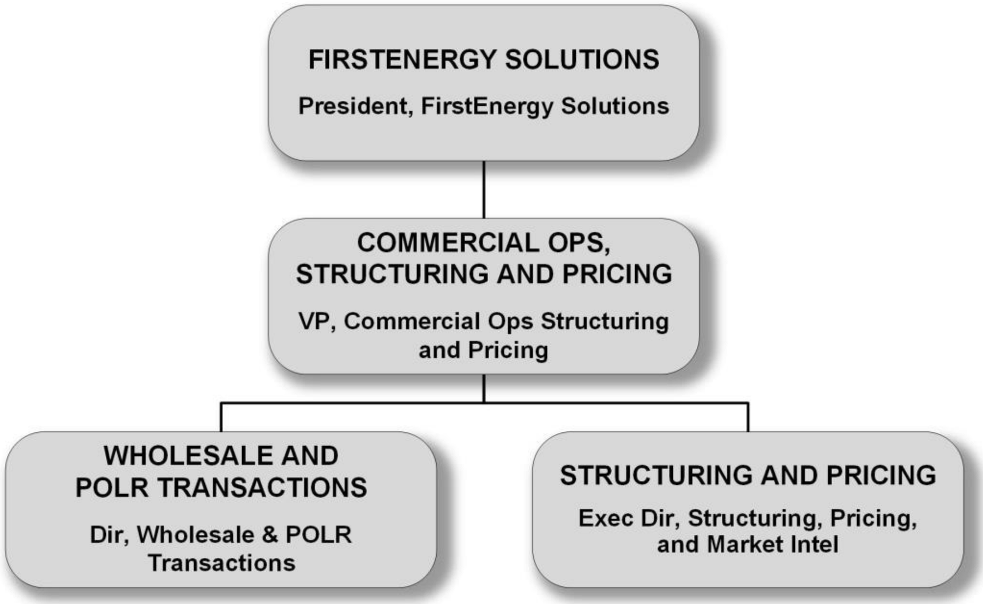
AFFILIATED COMPETITIVE RETAIL ELECTRIC SERVICE PROVIDER

While FES is the legal entity that records the sales and costs of the CRES sales in Ohio, the sales and support for the function is provided by the FirstEnergy Service Company.

FirstEnergy Solutions Corporation

The FES organization itself is focused on competitive wholesale generation sales. The Service Company provides the CRES sales and support functions. The President of FES reports to the President and CEO of FirstEnergy. The President of FES has only one direct report as shown in the following organization chart.

FirstEnergy Solutions Organization Structure



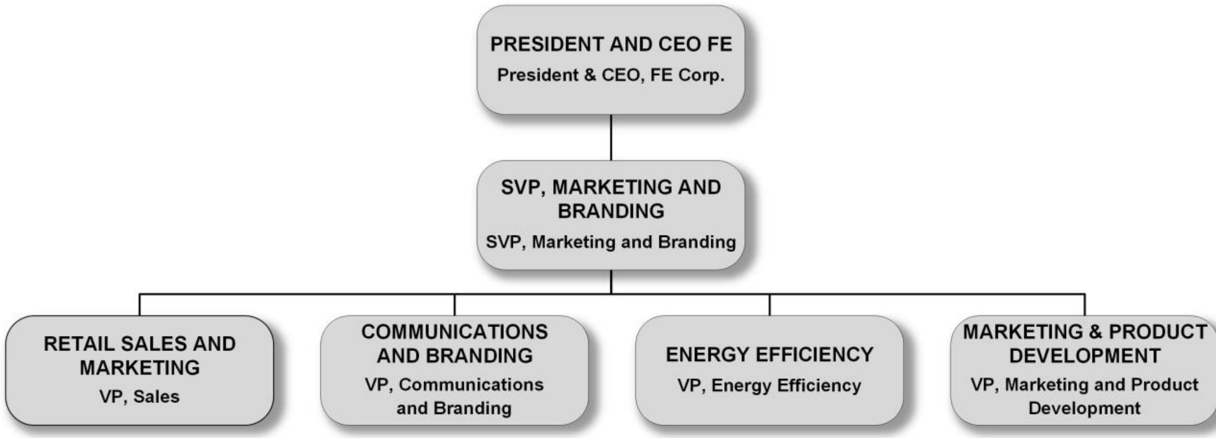
The Vice President, Commercial Operations Structuring and Pricing, has two direct reports, the Director of Wholesale and Provider of Last Resort Transactions and the Executive Director of Structuring, Pricing, and Market Intelligence. These units are focused on wholesale generation sales and are not directly involved in competitive retail electric sales. FES sells all generation to PJM Interconnection[1] (PJM) and all sales obligations are purchased from PJM. Contracts are hedged by buying coal and natural gas.

FirstEnergy Service Company CRES Retail Sales and Marketing

The marketing and sales support for FES CRES operations in Ohio is provided by the Service Company Marketing and Branding group which reports to the FirstEnergy President and Chief Executive Officer. The organization structure for the Marketing and Branding group is shown below.

[1] PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. Acting as a neutral, independent party, PJM operates a competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability for more than 65 million people. An independent Board oversees PJM's activities. (PJM Website: http://www.pjm.com/about-pjm/who-we-are.aspx)

Service Company Marketing and Branding Organization Structure



The Retail Sales and Marketing group directly supports FES CRES sales in Ohio. The Communications and Branding group and the Marketing and Product Development group indirectly support the FES CRES sales in Ohio and are discussed in Chapter V, Public Representation Disclosures. The Energy Efficiency group is not involved in FES CRES sales in Ohio but does provide support services to the Ohio Companies including a National Accounts function.

Retail Sales and Marketing

The Retail Sales and Marketing group directly supports FES CRES sales in Ohio and the other states in which FES offers CRES products. The Retail Sales and Marketing group is responsible for FES CRES sales to all Ohio electric customers, not just the customers in the Ohio Companies' service territories. It has three organizational units as shown below.

Retail Sales and Marketing Organization Structure

The Retail Sales and Marketing group formerly reported to the President of FES. The reporting relationship was transferred to the Service Company in 2016 when the responsibility for the FirstEnergy Products (FEP) back office was assigned to it. FEP is managed by the Service Company Marketing and Product Development group. It sells products like smart thermostats and light bulbs and services like appliance warrantees and electrician referrals to the Ohio Companies' customers under a tariff. It does not sell

CRES. Please see Chapter V, Public Representation Disclosures for more information on FEP.

Each of the three Retail Sales and Marketing units are described below.

Government Aggregation. This unit is responsible for FES CRES sales to governmentally aggregated customers. Ohio permits local governments to aggregate its citizens for electric supply acquisition from CRES providers. There are about 400 local governments in Ohio with aggregation programs. FES has the CRES supply contracts for about 150 of them.

There is a high percentage of shopping customers (customers who buy from a CRES provider rather than accepting their electric utility's default service) in Ohio. Customers with local government programs may opt-out of the government plan. However, it is easier to stay in and take advantage of the buying power of a large group. Opting out means selecting a CRES provider from a wide range of potentially confusing options. However, some governments have grant or other requirements tied to the aggregation contract which increases the commodity costs and opens the door to mass market sales to individual retail customers. CRES providers periodically compete for government aggregation contracts typically through a request for proposal process.

The Government Aggregation group is also responsible for the FES CRES limited mass market sales efforts (sales to individual as opposed to aggregated customers). Most Ohio residential and small commercial sales efforts are directed toward government aggregation programs. However, some customers are not covered by government aggregation or the government aggregation CRES contract is not competitive for some reason. Government Aggregation launches periodic campaigns to attract new mass market customers. There are six employees in the Government Aggregation unit.

Commercial and Industrial Sales. The Commercial and Industrial Sales unit is responsible for FES CRES sales to medium and large commercial customers and industrial customers. This is a more labor-intensive relationship sales process typically requiring an account representative to bid for or negotiate CRES contracts with customers on a customer by customer basis. There are ten Commercial and Industrial Sales employees.

Retail Operations. The Retail Operations unit formerly only served as the back office for FES CRES sales. However, in 2016, the FEP back office responsibilities were added to this unit and it became a Service Company unit with both FES unregulated and FEP regulated functions.

Retail Operations now has two clients – FES Retail Sales and FEP. The FES sales plan comes from the Vice President of FES Retail Sales and Marketing and the FEP sales plan comes from the Vice President of Marketing and Product Development (both vice presidents report to the Senior Vice President, Marketing and Branding).

The Retail Operations organization structure is shown in the following exhibit.

Retail Operations Organization Structure

The Revenue Management and Transaction Management units support FES CRES sales. The Operations Systems Management unit supports FEP sales.

FEP only sells non-CRES products and services to the Ohio Companies' regulated customers and some regulated customers in other states. FES Retail sells CRES products to all Ohio customers and customers in other states.

FEP is the evolution of the legacy Consumer Products effort. It is being ramped up and the Retail Operations unit is charged with the modernization of the back office functions. Retail Operations is growing the staff and implementing new systems and procedures to support FEP. A 2017 Retail Operations project replicated the FES support model for FEP.

B. GENERAL FINDINGS

This section provides findings generally applicable to all of the Corporate Separation Rules Compliance Audit scope elements.

1. The Ohio Companies' purchases of electricity commodity and services from affiliates have been well-controlled by the regulatory processes in place.

The regulated commodity acquisition for the Ohio Companies is guided by the FirstEnergy Ohio Electric Security Plan (ESP). The Ohio Companies procure power through the Federal Energy Regulatory Commission (FERC) jurisdictional wholesale market to supply its Standard Service Offer (SSO) and Percentage of Income Payment Plan (PIPP) customers through competitive bidding processes (CBPs). The two CBP procurement methods used are the descending-price clock auction (DCA) and requests-for-proposals (RFP) processes.

The CBPs are designed to procure Full Requirements Service for SSO and PIPP customers of the Ohio Companies. Winning bidders assume all responsibilities of a PJM Load Serving Entity (LSE) and are responsible for supplying all obligations associated with Full Requirements Service. Full Requirements Service includes unbundled energy, capacity, ancillary services, and market-based transmission services, including all transmission and distribution losses, congestion and imbalance costs associated with the provision of the foregoing services, and any other LSE service or other service as may be required by PJM and Section 4928.141 of the Ohio Revised Code to serve the SSO and PIPP load of the Ohio Companies.

The Regulated Commodity Sourcing unit under the Compliance and Regulated Services group within the FirstEnergy Utilities organization oversees the electric commodity purchases on behalf of the Ohio Companies.

Standard Service Offer Descending-Price Clock Auction

Through the DCA, the Ohio Companies procure full requirements service for their SSO customers, which is load not being served by CRES suppliers, and excludes load associated with customers on PIPP. Approximately 70% of the Ohio Companies' customers are shopping customers, leaving 30% of the customers on SSO service. Part of the reason for the high percentage of shopping customers in Ohio is the practice of aggregating load among multiple customers under a single shopping contract.

SSO load auctions are held in January and October each year. The potential load is divided into 100 tranches split among 12, 24, and 36 month products. A tranche is a one percent system slice of the total retail customer needs of the three Ohio Companies combined. There are 34 12-month tranches, 33 24-month tranches, and 33 36-month tranches. Each auction specifies how much of each product will be bid. The actual amount of load to be delivered is not guaranteed. However, the Ohio Companies do provide an estimate of the load prior to the auction. The bidder agrees to fulfill the full requirements of the tranche at the bid price for the specific product.

The SSO portfolio design (how much of each product) and the master schedule of what will be auctioned when is specified in the ESP. The basic concept of the portfolio design is dollar cost averaging to stabilize commodity prices over time.

To participate in the DCA, all bidders must have successfully completed the qualification process and become registered bidders.

The entire SSO load for all three Ohio Companies for residential, commercial, and industrial customers is aggregated. There is no differentiation of load among the three Ohio Companies and there is no differentiation among the load for residential, commercial, and industrial customers. The load is all in the ATSI transmission zone for PJM. The three FirstEnergy Ohio companies have contiguous service territories across northern Ohio.

The DCA auction format is a simultaneous, multiple-round, descending-price clock format for enough rounds to procure all needed power. The number of rounds for the auction is not pre-determined. All products are bid on simultaneously in the auction during bidding rounds. Prices are announced for the products prior to each bidding round, and during a bidding round, a bidder submits for each product the number of tranches it would supply at the product's announced price. If the total number of tranches bid on a product exceeds the product's tranche target, i.e., the product is over-subscribed, the announced price for the product will be reduced for the next round. Announced prices tend to decline round by round until the number of tranches bid falls sufficiently so that no product is over-subscribed, there is no excess supply, and the auction closes.

The Ohio Companies use an independent Auction Manager to manage the auction process to ensure FERC standard of conduct and state code of conduct requirements. Additionally, both the PUCO and its consultant monitor the auction process to make sure it is competitive.

The Ohio Companies' former affiliate, Allegheny Energy Supply Company (Allegheny), and current affiliate, FES, have been active bidders in the SSO auctions. There are typically about ten bidders including FES in each auction. FES won a steady and significant dollar amount of the SSO bids from 2012 through 2016 but the FES share declined by half in 2017. Allegheny won a smaller and declining share of the SSO bids from 2012 through 2014 until it was divested.

Percentage of Income Payment Plan Request for Proposals

The Regulated Commodity group also manages the acquisition of power for the Ohio Companies' Percentage of Income Payment Plan Plus (PIPP) customers. Under the prior ESPs 2 and 3, the PIPP load was assigned to FES at 94% of the weighted average SSO price. For the term June 1, 2011 through May 31, 2016, the Ohio Companies procured Full-Requirements Service to PIPP customers through two bilateral agreements with FES as approved by the Public Utility Commission of Ohio.

Under the current ESP 4, because of a new legislative requirement and a PUCO order, the PIPP load is bid, potentially in two rounds. If the best bid in the first round is over the SSO weighted average price, a second bidding round would be held with the lowest prices being awarded the load. Through 2017, a second round has not been needed as the bid prices in the first round have been less than the weighted average SSO price.

Through the RFP process, the Ohio Companies procure full requirements service for their PIPP customers. Winning bidders assume all responsibilities of an LSE.

To participate in the RFP, bidders must have successfully completed the qualification process and become registered bidders. Registered bidders then submit their bids in the RFP through the RFP Manager's PIPP RFP portal.

Once the Bid Window is closed, all conforming bids are sorted by the RFP Manager in ascending order by the prices in the bids. The lowest-priced bid that is below the threshold or benchmark price is deemed the winning bid.

An independent PIPP RFP Manager manages the PIPP RFP process to ensure FERC standard of conduct and state code of conduct requirements. Additionally, both the PUCO and its consultant monitor the bid process to make sure it is competitive.

Renewable Energy Credits Request for Proposals

Additionally, the Regulated Commodity group manages the procurement for the required renewable energy credits (RECs) for the Ohio Companies. A consultant runs the RFP and proposal evaluation process. Meeting the renewable energy standards is not part of the SSO and PIPP auctions. The Regulated Commodity group consultant issues RFPs for the required amount of RECs each year. The required amount of RECs is calculated based on the SSO load average over the last three years. The RECs are acquired through an RFP process with the lowest cost bidders selected to fulfill the REC requirements for each January 1 through December 31 compliance period. REC bidders must qualify (including a review by the FirstEnergy Credit Department) and provide any required collateral to participate in the process. The Regulated Commodity group does not know the bidders and does not learn the winners until the process is complete. FES can, and has, participated in the bidding for RECs.

REC auctions are administered by a consultant. They are RFP auctions in which the bidders place essentially blind bids. One megawatt produced with renewable generation is equivalent to one REC. The State of Ohio has a REC requirement in place that has not grown in recent years. The requirement is a percentage of retail load.

Conclusion

With the well-developed bidding processes and the close monitoring by the PUCO and its consultants, there is little risk to the Ohio ratepayers in the acquisition of electricity and related services from the Ohio Companies' affiliates for SSO and PIPP service and RECs.

2. There have been no hotline calls relevant to FES CRES in the Ohio Companies' territories in recent years.

FirstEnergy maintains a Concerns Line (hotline) for the reporting of ethics violations, workplace problems, fraud, conflicts of interests, safety concerns, and other issues. Reports to the hotline could include concerns about compliance with the Ohio corporate separation rules. A contractor receives the calls and files a call report with the FirstEnergy Ethics Officer and Internal Audit. The caller gets a PIN number for follow-up and can remain anonymous or self-identify. The calls are investigated by the appropriate FirstEnergy Services function, e.g., Human Resources for employee related issues and Internal Audit for fraud allegations, and either substantiated or not. Substantiated calls are investigated further and resolved.

A review of the list of the 335 hotline calls from January 15, 2012 through August 24, 2017 found three calls listed as "FES – Customer Contact" in June of 2013. All were substantiated. There have been no hotline calls listed since then that give any appearance of being related to the Ohio corporate separation rules. Further, the Executive Director of Internal Audit recalls no calls related to corporate separations.

3. FirstEnergy has announced its intention to exit "commodity exposed" businesses which will reduce the risk of the Ohio Companies' corporate affiliations, if implemented.

The FirstEnergy Corp. CEO, at the Edison Electric Institute Financial Conference on November 18, 2016, said, "We have made our decision that over the next 12 to 18 months we are going to exit competitive generation and become a fully regulated company." Speaking to the 2017 edition of the same conference on November 7, 2017, the CEO reconfirmed the strategy and reported on progress toward the exit goal.

None of the FirstEnergy competitive coal and nuclear units are market competitive. Current competitive energy issues could lead to bankruptcy of FES and the related FirstEnergy competitive generation businesses. Bond maturities starting April 1, 2018 require payment of $515 million. These bonds will not be able to be remarketed and must be repaid. FES will not be able to repay, triggering a default. If that were to happen, the debt holders would end up owning these companies.

The FirstEnergy Senior Vice President for Strategy added that, in conjunction with exiting the "commodity exposed" generation business, FirstEnergy also intends to exit the "commodity exposed" competitive retail electric services business in Ohio. FES may offer non-commodity exposed competitive retail electric services like helping large commercial and industrial customers select suppliers, but it will not be offering competitive retail electric service in the future.

However, while FES CRES sales are linked to the FES competitive generation, they do not need to be. FES or its successor could continue retail sales by buying generation from others. Further, FES CRES sales is a profitable business with 18 months of contracted business. It has value that FirstEnergy may wish to retain. Also, FES could sell products and services like FEP but so far has not. It could decide to enter that business.

The FirstEnergy exit of the competitive generation business and the competitive retail electric services business in Ohio will reduce the risk to Ohio ratepayers from affiliate relationships and transactions with the Ohio Companies' affiliates.

4. FirstEnergy relies on Federal Energy Regulatory Commission rule compliance for the Ohio Companies' corporate separation requirement compliance; there is no separate Ohio Corporate Separation Rule compliance program.

CORPORATE SEPARATION PLAN

On June 1, 2009, the Ohio Companies filed an Application for the Approval of a Corporate Separation Plan in Case No. 09-462 EL-UNC relevant to Ohio Code Section 4901:1-37 as required by the Order in Case No. 08-777-EL-ORD and following the Ohio Companies' divestiture of generation and transmission assets, making them distribution-only utilities.

The plan is focused on the, "corporate separation of its noncompetitive retail electric service from the competitive retail electric service (and products or services other than retail electric service) offered by certain of its affiliates…" It also states:

> *While costs will be allocated in accordance with the Cost Allocation Manual, as described below, this Plan is not designed and does not apply otherwise to restrict the exchange or use of information, financing, employees, or facilities among the Companies or their interaction with the American Transmission System, Incorporated or FirstEnergy Service Company notwithstanding any language contained herein below.*

That is, the Corporate Separation Plan only applies to affiliates who provide competitive retail electric service.

Structural Safeguards

The Corporate Separation Plan "…is based on the six structural safeguard requirements enumerated in O.A.C. Section 4901:1-37-04(A)." The six structural safeguards are:

1. Each of the Ohio Companies and their affiliates that provide services to customers within the Ohio Companies' service territories function independently of each other. The Ohio Companies divested their generation and transmission assets and only retained the distribution assets.
2. The Ohio Companies and affiliates that provide services to customers in their territories may not share facilities and services if such sharing in any way violates the Code of Conduct (see Code of Conduct below).
3. Cross-subsidies are prohibited between the Ohio Companies and their affiliates and the Ohio Companies' employees and affiliates' employees must function independently of each other.
4. The Ohio Companies may not share facilities and/or employees with an affiliate if the sharing violates the Code of Conduct.
5. All shared employees must appropriately charge their time based on fully allocated costs.
6. A "rebuttal presumption of compliance with the costing principles for transactions made in accordance with rules, regulations, or service agreements approved by the Federal Energy Commission, Securities and Exchange Commission, or the Public Utilities Commission of Ohio."

The Corporate Separation Plan also covers separate accounting; financial arrangements; joint advertising/marketing; consumer products; the code of conduct; the cost allocation manual; education and training; compliance policy statement; compliance monitoring procedures; and corrective action, complaint procedures, and compliance with commission rules. An attachment to the Plan lists the Ohio Companies' affiliate products and services. In addition, the Plan includes the name and contact information for the Ohio Companies' Compliance Officer, which is updated annually.

Ohio Corporate Separation Plan Code of Conduct

The Ohio Companies' Code of Conduct in the Ohio Corporate Separation Plan has 11 articles:

> *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.*
>
> *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. (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).*
>
> *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.*
>
> *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.*
>
> *5. The Companies may not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, or otherwise condition the provision of the Companies' regulated services, discounts, rebates, fee waivers, or any other waivers of the Companies' ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the Companies' affiliates.*
>
> *6. The Companies will 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.*
>
> *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.*

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).

9. Employees of the Companies or persons representing the Companies may not indicate a preference for an affiliated electric services company.

10. The Companies will provide comparable access to products and services related to tariffed products and services and specifically comply with the following:

a. The Companies are prohibited from unduly discriminating in the offering of their products and/or services.

b. The Companies are required to apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or nonaffiliation.

c. The Companies may not, through a tariff provision, a contract, or otherwise, give their 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.

d. The Companies are required to strictly follow all tariff provisions.

e. Except to the extent allowed by any applicable law, regulation, or commission order, the Companies may not provide discounts, rebates, or fee waivers for any retail electric service.

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.

FEDERAL ENERGY REGULATORY COMMISSION RULES

The Federal Energy Regulatory Commission (FERC) has Affiliate Restrictions and Standards of Conduct for Transmission Providers. Transmission for the Ohio companies is provided by ATSI which is a subsidiary of FirstEnergy Transmission, LLC which, in turn, is a subsidiary of FirstEnergy Corp. ATSI is an affiliate of the Ohio Companies.

FERC Section 35.39 includes the following rules that are somewhat relevant to the Ohio corporate separation rules:

§ 35.39 Affiliate restrictions.

(a) General affiliate provisions. As a condition of obtaining and retaining market-based rate authority, the conditions provided in this section, including the restriction on affiliate sales of electric energy and all other affiliate provisions, must be satisfied on an ongoing basis, unless otherwise authorized by Commission rule or order. Failure to satisfy these conditions will constitute a violation of the Seller’s market-based rate tariff.

(b) Restriction on affiliate sales of electric energy or capacity. As a condition of obtaining and retaining market-based rate authority, no wholesale sale of electric energy or capacity may be made between a franchised public utility with captive customers and a market-regulated power sales affiliate without first receiving Commission authorization for the transaction under section 205 of the Federal Power Act. All authorizations to engage in affiliate wholesale sales of electric energy or capacity must be listed in a Seller's market-based rate tariff.

(c) Separation of functions. (1) For the purpose of this paragraph, entities acting on behalf of and for the benefit of a franchised public utility with captive customers (such as entities controlling or marketing power from the electrical generation assets of the franchised public utility) are considered part of the franchised public utility. Entities acting on behalf of and for the benefit of the market-regulated power sales affiliates of a franchised public utility with captive customers are considered part of the market-regulated power sales affiliates.

(2) (i) To the maximum extent practical, the employees of a market-regulated power sales affiliate must operate separately from the employees of any affiliated franchised public utility with captive customers.

(ii) Franchised public utilities with captive customers are permitted to share support employees, and field and maintenance employees with their market-regulated power sales affiliates. Franchised public utilities with captive customers are also permitted to share senior officers and boards of directors with their market-regulated power sales affiliates; provided, how-ever, that the shared officers and boards of directors must not participate in directing, organizing or executing generation or market functions.

(iii) Notwithstanding any other restrictions in this section, in emergency circumstances affecting system reliability, a market-regulated power sales affiliate and a franchised public utility with captive customers may take steps necessary to keep the bulk power sys-tem in operation. A franchised public utility with captive customers or the market-regulated power sales affiliate must report to the Commission and disclose to the public on its Web site, each emergency that resulted in any deviation from the restrictions of sec on 35.39, within 24 hours of such deviation.

(d) Information sharing. (1) A franchised public utility with captive customers may not share market information with a market-regulated power sales affiliate if the sharing could be used to the detriment of captive customers, unless simultaneously dis-closed to the public.

(2) Permissibly shared support employees, field and maintenance employees and senior officers and board of directors under §§ 35.39(c)(2)(ii) may have access to information covered by the prohibition of § 35.39(d)(1), subject to the no-conduit provision in § 35.39(g).

(e) Non-power goods or services. (1) Un-less otherwise permitted by Commission rule or order, sales of any non-power goods or services by a franchised public

utility with captive customers, to a market-regulated power sales affiliate must be at the higher of cost or market price.

(2) Unless otherwise permitted by Commission rule or order, sales of any non-power goods or services by a market-regulated power sales affiliate to an affiliated franchised public utility with captive customers may not be at a price above market.

(f) Brokering of power. (1) Unless otherwise permitted by Commission rule or order, to the extent a market-regulated power sales affiliate seeks to broker power for an affiliated franchised public utility with captive customers:

(i) The market-regulated power sales affiliate must offer the franchised public utility's power first;

(ii) The arrangement between the market-regulated power sales affiliate and the franchised public utility must be non-exclusive; and

(iii) The market-regulated power sales affiliate may not accept any fees in conjunction with any brokering services it performs for an affiliated franchised public utility.

(2) Unless otherwise permitted by Commission rule or order, to the extent a franchised public utility with captive customers seeks to broker power for a market-regulated power sales affiliate:

(i) The franchised public utility must charge the higher of its costs for the service or the market price for such services;

(ii) The franchised public utility must market its own power first, and simultaneously make public (on the Internet) any market information shared with its affiliate during the brokering; and

(iii) The franchised public utility must post on the Internet the actual brokering charges imposed. (g) No conduit provision. A franchised public utility with captive customers and a market-regulated power sales affiliate are prohibited from using anyone, including asset managers, as a conduit to circumvent the affiliate restrictions in §§ 35.39(a) through (g).

Further, Sections 358.2, 358.5, and 358.6 apply to public utilities or their affiliates that operate transmission:

§ 358.2 General principles.

(a) As more fully described and implemented in subsequent sections of this part, a transmission provider must treat all transmission customers, affiliated and non-affiliated on a not unduly discriminatory basis and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

(b) As more fully described and implemented in subsequent sections of this part, a transmission provider's transmission function employees must function

independently from its marketing function employees, except as permitted in this part or otherwise permitted by Commission order.

(c) As more fully described and implemented in subsequent sections of this part, a transmission provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to the transmission provider's marketing function employees.

(d) As more fully described and implemented in subsequent sections of this part, a transmission provider must provide equal access to non-public transmission function information disclosed to marketing function employees to all its transmission customers, affiliated and non-affiliated, except as permitted in this part or otherwise permitted by Commission order.

§ 358.5 Independent functioning rule.

(a) General rule. Except as permitted in this part or otherwise permitted by Commission order, a transmission provider's transmission function employees must function independently of its marketing function employees.

(b) Separation of functions. (1) A transmission provider is prohibited from permitting its marketing function employees to:

(i) Conduct transmission functions; or

(ii) Have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other transmission customers.

(2) A transmission provider is prohibited from permitting its transmission function employees to conduct marketing functions.

§ 358.6 No conduit rule.

(a) A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees.

(b) An employee, contractor, consult-ant or agent of a transmission provider, and an employee, contractor, consultant or agent of an affiliate of a transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission provider's marketing function employees.

Essentially, with the exception of shared services employees, Generation, Transmission, Marketing, and Regulated employees must be physically separated and not have access to each other's market useful information systems.

FIRSTENERGY FERC COMPLIANCE PROGRAM

FERC Compliance Program Organization

The Vice President of Compliance and Regulated Services reports to the FEU President. In addition to Regulated Commodity Sourcing and other functions, the Vice President of Compliance and Regulated Services has a 17-person FERC Compliance group reporting to a Director. This group has units for Reliability Compliance, Transmission Compliance, Critical Infrastructure Compliance, and FERC Standards of Conduct and Affiliate Restrictions Compliance. The three person FERC Standards of Conduct and Affiliate Restriction unit has a well-developed program for complying with the FERC rules. The components of the program are described below.

Employee FERC Classifications

Compliance includes functional and physical separation of duties among affiliates. All FirstEnergy employees are assigned a FERC Classification as shown in the following exhibit:

Employee FERC Classifications

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	3O – SSO	Green
Regulated Marketing Function Employee	4M – Reg MFE	Red
Competitive Marketing Function Employee	5M – Com MFE	Blue

This system identifies individuals according to the job function they perform. It is used to determine physical and electronic (information) access rights. It is used as a basis for complying with the FERC independent functioning requirements, information sharing restrictions, and the No Conduit Rule. The FERC classifications are found in the Employee Directory and the Organization Charts by code and color. They are also on newer FirstEnergy employee badges.

FERC Standards of Conduct Training

The Standards of Conduct covers multiple areas, including accounting, finance, supplier services, information technology, customer service, and communications. The annual training is delivered to approximately 9,000 employees and contractors. The training includes the separation of functions and information sharing restrictions between regulated and competitive affiliates. This is industry standard training with a customized module for FirstEnergy.

FERC Affiliate Restrictions Training

Affiliate Restrictions training is provided to approximately 2,000 employees, including all Marketing Function employees and the employees who interact with them. The training covers the rules of conduct between employees of the regulated and competitive business units. The training includes:

- Separation of job functions and sharing of employees
- Restrictions on non-public regulated utility market information and the No Conduit Rule
- Affiliate transactions that may result in cross-subsidization

This training is more relevant to Ohio Code of Conduct compliance.

Physical Separation

Utility employees are physically separated from competitive employees. There is restricted key card (employee identification card) access to transmission and distribution control centers and visitors must register and pass through security. Marketing Function employees do not have access to the control centers.

Corporate Transmission Function employee workspaces are all restricted access locations to help ensure non-public transmission information is not improperly shared with FirstEnergy Generation Support or Marketing Function employees.

Information System Protections

Access to computer systems is governed by a set of system and procedural controls to ensure that only the proper individuals have access to systems.

Supplier Services Protections

All CRES providers, including FES, must apply and be approved before serving the Ohio Companies' customers. Once registered, CRES suppliers, including FES, have access to the Ohio Companies' customer information lists. There is a Supplier Services page for CRES suppliers on the FirstEnergy website.

Communications Protections

FirstEnergy communications personnel have affiliate-specific assignments that are posted on the FirstEnergy website. The website has the specific individual contacts for:

- Corporate Communications
- Corporate Financial/Web/Social
- Corporate Regulatory
- Nuclear Generation
- Fossil Generation
- Transmission

- Each Utility Company
- FirstEnergy Solutions Retail

Please see Chapter V, Public Representation Disclosures for more information on communications protections.

North American Electric Reliability Corporation Critical Infrastructure Program Compliance Program

FirstEnergy also has an intensive program to comply with the North American Electric Reliability Corporation (NERC) Critical Infrastructure Program (CIP) requirements. This program is particularly relevant to the Ohio Code requirements on Transmission and Distribution (T&D) system restrictions. Please see Chapter II, Transmission and Distribution System Access for more information on how the NERC CIP compliance program assists in the protection of restricted T&D systems.

5. The FERC rule compliance program does not cover all of the Ohio Corporate Separation Plan Code of Conduct articles.

The Ohio Companies' Corporate Separation Plan has a Code of Conduct for complying with the Ohio Corporate Separation Rules. For the sections of the Ohio Code audited in this engagement, Section XIII of the Corporate Separation Plan, Compliance with Commission Rules, simply refers to Section VII, the Code of Conduct. No compliance programs are detailed in the Corporate Separation Plan.

The Ohio Companies rely on compliance with the FERC rules to comply with the Ohio Corporate Separation Rules. However, the FirstEnergy FERC rule compliance program does not cover all of the Ohio Corporate Separation Plan Code of Conduct articles. The exhibit below presents the Ohio Code of Conduct articles along with FirstEnergy's reconciliation of each article to the FERC rule compliance programs, the FERC Affiliate Restrictions Compliance Program (Affiliate Restrictions) and the FERC Standards of Conduct Compliance Program (Standards of Conduct).

Ohio Code of Conduct Reconciliation

Ohio Code of Conduct	FERC Compliance Program References
1. The Ohio 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.	**Affiliate Restrictions:** ▪ Page 5, number 6. Non-Public Market Information Sharing Not Permitted. ▪ Definitions, page 9, Market Information. ▪ Practices and Controls, page 12, part B. Measures to Ensure the Protection and Non-Disclosure of Franchised Public Utility (i.e. FirstEnergy Electric Distribution Company) Market Information unless it is simultaneously disclosed to the Public. **Standards of Conduct:** ▪ FERC Requirements, page 4, number 4. Transparency Rule, a. Contemporaneous Disclosure, and c. Voluntary Consent Provision. ▪ Practices and Controls, page 12, part B. Measures to Ensure the Protection and Non-Disclosure of Non-public Transmission and Customer Specific Information to MFEs and GSEs.
2. The Ohio 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. (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).	Neither the FERC Affiliate Restrictions Compliance Program nor FERC Standards of Conduct Compliance Program specifically address this requirement.

Ohio Code of Conduct	FERC Compliance Program References
3. Employees of the Ohio Companies' affiliates may not have access to any information about the Ohio 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.	**Standards of Conduct:** ▪ Refer to Practices and Controls, pages 9–16, as follows: - Part A for a description of independent functioning controls; and, - Part B for a description of information sharing controls. Posting Requirements, page 18, number 1. Disclosure of Non-Public Transmission Function Information.
4. The Ohio 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 Ohio Companies.	**Affiliate Restrictions:** ▪ Refer to Practices and Controls, page 11, part A, number 4. Affiliate Transactions and Non-Power Goods and Services. The third paragraph references FirstEnergy Business Practice 3.2 – Regulatory Codes of Conduct and goes on to say that “Managers are responsible for ensuring that all aspects of the Regulatory Codes of Conduct are adhered to concerning access to information, confidentiality of customer and competitive supplier information, preventing cross subsidization and the non-discriminatory provision of tariffed products and services.”
5. The Ohio Companies may not tie (or allow an affiliate to tie), as defined by state and federal antitrust laws, or otherwise condition the provision of the Ohio Companies' regulated services, discounts, rebates, fee waivers, or any other waivers of the Ohio Companies' ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the Ohio Companies' affiliates.	▪ Refer to response to number 4 above.

Ohio Code of Conduct	FERC Compliance Program References
6. The Ohio Companies will 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.	**Affiliate Restrictions:** ▪ Refer to response to number 4 above. ▪ Refer to Attachment 1, page 23, CFR Part 35 – Filing of Rates Schedules and Tariff, Subpart I – Cross-Subsidization Restrictions on Affiliate Transactions. ▪ Refer to Practices and Controls, page 15, part B, number 9. Biennial Affiliate Restrictions Training. - Employees involved in marketing functions, employees who provide critical support to marketing functions, and certain members of FirstEnergy management are required to complete biennial training on the Affiliate Restrictions. The FERC Affiliate Restrictions training expounds on FERC's asymmetrical pricing requirements, the importance of appropriately charging time and expenses, and the need to contact FERC Compliance or Legal for guidance.
7. The Ohio 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.	Neither FERC Affiliate Restrictions Compliance Program nor FERC Standards of Conduct Compliance Program specifically address this requirement.

Ohio Code of Conduct	FERC Compliance Program References
8. The Ohio Companies will use reasonable efforts to ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power and the Ohio 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).	Neither FERC Affiliate Restrictions Compliance Program nor FERC Standards of Conduct Compliance Program specifically address this requirement.
9. Employees of the Ohio Companies or persons representing the Ohio Companies may not indicate a preference for an affiliated electric services company.	**Affiliate Restrictions:** ▪ Refer to Background, page 4, Waivers of FERC Affiliate Restrictions. - "FirstEnergy companies also remain subject to Sections 205 and 206 of the Federal Power Act. These sections provide that no public utility shall make or grant an undue preference with respect to any transmission or sale of electric energy subject to FERC jurisdiction."

Ohio Code of Conduct	FERC Compliance Program References
10. The Ohio Companies will provide comparable access to products and services related to tariffed products and services and specifically comply with the following: a. The Ohio Companies are prohibited from unduly discriminating in the offering of their products and/or services. b. The Ohio Companies are required to apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or nonaffiliation. c. The Ohio Companies may not, through a tariff provision, a contract, or otherwise, give their 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. d. The Ohio Companies are required to strictly follow all tariff provisions. e. Except to the extent allowed by any applicable law, regulation, or commission order, the Ohio Companies may not provide discounts, rebates, or fee waivers for any retail electric service.	**FERC Standards of Conduct:** ▪ FERC Requirements, page 4, number 1. Non-Discrimination. **FERC Affiliate Restrictions:** ▪ Practices and Controls, page 11, number 4. Affiliate Transactions and Non-Power Goods and Services. The third paragraph references FirstEnergy Business Practice 3.2 – Regulatory Codes of Conduct and goes on to say that "Managers are responsible for ensuring that all aspects of the Regulatory Codes of Conduct are adhered to concerning access to information, confidentiality of customer and competitive supplier information, preventing cross subsidization and the non-discriminatory provision of tariffed products and services."
11. Shared representatives or shared employees of the Ohio 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.	Neither the FERC Affiliate Restrictions Compliance Program nor FERC Standards of Conduct Compliance Program specifically address this requirement.

The Corporate Separation Plan Code of Conduct Articles 2, 7, 8, and 11 are not covered by the FirstEnergy FERC Compliance Programs. However, no violations of those articles were found.

Further, a January 29, 2015 Internal Audit Report of the Ohio Corporate Separation Plan listed the Corporate Separation Rules requirements in Appendix A. Then, in Appendix B, the report listed 22 non-SOX controls and 30 SOX controls. However, there was no attempt to reconcile the controls and the Corporate Separation Rules requirements. The internal audit did not make a determination of compliance or non-compliance with each of the Ohio Corporation Separation Rules requirements.

6. **The assignment of FES CRES retail sales and service responsibility to the Service Company and the designation of FES CRES sales and service leaders as Shared Services Employees is highly inappropriate.**

The 2016 transfer of CRES sales responsibilities from FES to the Service Company Senior Vice President of Marketing and Branding was ill advised. The rationale was that the transfer of the FEP back office responsibilities gave the Retail Operations Director both FES unregulated and FEP regulated responsibilities that needed a Shared Services Employee (FERC orange) designation. This, in turn, gave the Vice President of Retail Sales for FES CRES both regulated and unregulated employee direct reports and he was designated a Shared Services Officer (FERC green) and the position was reorganized under the Shared Services Marketing and Branding group. These Shared Services employee designations for FES sales and support positions and assignment of FES CRES sales responsibility to the Service Company are highly inappropriate.

FES is a legal entity with a clear distinction as a non-regulated competitive enterprise. The Service Company is intended to provide shared and common services to all FirstEnergy subsidiaries such as information technology, accounting, security, and the like. It is not intended to provide unregulated, competitive sales and service.

The FEP back office operation has Ohio Companies' regulated customer information which the FES back office is prohibited from having. It is inappropriate for the FEP and FES back office operations to report to the same director. Further, the FES Retail Sales Vice President routinely participates in management meetings with other Service Company executives.

The placement of the FES CRES Retail Sales organization under the Service Company Marketing and Branding group makes the FES CRES Retail Sales Vice President part of the senior leadership team for a Service Company group that primarily serves the FirstEnergy regulated operating companies. Attendance by the FES CRES retail sales executive at meetings with other Service Company executives focused on regulated utility operations is problematic. It makes separation of regulated and competitive information highly challenging.

It is understandable that FirstEnergy would want to utilize the FES back office expertise to modernize the FEP back office. However, the management of the modernization of the FEP back office could have been accomplished by transferring the FES back office director to the FEP organization under the Marketing and Product Development group and backfilling the manager position for the well-established FES back office.

As it is, the Retail Operations group serves two masters, the unregulated FES CRES sales and the regulated (by tariff) FEP sales. However, the Retail Operations group reports directly to the FES Retail Sales function rather than the FEP marketing and sales function. This is an awkward organization structure.

7. The FERC classification designations for Shared Services Employee and Shared Senior Officer are overused.

First, there is no apparent reason for different designations between Shared Senior Officer and Shared Services Employee. The affiliate restrictions are the same. There is no need to have separate designations.

Second, there seems to be confusion between the reason for the Service Company and the reason for the FERC employee classifications. The Service Company is the vehicle to provide shared services among two or more FirstEnergy entities. However, some shared services are only provided to multiple regulated transmission and distribution utilities and others only to multiple competitive energy services. While the services are shared among two or more entities and are appropriately in the Shared Services Company, the services provided are still either regulated or competitive and the FERC employee classifications should reflect that. Within the Service Company, there are examples of employees designated as Regulated, Transmission, Generation Support, Regulated Marketing, and Competitive Marketing. However, there are others who are designated as Shared Services who could also be classified as Regulated or Competitive Marketing employees.

A few examples of Service Company employees who are designated as Shared Senior Officer or Shared Services Employee who might be more accurately classified are shown in the following exhibit.

Service Company Positions Classified as Shared Senior Officer or Shared Services Employee that Might be Classified More Accurately

Service Company Positions with FERC Designation as Shared Senior Officer or Shared Services Employee	Possible More Accurate FERC Employee Designation
President, FirstEnergy Utilities	Regulated
FENOC President and CNO	Competitive Marketing
FirstEnergy Solutions President	Competitive Marketing
All FirstEnergy Utilities Senior Officers	Regulated
The IT Energy Delivery Unit	Regulated
IT Generation Systems Solutions Unit	Generation Support
IT Regulated Customer Relationship Management Unit	Regulated
IT Retail Customer Relationship Management Unit	Competitive Marketing
Transmission Security Operations Center Unit	Regulated
Supply Chain Utilities Sourcing Unit	Regulated
Rates and Regulatory Affairs Unit	Regulated
Vice President, Retail Sales and Marketing	Competitive Marketing
External Communications Transmission Consultant	Regulated
FERC Compliance Unit	Regulated

Service Company Positions with FERC Designation as Shared Senior Officer or Shared Services Employee	Possible More Accurate FERC Employee Designation
Vice President, Distribution Support	Transmission

Further, during their interviews, some Service Company employees designated as "Shared Services" were not completely familiar with their FERC designation and did not understand well the restrictions that come with the designation.

C. GENERAL RECOMMENDATIONS

1. Develop an Ohio Corporate Separation Rules Compliance Program addendum to the FERC and NERC CIP Compliance Programs. (See Findings 4 and 5)

The Corporate Separation Plan Code of Conduct Articles 2, 7, 8, and 11 are not covered by the FirstEnergy FERC Compliance Programs. These include important compliance elements such as customer list access, CRES provider list access, CRES sales practices, and Service Company personnel disclosures. Going forward, FirstEnergy should add an addendum to the FERC Compliance Programs to cover these Ohio Corporate Separation Rules compliance elements.

Further, FirstEnergy should name one of its current compliance staff members as the Ohio Corporate Separation Rules Compliance Manager. This person would be responsible for ensuring the FirstEnergy compliance with the rules as there are individuals responsible for FERC and NERC CIP rule compliance. Part of this person's responsibilities would be enhancing training programs to ensure that all elements of the Ohio rules are covered with all relevant employees.

2. Transfer all Service Company personnel who support FES CRES sales and customer service in Ohio to FES. (See Finding 6)

The FES CRES Retail Sales Vice President and his sales organization should be transferred back to FES. The Retail Operations organization can be split into its FEP and FES components and the FEP component transferred to the FEP group under Marketing and Product Development and the FES portion transferred back to FES with the CRES sales function.

The FEP and FES components of Retail Operations are already segregated. Each has dedicated employees (other than the Director) in segregated offices using different systems and contractors. It will be straightforward to separate the components and transfer them to the appropriate organizational units.

Further, relocate the FEP Retail Operations units away from the FES competitive organizational units. Right now, there are only signs separating FEP Retail Operations from FES competitive unit work areas. For practical reasons, FEP Retail Operations cannot be physically separated with separate badge access in its current open office location without high expense. FES competitive work units are currently adjacent to the FEP Retail Operations. The Affiliate Restrictions signs and a separate printer are not adequate physical separation between regulated and unregulated operations.

3. Once the plan for the exit of competitive commodity services is clear, reexamine the FERC classification for all positions. (See Finding 7)

First, the FERC classification for Shared Senior Officers should be eliminated and those positions should be redesignated.

The exit of the competitive commodity services could dramatically change the FirstEnergy organization structure and the number and type of competitive, non-regulated entities served by some Service Company units. Once the organizational plan is known, the FERC classification designations for each position should be reevaluated and more accurately designated if appropriate.

D. SUMMARY OF ALL FINDINGS AND RECOMMENDATIONS

The following exhibit lists all of the 36 findings and 12 recommendations in this report by report chapter.

Summary of all Findings and Recommendations

Chapter	Findings	Recommendations
Chapter I. Executive Summary	I-B-1. The Ohio Companies' purchases of electricity commodity and services from affiliates have been well-controlled by the regulatory processes in place.	
	I-B-2. There have been no hotline calls relevant to FES CRES in the Ohio Companies' territories in recent years.	
	I-B-3. FirstEnergy has announced its intention to exit "commodity exposed" businesses which will reduce the risk of the Ohio Companies' corporate affiliations, if implemented.	

Chapter	Findings	Recommendations
Chapter I. Executive Summary	I-B-4. FirstEnergy relies on Federal Energy Regulatory Commission rule compliance for the Ohio Companies' corporate separation requirement compliance; there is no separate Ohio Corporate Separation Rule compliance program.	1. Develop an Ohio Corporate Separation Rules Compliance Program addendum to the FERC and NERC CIP Compliance Programs. (See Findings 4 and 5)
	I-B-5. The FERC rule compliance program does not cover all of the Ohio Corporate Separation Plan Code of Conduct articles.	
	I-B-6. The assignment of FES CRES retail sales and service responsibility to the Service Company and the designation of FES CRES sales and service leaders as Shared Services Employees is highly inappropriate.	2. Transfer all Service Company personnel who support FES CRES sales and customer service in Ohio to FES. (See Finding 6)
	I-B-7 The FERC classification designations for Shared Services Employee and Shared Senior Officer are overused.	3. Once the plan for the exit of competitive commodity services is clear, reexamine the FERC classification for all positions. (See Finding 7)

Chapter	Findings	Recommendations
[4901:1-37-04 General provisions (D) Code of Conduct		
Chapter II. Transmission and Distribution System Access (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 nonaffiliated competitors providing retail electric service.	II-B-1. The Ohio Companies' transmission and distribution system information is well-protected from a physical security standpoint.	
	II-B-2. The Ohio Companies' transmission and distribution system information is well-protected from an information systems security standpoint.	

Chapter	Findings	Recommendations
Chapter II. Transmission and Distribution System Access (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 nonaffiliated competitors providing retail electric service.	II-B-3. The FERC compliance program relies on FERC Standards of Conduct training and FERC Affiliate Restrictions training for Ohio Corporate Separation Rules compliance beyond the physical and information technology employee separations; however, there are many non-work opportunities for Competitive Marketing Function, Transmission Function, and Regulated Employees to interact that are not explicitly covered by the compliance training programs.	1. Amend the Affiliate Restrictions training to emphasize non-work situations. (See Finding 3)
	II-B-4. While there are strict physical and information system security measures, there are no security controls over FirstEnergy emails, land line phones, or cell phones.	2. Develop and implement an audit program for email and both land line and cell phone calls to ensure that restricted information is not being passed between different FERC classification employees. (See Finding 4)

Chapter	Findings	Recommendations
Chapter II. Transmission and Distribution System Access (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 nonaffiliated competitors providing retail electric service.	II-B-5. Physical security procedures for non-NERC/CIP facilities are not always followed.	3. Reemphasize following established security procedures in non-NERC/CIP facilities. (See Finding 5)

Chapter	Findings	Recommendations
Chapter III. Anticompetitive Subsidies (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.	III-B-1. Tariffed services provided by the Ohio Companies to FES are controlled and governed by regulatory-approved tariff rates and there were no anticompetitive subsidies provided to FES CRES related activities.	
	III-B-2. Power purchases provided by competitive affiliates to the Ohio Companies are well-controlled by regulatory processes and there is no evidence of anticompetitive subsidies relevant to CRES services from FES to the Ohio Companies.	
	III-B-3. Financial reporting to regulatory authorities is consistent for affiliate transactions.	

Chapter	Findings	Recommendations
Chapter IV. Comparable Access (10) The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following: (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.	IV-B-1. No CRES relevant preferential treatment or advantages from the Ohio Companies were given to FES or FES customers.	
	IV-B-2. The policies and procedures governing the dispensation of discounts, fee waivers, and credits are clear and well documented.	
	IV-B-3. Customer Contact Center procedures, protocols, and training are adequate to ensure proper treatment concerning tariffs, discounts, waivers, and credits.	
	IV-B-4. A sample review of the Ohio Companies' customer calls confirmed that CSRs were not providing preferential treatment to the customers of its competitive affiliates.	

Chapter	Findings	Recommendations
Chapter IV. Comparable Access (10) The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following: (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.	IV-B-5. The use of a contractor to audition potential new CSR employees is common among utility companies; however, the majority of CSR contract candidates do not become FirstEnergy employees.	1. Evaluate the cost effectiveness of the contractor model used to bring new CSRs. (See Finding 5)
	IV-B-6. The adequacy of the training program and the quality assurance of the work performed by one of the external contractors has not been verified by FirstEnergy Customer Service.	2. Customer Service should review the training and quality assurance programs of its credit contractor on a regular basis. (See Finding 6)

Chapter	Findings	Recommendations
Chapter V. Public Representation Disclosures (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.	V-B-1. The FirstEnergy communications representatives are well-informed on their Ohio public disclosure communication requirements.	
	V-B-2. FirstEnergy Solutions' successful competitive retail electric services in the Ohio Companies' territories may be related to its FirstEnergy name.	1. Remove FirstEnergy from the name of FirstEnergy Solutions to eliminate affiliate bias. (See Finding 2)
	V-B-3. The link to the FES website from the FirstEnergy website provides an unfair advantage.	2. Remove the links between the FirstEnergy website and the FES website. (See Finding 3)

Chapter	Findings	Recommendations
4901:1-37-08 COST ALLOCATION MANUAL (CAM)		
Chapter VI. Cost Allocation Manual (C) The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.	VI-B-1. The CAM policies and procedures prevent cross-subsidization between the Ohio Companies and their affiliates.	
	VI-B-2. FirstEnergy's cost allocation process adequately manages the affiliate transactions of the Ohio Companies.	
	VI-B-3. Power purchases and sales are not covered by the CAM but are covered by other regulatory processes.	
	VI-B-4. One of the CAM's 18 allocation methods uses an arbitrary factor.	1. Reconfigure the "Multiple Factor – All" allocation method based on measurable factors. (See Finding 4)
	VI-B-5. The method for charging costs is based on fully allocated costs.	
	VI-B-6. Costs are traceable to the books of the applicable corporate entity.	

Chapter	Findings	Recommendations
Chapter VI. Cost Allocation Manual (C) The CAM is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.	VI-B-7. Affiliate transaction information is maintained for a minimum of three years.	
	VI-B-8. The PUCO is provided with a summary of changes to the CAM.	
	VI-B-9. FirstEnergy has designated a primary contact for dealing with the PUCO.	
	VI-B-10. The PUCO is able to perform an audit of FirstEnergy's CAM.	
	VI-B-11. The CAM is current and available to appropriate personnel.	
	VI-B-12. The CAM does not include all of the elements required by the Ohio Administrative Code.	2. Include all of the elements required by the Ohio Administrative Code (OAC) in the FirstEnergy CAM. (See Finding 12)

II. TRANSMISSION AND DISTRIBUTION SYSTEM ACCESS

A. BACKGROUND

This chapter covers the policies, procedures, and practices of the Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and the Toledo Edison Company (Toledo Edison) (collectively, The Ohio Companies) concerning compliance with Ohio Code 4901:1-37-04 General Provisions (D) Code of Conduct (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 nonaffiliated competitors providing retail electric service.*

This section of the Code requires the Ohio Companies to ensure that their affiliated competitive retail electric service (CRES) providers do not have access to transmission and distribution (T&D) systems information that is not contemporaneously available to nonaffiliated competitors.

As a practical matter, the Ohio Companies largely rely on the FirstEnergy Service Company (Service Company) to comply with this code as the Service Company operates the T&D systems with restricted access. The Ohio Companies' employees are generally limited to physical workers who construct and maintain the transmission and distribution plant and provide field service to the Ohio customers. Customer service, information technology and systems support, and physical security management are all provided by the Service Company.

TRANSMISSION AND DISTRIBUTION SYSTEMS WITH RESTRICTED ACCESS

There are three T&D systems with restricted access:

- Energy Management System
- Smart Grid Pilot Distribution Software
- Generation Management System

Each is described below.

Energy Management System

The Energy Management System is used to monitor and control transmission and distribution assets. The Energy Management System utilizes Supervisory Control and Data Acquisition system information from the T&D assets on energy demand and equipment conditions, performs calculations, and stores data. The information collected is used by the Transmission and Distribution Control Centers to manage FirstEnergy's power system. The system includes the Energy Management System PIant Information Data Historian which collects and archives real-time analog and digital data from the Energy Management System. The Energy Management System is under the North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) rules which are very strong and strict.

Smart Grid Pilot Distribution Software

The Smart Grid Pilot Distribution Software provides distribution automation for some of the circuits in the CEI territory.

Generation Management System

The Generation Management System is used to monitor and control generation assets. The Generation Management System utilizes Supervisory Control and Data Acquisition system information, performs calculations, and stores data. The information collected is used by the Generation Dispatch Centers to manage FirstEnergy's generation fleet.

Competitive Retail Electric Service Provider System Access

The only restricted system to which CRES providers have access is the Generation Management System. The Generation Management System contains both competitive generation data and regulated generation data. Users in each group only have access to data included in their assigned areas of responsibility. The competitive and regulated users do not have access rights to see each other's data.

ORGANIZATION STRUCTURE

The following exhibit shows the principal system owner(s) for each system.

Restricted System Owners

System	Principal System Owner
Energy Management System	Director, Transmission Operations
Smart Grid Pilot Distribution Software	Director, Outage Management
Generation Management System	Director, Regulated Generation and Dispatch And Director, FirstEnergy Solutions Corporation Unit Dispatch

The system administrators for all three systems are in the Information Technology Operations group and are titled System Administrators and Application Configuration Analysts.

Asset Ownership

The three Ohio Companies own the distribution assets. The transmission assets are owned by a separate FirstEnergy legal entity, American Transmission Systems Inc. (ATSI). However, the Ohio Companies operate and maintain the transmission system in Ohio. The transmission operations and maintenance costs are accumulated in the operating companies and allocated to ATSI.

System Protection

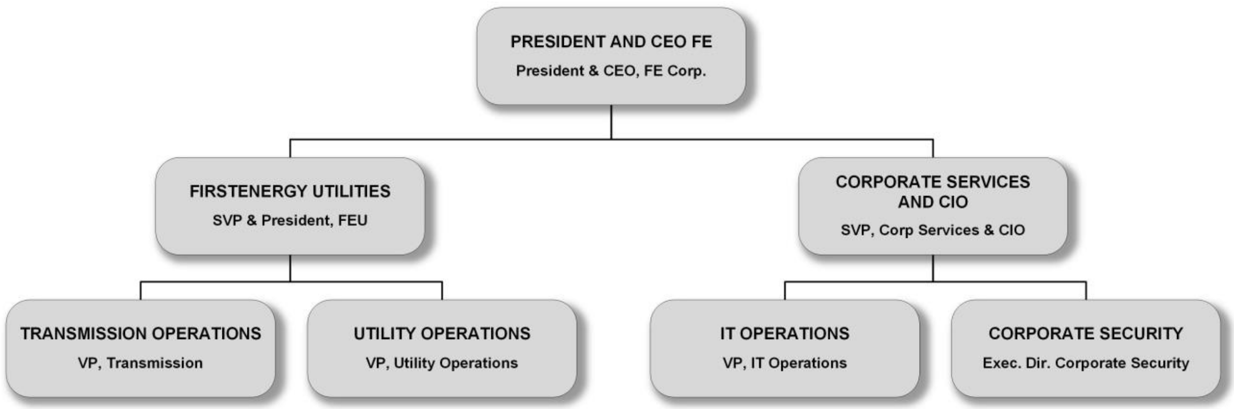
There are four principal organizations involved in the protection of restricted T&D systems:

- Transmission Operations – operates the Transmission Control Centers
- Utility Operations – operates the Distribution Control Centers

- Corporate Security – provides physical protection of sensitive system sites and controls physical access
- Information Technology Operations – administers the systems and controls system access

The organization structure for these three groups is shown below.

Organizational Units Responsible for T&D Systems Protection



The functions under the Senior Vice President and President of FirstEnergy Utilities (FEU President) are focused on federal and state regulated transmission and distribution operations. The functions under the Senior Vice President and Chief Information Officer (CIO) serve all FirstEnergy entities, both regulated and non-regulated.

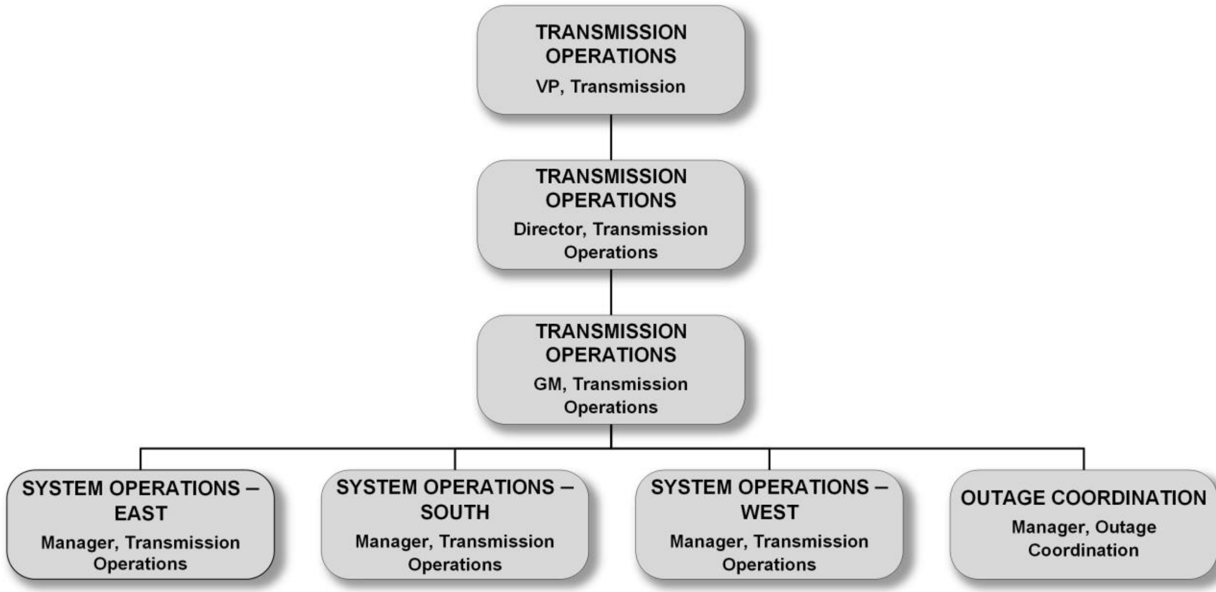
Each relevant group is described below.

Transmission Operations

The Service Company Transmission Operations group operates the Transmission Control Centers on behalf of the Ohio Companies and the other FirstEnergy utility operating companies. The Transmission Control Center for the Ohio Companies covers all of the FirstEnergy operating companies except the Allegheny Energy companies, Monongahela Power, West Penn, and Potomac Edison. These are covered by a second Transmission Control Center.

The Vice President of Transmission reports to the FEU President. The Director of Transmission Operations reports to the Vice President of Transmission and the General Manager of Transmission Operations reports to the Director of Transmission Operations. The General Manager of Transmission Operations is responsible for the Transmission Control Centers, including the Ohio Transmission Control Center in the System Operations West unit. The organization chart for the General Manager of Transmission Operations is shown below.

Service Company Transmission Operations Organization Structure

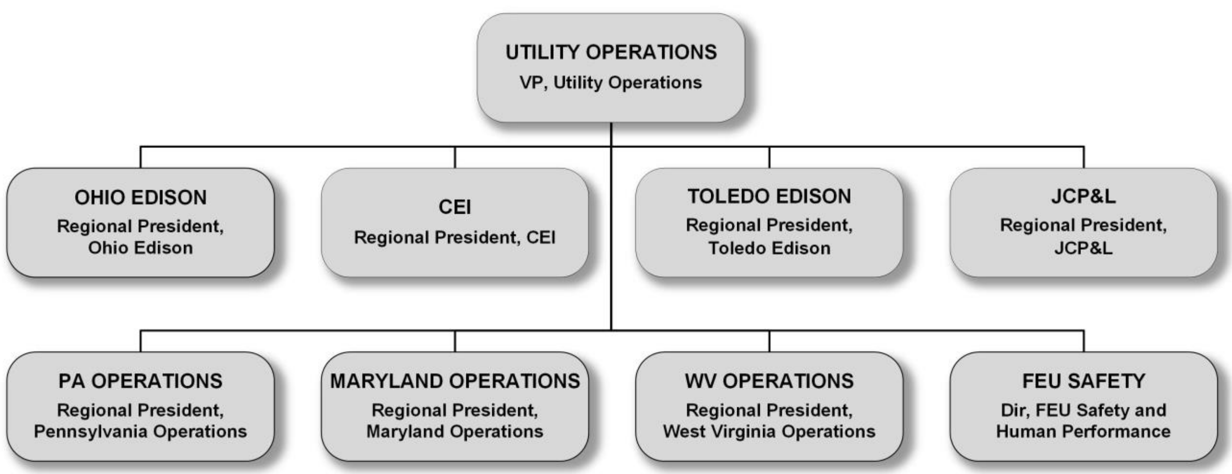


The Shift Supervisors of the Transmission Operators at the Transmission Control Centers report to the Managers of Transmission Operations.

Utility Operations

The Utility Operations group operates the Distribution Control Centers. The Vice President of Utility Operations supervises the seven regional and state presidents of the utility operating companies. These direct reports include the Regional Presidents of Ohio Edison, CEI, and Toledo Edison. The Director of FEU Safety and Human Performance also reports to this position. This organization structure is depicted in the following exhibit.

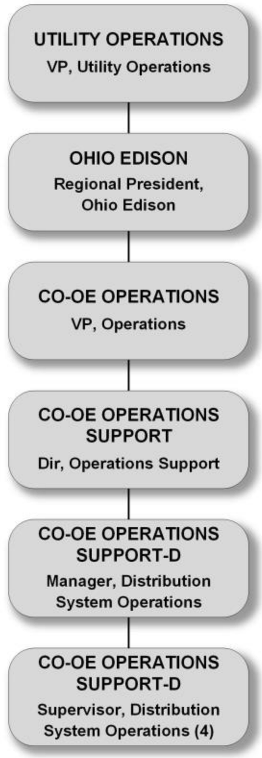
Utility Operations Organization Structure



There are three Distribution Control Centers in Ohio, one for each Ohio Company. Within each Operating Company, the relevant Distribution Control Center chain of command is from the Regional President to the Vice President, Operations, to the Director, Operations

Support, to the Manager, Distribution System Operations. The Distribution Control Center operators report to supervisors under the Manager, Distribution System Operations. This chain for Ohio Edison is shown in the following exhibit.

Ohio Edison Distribution Control Center Organization Structure

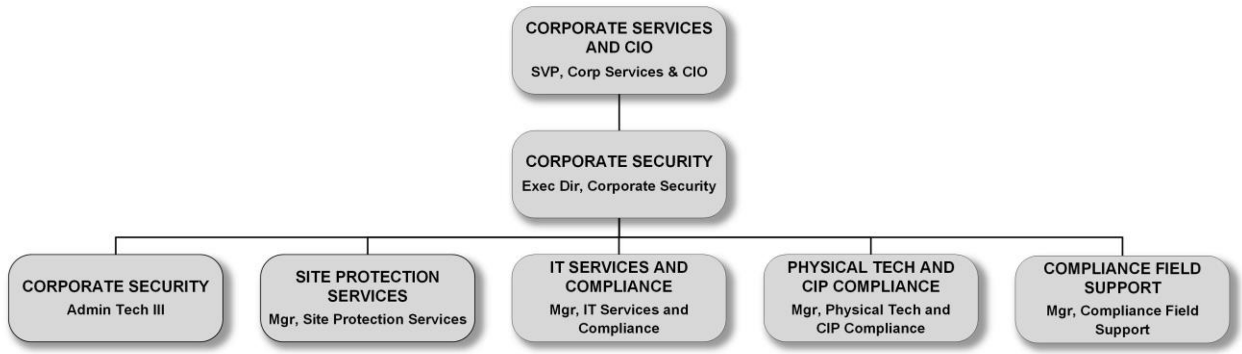


The other two Ohio companies have similar organization structures for the Distribution Control Centers.

Physical Security

Physical security for all of FirstEnergy, except for the nuclear power plants, is managed by the Corporate Security group within the FirstEnergy Services Company Corporate Services and Chief Information Officer's group. Corporate Security is responsible for site protection and physical, technical, and critical infrastructure protection compliance. This responsibility includes the sites relevant to the three restricted-access T&D systems. The Corporate Security organization structure is shown below.

Corporate Security Organization Structure



Corporate Security has four organizational units in addition to an administrative support person: Site Protection Services, Information Technology Services and Compliance, Physical Technology and Critical Infrastructure Protection Compliance, and Compliance Field Support.

Site Protection Services. The Site Protection Services group manages the 120 contracted security guards who are assigned to various FirstEnergy sites.

The Akron General Office security guards are not contracted by FirstEnergy. They are part of the building lease and are provided by the building owner.

The Site Protection Services group has two contractors to help manage the contracted security guards. It also has a supervisor and four investigators for cases involving copper and other thefts, domestic violence at work, assaults on employees, threats against employees, and similar incidents. This group interfaces with local police.

Information Technology Services and Compliance. The Information Technology (IT) Services and Compliance group manages central IT security administration.

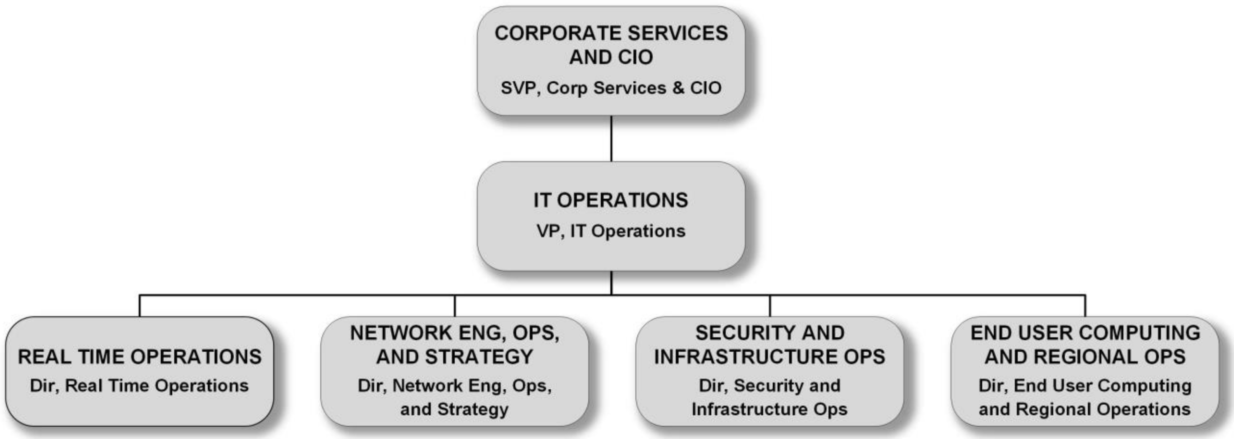
Physical Technology and Critical Infrastructure Protection Compliance. This unit manages physical and compliance tools. It manages security cameras, servers, software, and intrusion detection. It has two units, Compliance and Technology Compliance. The Compliance unit manages the tool used for critical infrastructure protection compliance with access limitations. The second unit, Technology Compliance, manages the hardware and software for the commercial software physical card access controls system and all of the security video cameras. This unit provides for the contractor installation and maintenance of card access and video security systems, but monitoring is done by the contract security guards.

Compliance Field Services. The Field Compliance unit is a newly formed and staffed group. It is focused on critical infrastructure protection field compliance for the FirstEnergy transmission expansion and rebuild program. This includes employee and contractor education on field access to substations and similar critical infrastructure protection facilities. The unit also ensures critical infrastructure protection compliance for the transmission build initiative.

Information Technology Security

The Vice President, IT Operations, reports to the CIO. The Vice President is responsible for all FirstEnergy computing, networking, and telecommunications through four functional areas, each headed by a Director. This organization structure is shown below.

Information Technology Operations Organization Structure



The four units in this group are described below.

Real Time Operations. Real Time Operations is responsible for the information technology support of the Generation Management System and the Energy Management System. These systems encompass the FirstEnergy Supervisory Control and Data Acquisition systems. The client organizations for these systems are FES Generation for the Generation Management System and FEU Transmission and Distribution for the Energy Management System.

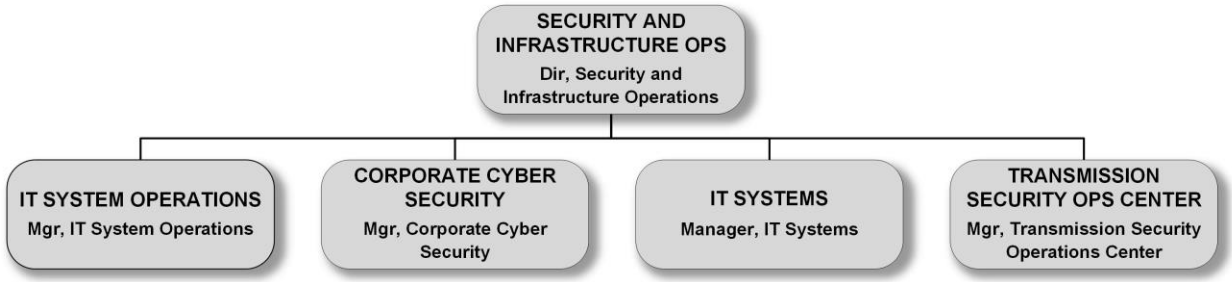
The Generation Management System is used to dispatch generation by the FES organization. It also does reporting on generation transactions.

The Energy Management System is used to control transmission and distribution. The Transmission Control Center is responsible for transmission control relevant to the Ohio Companies. The Energy Management System is a commercial system originally installed in 2003 and upgraded since then. The Ohio Distribution Control Centers also use the Energy Management System in conjunction with the outage management system.

Network Engineering, Operations, and Strategy. Network Engineering, Operations, and Strategy is responsible for all network operations, both long-distance transport and local. This includes data, voice, and radio.

Security and Infrastructure Operations. Security and Infrastructure Operations is responsible for the primary and back-up data centers including all servers and disk drives. It is also responsible for the System Network Operations Center and cyber security. The organization structure for this group is shown below.

Security and Infrastructure Operations Organization Structure



Each of the four Security and Infrastructure Operations units is discussed below.

The IT System Operations group is responsible for the System Network Operations Center which monitors all FirstEnergy computing and network operations and is staffed by a minimum of three operators seven days per week and twenty-four hours per day. One of the operators is exclusively responsible for monitoring the Energy Management System which handles all transmission and distribution energy operations. The Energy Management System is utilized by the Transmission and Distribution Control Centers but the system itself and the network it operates on are monitored in the System Network Operations Center for operational efficiency and security. The System Network Operations Center identifies any problems with remote equipment or the network and notifies the appropriate Transmission Control Center or Distribution Control Center if a maintenance callout is necessary. If a cyber-attack is detected, the system automatically generates an incident ticket for investigation by the Cyber Security unit. However, there have been no Energy Management System cyber security incidents in memory.

The Corporate Cyber Security unit provides cyber security governance, incident response, and the implementation and maintenance of security technologies such as firewalls, antivirus software, anti-malware software, and intrusion detection systems.

The IT Systems group is responsible for all server and disk hardware and database administration for database systems and the enterprise resource planning system administration.

The Transmission Security Operations Center is an enterprise-wide security monitoring center. The Transmission Security Operations Center was implemented in December 2014 and is dedicated to monitoring the Energy Management System.

The Transmission Security Operations Center monitors all Energy Management System Supervisory Control and Data Acquisition and has alarms set for possible security problems. The alarm settings and security enhancements are developed in cooperation with the Transmission group.

End User Computing and Regional Operations. End User Computing and Regional Operations supports all desktop and laptops and all applications deployed to workstations, such as computer aided design. It operates the Help Desk and manages the field technicians who support the telecommunication lines to substations.

B. FINDINGS

1. The Ohio Companies' transmission and distribution system information is well-protected from a physical security standpoint.

Work spaces with restricted T&D system relevant equipment are well protected. The Transmission Control Center, Distribution Control Center, Information System Operations Center, and System Network Operations Center sites are protected by physical barriers, key card access, and either on-site security guards or remote security guard monitoring. Further, sites with Federal Energy Regulatory Commission (FERC) designated Transmission Function employees (FERC yellow) that contain non-public transmission information are clearly identified and protected in a similar manner. Access is restricted by card readers to employees and contractors who have been approved by the FirstEnergy Compliance Department and have completed the FERC Standards of Conduct training. Visitors must be accompanied.

There is key card access to all secure buildings and rooms with a log maintained of personnel who accessed the site and cameras at entrances. The daily logs can produce reports of attempted but failed entry, but there are infrequent attempts by personnel to enter secure spaces denied to them. Visitor control is managed with a commercial software tool. It is used at the critical infrastructure protection sites and the FirstEnergy headquarters.

The following exhibit is the physical access rights by FERC classification of employees based on the FirstEnergy FERC compliance programs for Standards of Conduct and Affiliate Restrictions.

Employee FERC Classifications and Physical Access Restrictions

FERC Classification	Color Code	Physical Access Restrictions
Inactive Employee	White	All physical access is removed
Regulated Employee	Tan	**Affiliate Restrictions** require physical separation, to the maximum extent practical, of regulated employees from competitive employees. (See restrictions imposed on Competitive Marketing Function Employees.)
Transmission Function Employee	Yellow	**Affiliate Restrictions** require physical separation, to the maximum extent practical, of regulated employees from competitive employees. (See restrictions imposed on Competitive Marketing Function Employees.) **Standards of Conduct** require that Marketing Function Employees not be permitted to enter Transmission Control Centers (which are populated by Transmission Function Employees). (See restrictions imposed on Regulated Marketing Function and Competitive Marketing Function Employees.)
Generation Support Employee	Purple	**Standards of Conduct and Affiliate Restrictions** compliance programs generally restrict Generation Support Employees from accessing Transmission Control Centers and transmission sensitive workspaces (which are populated by Transmission Function Employees).
Shared Services Employee	Orange	No physical access restrictions
Shared Senior Officers	Green	No physical access restrictions
Regulated Marketing Function Employee	Red	**Affiliate Restrictions** require physical separation, to the maximum extent practical, of regulated employees from competitive employees. (See restrictions imposed on Competitive Marketing Function Employees.) **Standards of Conduct** require that Marketing Function Employees cannot access Transmission Control Centers (which are populated by Transmission Function Employees). **Standards of Conduct** compliance program restricts Marketing Function Employees from accessing transmission sensitive workspaces without registering and being escorted and strictly prohibits Marketing Function Employees from accessing Transmission Control Centers.

FERC Classification	Color Code	Physical Access Restrictions
Competitive Marketing Function Employee	Blue	**Affiliate Restrictions** require physical separation, to the maximum extent practical, of regulated employees from competitive employees. (See restrictions imposed on Regulated, Transmission Function and Regulated Marketing Function Employees.) **Standards of Conduct** require that Marketing Function Employees cannot access Transmission Control Centers (which are populated by Transmission Function Employees). **Standards of Conduct** compliance program restricts Marketing Function Employees from accessing transmission sensitive workspaces without registering and being escorted and strictly prohibits Marketing Function Employees from accessing Transmission Control Centers.

Each classification has physical access rights and restrictions consistent with the FirstEnergy Standards of Conduct and Affiliate Restrictions. The physical restrictions are controlled by the badge system.

2. The Ohio Companies' transmission and distribution system information is well-protected from an information systems security standpoint.

The Service Company Information Technology group maintains a sophisticated and complex information system security program with special emphasis on the restricted access T&D systems because they are both part of the FERC Standards of Conduct and Affiliate Restrictions compliance program and they are related to the highly controlled North American Electric Reliability Corporation Critical Infrastructure Protection (NERC/CIP) program. The NERC/CIP requirements also reinforce physical security for the restricted access T&D systems. Regularly scheduled audits by Reliability First of critical infrastructure protection are conducted every six years. The next audit is scheduled for 2019. However, Reliability First can do random spot audits at any time.

Information Technology maintains a comprehensive set of security policies and procedures including, the Cyber Security Policy, Role Based Authentication (RBA), the Account and Access Control Policy, and a "least privilege" access model.

Networks are separate with logical and physical separation of data and password controlled access. FirstEnergy uses role-based security to restrict access to sensitive data in the FirstEnergy enterprise resource planning (ERP) system for financial and many operational systems. Each employee is assigned a FERC Classification within the Human Resources module of the ERP, and roles have been created for each FERC Classification to restrict access to the ERP data they are not permitted to view.

FirstEnergy uses Active Directory groups to restrict access to network folders, SharePoint sites, applications, and reports. Active Directory Groups are created in compliance with FERC's information sharing rules (i.e., consist of members whose FERC Classifications are permitted to share FERC sensitive information) as articulated in its Standards of

Conduct and Affiliate Restrictions regulations. Employees' FERC Classifications are used to determine their information-sharing restrictions.

The Physical Technology and Critical Infrastructure Protection Compliance group manages the tool used for critical infrastructure protection compliance with access limitations. The Director of Records and Information Compliance in the Chief Ethics Officer's organization classifies critical infrastructure protection assets to be protected. Then, the Compliance group controls information, physical, and logical access to the critical infrastructure protection assets.

FirstEnergy manages information access, physical access, and logical access to information systems. Information access means access to file folders, such as on the enterprise content management system. The access restrictions for each folder are defined by their business unit owners. The Compliance group manages access according to the restrictions.

Physical access means access through security perimeters. It is controlled by employee and contractor identification (badge) cards.

The Energy Management System is protected by administrative rights managed by the Real Time Operations group and operator rights managed by the Transmission Operations group. FES CRES related personnel are not granted administrative rights. Energy Management System access requires two levels of user names and passwords plus the security token fob.

Network and application access requires multiple steps. The user's device must have a FirstEnergy certificate, the network access requires a user name and password with a security token fob, and the application requires another user name and password.

The Information System Operations Center is in an Information Technology building. It can also monitor relevant network operations. Contracted security personnel monitor all security video and alarms.

Further, for the Ohio Companies and each of their affiliates, access to financial computer systems is governed by a set of system and procedural controls. These controls ensure that only proper individuals are approved for access to these systems, that their access meets the requirements of their roles, and ensure users are limited to viewing/accessing only the data allowed by their roles within the organization. Access is monitored to ensure authorization is proper for those who have changed roles in the organization, been approved for elevated access in the organization, or have left the organization.

3. **The FERC compliance program relies on FERC Standards of Conduct training and FERC Affiliate Restrictions training for Ohio Corporate Separation Rules compliance beyond the physical and information technology employee separations; however, there are many non-work opportunities for Competitive Marketing Function, Transmission Function, and Regulated Employees to interact that are not explicitly covered by the compliance training programs.**

The FirstEnergy formal work spaces with restricted access have sophisticated physical and information system security controls. However, there are many opportunities for FirstEnergy employees with different FERC classifications to interact, some promoted by

FirstEnergy. For example, the common areas at each restricted access site provide opportunities for different classification employees to interact coming to work, during breaks and lunch, and leaving from work. Also, FirstEnergy sponsored or endorsed activities like golf and bowling leagues, the Young Professionals organization, and volunteer events provide opportunities for different FERC classification employees to interact. Different FERC classification employees may be neighbors, be members of the same church or community organizations, or could car pool to work.

The Standards of Conduct training and the Affiliate Restrictions training do include the types of information that are not to be communicated among the different FERC classifications of employees. However, there are ample opportunities for the different classification employees to interact and inadvertently share restricted information.

Standards of Conduct Training

The Standards of Conduct training is focused on the FERC rules governing the interactions between transmission providers and their affiliated and non-affiliated customers. The core principles of the Standards of Conduct are that a transmission provider must treat all transmission customers, affiliated and non-affiliated, on a non-discriminatory basis, and cannot operate its transmission system to give a preference to its marketing function, or marketing function employees, or to an affiliate, or to any person in matters relating to the sale of transmission service. In particular, affiliated transmission customers should not be given preferential transmission service or preferential access to information about the transmission system.

The Standards of Conduct training must be completed by covered employees annually. The training includes the terminology, the communication restrictions, the FERC employee classification system, and the information restricted between classes of employees. It covers work space security and information system security. However, it does not have a section on restricting communications in non-work situations such as in common areas, at sports and social functions, and during community events.

Affiliate Restrictions Training

FirstEnergy's biennial Affiliate Restrictions training program was introduced in late-August 2017 and is still in progress. As of September 13, 2017, about 1,350 of the 1,479 employees registered to take the 2017 Affiliate Restrictions training have completed it. The Affiliate Restrictions training population includes all Marketing Function Employees and other employees from departments that may regularly interact with them to provide general corporate services or to discuss matters related to the competitive business, such as:

- Legal
- Human Resources
- Corporate Risk
- Information Technology
- Supply chain
- Finance
- Internal Auditing

- FERC Compliance
- Fleet (Generation) Engineering
- Generation Plant Management
- Fuels

The Affiliate Restrictions training covers the terminology (glossary of terms), the restrictions, the FERC employee classification system, and the information restricted between classes of employees. It covers work space security and information system security. It provides examples of work situations where information must be restricted such as emails, meetings, and printed materials. However, it does not have a section on restricting communications in non-work situations such as in common areas, at sports and social functions, and during community events.

Training Records

Records of FERC Standards of Conduct and Affiliate Restrictions training are recorded for all involved FirstEnergy employees in the Map My Learning system (FirstEnergy's Learning Management system). Affiliate Restrictions training is hosted and launched from the Map My Learning system and credit is recorded upon completion. FERC Standards of Conduct training is hosted and launched through an external vendor. Records are loaded upon completion of training.

4. While there are strict physical and information system security measures, there are no security controls over FirstEnergy emails, land line phones, or cell phones.

FirstEnergy has a corporate email system and employees have FirstEnergy land line and/or cell phones. The Standards of Conduct and Affiliate Restrictions training cover the types of communications that are restricted between FERC classifications of employees but the FirstEnergy email, land line phones, and cell phones are not monitored for compliance. The identity and FERC classification of the user of each email address and telephone number is known. However, only Transmission and Regulated Marketing personnel have email communication restriction banner warnings. Other FERC employee classifications do not. Employees do have the option of manually adding additional disclosures as deemed necessary. These headers and disclaimers are intended to notify the recipients that the email contains information that may be sensitive from a Standards of Conduct perspective.

Any employee can send an e-mail to any other employee. A record of all e-mails is available for review and audit if needed. Likewise, any employee can phone any other employee, but FirstEnergy does not track voice calls, therefore phone records are not available for review.

5. Physical security procedures for non-NERC/CIP facilities are not always followed.

The NERC/CIP facilities which include the most sensitive control rooms and IT equipment have strong physical security measures and procedures that appear to be followed rigorously. There are also adequate security procedures for non-NERC/CIP facilities like the General Office and the West Akron Campus based on the badge system and Affiliate

Restrictions training. However, the SAGE team observed multiple instances of the security procedures at non-NERC/CIP facilities not being followed. For confidentiality purposes, the security procedures and the observed violations are not delineated here.

C. RECOMMENDATIONS

1. Amend the Affiliate Restrictions training to emphasize non-work situations. (See Finding 3)

The physical and information security of restricted access to T&D systems and the employee and contractor compliance training for work situations is thorough. However, the need to prevent access to restricted communications in non-work situations is not emphasized. An additional component to the Affiliate Restrictions training should be added to cover the many potential situations in which different FERC classification employees must guard against inadvertent restricted communications in non-work situations.

2. Develop and implement an audit program for email and both land line and cell phone calls to ensure that restricted information is not being passed between different FERC classification employees. (See Finding 4)

FirstEnergy has access to corporate system email and phone system records and content. A program to flag and investigate a sampling of email and phone communications between restricted FERC classification employees should be developed to add another layer of insurance that restricted information is not being communicated.

3. Reemphasize following established security procedures in non-NERC/CIP facilities. (See Finding 5)

The non-NERC/CIP facility physical security procedures are adequate but not always followed. FirstEnergy should reemphasize the understanding of existing security measures and the need to follow them to the letter with all relevant employees. In addition, random audits of whether security procedures are followed should be implemented to ensure that the retraining has been effective. This will improve the physical security of restricted access T&D systems as well as the general security and safety of the FirstEnergy employees, contractors, and visitors.

Further, it would be helpful if FirstEnergy could renegotiate its General Office lease to change from landlord provided security to the regular FirstEnergy contracted security. This would give FirstEnergy more control over the General Office security.

III. ANTICOMPETITIVE SUBSIDIES

A. BACKGROUND

This chapter covers the policies, procedures, and practices of the Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and The Toledo Edison Company (Toledo Edison) (collectively, the Ohio Companies) concerning compliance with Ohio Administrative Code paragraph 4901:1-37-04(D)(6):

> *(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.*

This paragraph of the code requires that the Ohio Companies ensure that there are no anticompetitive subsidies to or from FirstEnergy Solutions (FES), their affiliated competitive retail electric services (CRES) provider.

The only products and services other than retail electric service sold to the Ohio Companies' customers by a FirstEnergy legal entity are provided by the Ohio Companies themselves as jobbing and contracting services or through the FirstEnergy Products (FEP) function. Jobbing and contracting services are provided by the Ohio Companies employees under a Public Utilities Commission of Ohio (PUCO) approved tariff.

FEP is not a legal entity. It is a business unit operated by the FirstEnergy Service Company (Service Company) on behalf of the Ohio Companies and other FirstEnergy utility operating companies. There are no non-regulated competitive affiliates involved. The FEP function is described in Chapter V, Public Representation Disclosures. Service Company cost accounting and allocations, including for the FEP function, are governed by the FirstEnergy Cost Allocation Manual, which is covered in Chapter VI.

THE OHIO COMPANIES CHARGES TO FES

The Ohio Companies provide electric generation supplier coordination services to FES CRES in accordance with FirstEnergy's Electric Generation Supplier Coordination tariffs (Supplier Tariffs). These tariffs have been approved by PUCO and are applicable to all CRES providers that serve customers in the Ohio Companies' service territories. The charges to FES from the Ohio Companies relative to the supplier tariff have been relatively minor and were not required to be reported on Ohio Edison's, CEI's, or Toledo Edison's Federal Energy Regulatory Commission (FERC) Form 1s as "Transactions With Associated (Affiliated) Companies." The current version of the Ohio Companies' Supplier Tariffs is available on the FirstEnergy website, and is described below:

Supplier Tariff

The Electric Generation Supplier Coordination Tariff comprises the charges, rules and regulations, and coordination agreement under which the Ohio Companies will provide coordination services to certified suppliers. This tariff's provisions apply to all certified suppliers providing CRES to customers located in the Ohio Companies' service territory, including affiliates or divisions of the company that provides CRES, and with whom the

Ohio Companies have executed a coordination agreement. The rules and regulations of the tariff cover:

- Coordination obligations
- Company and certified supplier obligations (general terms)
- Supplier registration and participation requirements
- Credit requirements
- Customer enrollment process
- Customer inquiries and requests for information
- Metering services and obligations
- Billing services and obligations
- Customer payment processing and collections for consolidated billing
- Certified supplier billing terms and conditions
- Load profiling and forecasting
- Energy schedules and use of scheduling coordinators
- Regional transmission organization (RTO) settlements
- Alternative energy portfolio standards
- Scheduling coordinators
- Confidentiality of information
- Voluntary withdrawal by a certified supplier from the customer choice program
- Liability
- Default, suspension, and termination of a certified supplier
- Alternative dispute resolution
- Miscellaneous

The schedule of fees and charges applicable for this tariff are:

- Interval Meter Reading – For hourly or sub-hourly meter reading information in excess of that provided elsewhere in this tariff, retrieving and processing data from hourly or sub-hourly meters – $14.50 per meter per read, per month.
- Certified Supplier Selection – A $5.00 per customer processing fee will be charged to the certified supplier for each customer selecting or switching to the certified supplier except that the $5.00 processing fee will not be assessed with respect to any customer accounts associated with a governmental aggregation unless otherwise ruled by the Commission or a court of law.
- Unscheduled Meter Read – $25.00 per meter read.
- Historical Customer Usage Data – The Ohio Companies require customer authorization for providing historical customer usage data over and above data normally provided for billing purposes. For historical customer usage data in excess of what is provided elsewhere in this tariff the charges will be:
  - Up to twelve months of monthly kW and/or kWh data – $5.00 per account per request.

- One month of hourly load data (where available) – \$37.50 per account per request.
- Twelve months of hourly load data (where available) – \$150 per account per request.

The Ohio Companies are obligated to provide technical support and assistance related to load profiling and energy scheduling, standard automated processing of certified supplier data files, website availability and access, and erroneous data communicated by the Ohio Companies to the suppliers. Additional technical support and assistance in connection with questions raised and research requests are charged to the suppliers at a rate of \$53 per hour. This type of technical support and assistance includes:

- Explanation of the Ohio Companies' communications related to information posted to the Value Added Network (VAN) site
- Manual verification and confirmation of customer account data beyond the information and messages available through the standard automated process
- Explanation and definition of the Ohio Companies' filings, Commission rulings, and FERC orders

Ohio CRES Providers

All potential CRES providers, including FES, must complete an application process prior to serving any customers. CRES providers can gain access to the Ohio Companies' Customer Information List after completing a supplier registration. After providing a username and a password, the CRES provider can log into the Ohio Companies' secure website and open or download the Customer Information List. Customers are allowed to opt-off this Customer Information List and this list is monitored routinely by the Ohio Companies.

CRES providers can contact the Ohio Companies' Service Company Supplier Services representative by using a web form to submit questions on the Supplier Services website. The Service Company introduced a new email product that allows it to track inquiries on the Supplier Services website since August 2014. From that time till the fall of 2017, there have been 13,574 inquiries to this website concerning the Ohio Companies' customers, with over 2,000 coming from FES.

FES CHARGES TO THE OHIO COMPANIES

The Ohio Companies do not receive any services directly from their affiliates under the affiliates' tariffs. They do receive services provided by affiliates that are administered by PJM Interconnection[2] (PJM) pursuant to PJM's Open Access Transmission Tariff (OATT). A copy of the current PJM OATT can be found on PJM's website:

[2] PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. Acting as a neutral, independent party, PJM operates a competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability for more than 65 million people. An independent Board oversees PJM's activities. (PJM Website: http://www.pjm.com/about-pjm/who-we-are.aspx)

http://www.pjm.com/library.aspx. A schedule of the power services provided by FES to the Ohio Companies from 2012 through 2016 is shown in the following table.

Power Services Provided by FES to the Ohio Companies ($000)

Ohio Companies	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR[1] 2012–2016
Ohio Edison	100,661	86,809	97,276	99,677	67,800	−32.6%	−9.4%
CEI	48,818	44,534	57,419	59,791	39,414	−19.3%	−5.2%
Toledo Edison	44,062	39,519	48,740	51,466	27,733	−37.1%	−10.9%
Total Provided By FES	**193,541**	**170,862**	**203,435**	**210,934**	**134,947**	**−30.2%**	**−8.6%**

[1] CAGR = Compound Annual Growth Rate

Power was purchased from FES in this five-year period, although purchases declined over the five-year period by over 30%, declining at an annual rate of 8.6%. The Ohio Companies also purchased power from 2012 through 2014 from another affiliate, Allegheny Energy Supply Company. However, Allegheny Energy Supply Company is not a competitive retail electric services provider in Ohio, and therefore, these transactions are not shown in this table.

B. FINDINGS

1. **Tariffed services provided by the Ohio Companies to FES are controlled and governed by regulatory-approved tariff rates and there were no anticompetitive subsidies provided to FES CRES related activities.**

The Ohio Companies provide electric generation supplier coordination services pursuant to their PUCO-approved Electric Generation Supplier Coordination tariffs (Supplier Tariffs). These tariffs apply to all certified CRES providers, including FES, that are serving customers in the Ohio Companies' service territories. The Supplier Tariffs have been approved by PUCO and set forth the basic requirements for interactions and coordination between the Ohio Companies and certified suppliers to ensure the delivery of Competitive Retail Electric Service to their customers. The amounts received from this tariff were immaterial for financial reporting purposes and not listed as transactions on the Ohio Companies' FERC Form 1s.

2. **Power purchases provided by competitive affiliates to the Ohio Companies are well-controlled by regulatory processes and there is no evidence of anticompetitive subsidies relevant to CRES services from FES to the Ohio Companies.**

The power purchases from FES and Allegheny Energy Supply Company by the Ohio Companies are guided by the FirstEnergy Ohio Electric Security Plan (ESP). These transactions are administered by PJM pursuant to PJM's Open Access Transmission Tariff and in accordance with the FirstEnergy Electric Power Supply Agreement. These purchases are overseen by the Regulated Commodity Sourcing unit under the Compliance and Regulated Services group within the FirstEnergy Utilities organization.

Please see Chapter I, Executive Summary for more information on the affiliate power sales to the Ohio Companies.

3. Financial reporting to regulatory authorities is consistent for affiliate transactions.

The Analysis of Billing Associated Companies in FERC Form 60: Annual Report of Centralized Service Companies and the Transactions with Associated (Affiliated) Companies in the FERC Form 1s: Annual Reports of Major Electric Utilities reports for Ohio Edison, CEI, and Toledo Edison, are consistent in their reporting of transactions among FirstEnergy affiliates. The tables below compare the charges from the Service Company to the Ohio Companies according to the Service Company Form 60 and the FERC Form 1 from each of the Ohio Companies.

Service Company Charges to Ohio Edison 2012–2016 ($000)

Report	2012	2013	2014	2015	2016
FirstEnergy Service Company FERC Form 60	55,381	55,104	59,603	74,140	81,933
Ohio Edison FERC Form 1	55,361	55,104	59,603	74,140	81,931

Service Company Charges to CEI 2012–2016 ($000)

Report	2012	2013	2014	2015	2016
FirstEnergy Service Company FERC Form 60	46,643	41,371	44,417	51,129	59,250
CEI FERC Form 1	46,643	41,371	44,416	51,129	59,250

Service Company Charges to Toledo Edison 2012–2016 ($000)

Report	2012	2013	2014	2015	2016
FirstEnergy Service Company FERC Form 60	21,166	20,393	21,275	25,568	27,263
Toledo Edison FERC Form 1	21,166	20,393	21,275	25,568	27,263

The charges from the Service Company to the Ohio Companies are consistently reported between the Service Company FERC Form 60 and the Ohio Companies FERC Form 1s. This is not always the case with other companies.

IV. COMPARABLE ACCESS

A. BACKGROUND

This chapter covers the policies, procedures, and practices of the Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and The Toledo Edison Company (Toledo Edison) (collectively, the Ohio Companies) concerning compliance with Ohio Administrative Code paragraph 4901:1-37-04 (D) (10) (c):

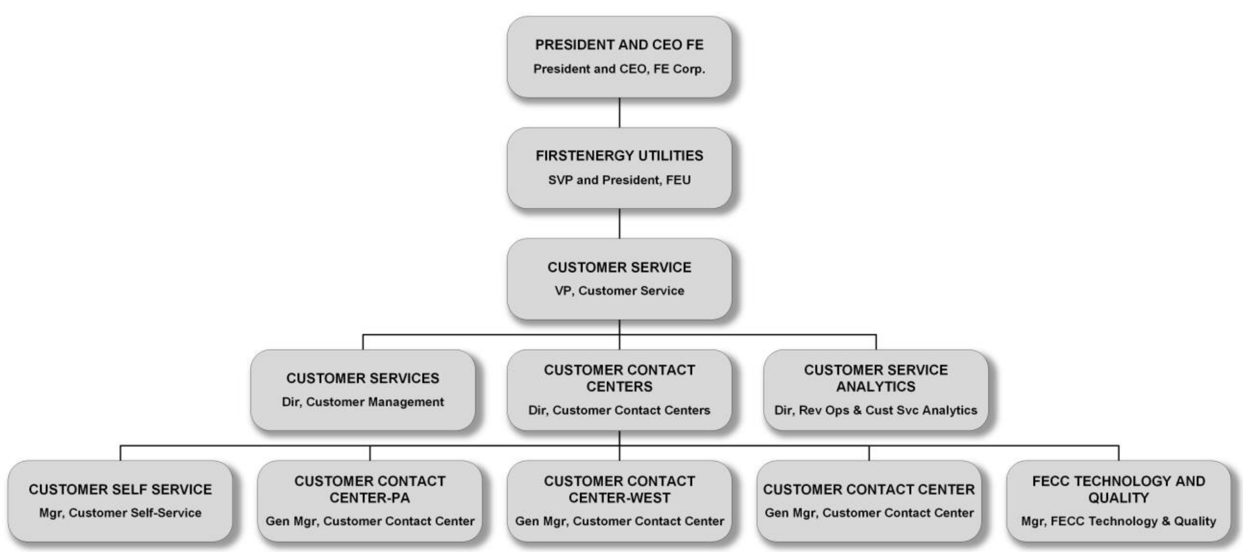
> *(10) The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following:*
>
> *(c) The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates or customers 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.*

This paragraph forbids the Ohio Companies from giving preferential treatment or advantages to FirstEnergy Solutions (FES), their competitive retail electric service (CRES) affiliate, or to FES CRES customers that are not also provided to non-affiliated retail electric service competitors and their customers. FES and non-affiliated CRES providers must be treated equally.

ORGANIZATION

The FirstEnergy Service Company (Service Company) provides corporate service functions for all FirstEnergy Corp. (FirstEnergy) subsidiary companies, including the Ohio Companies. The Service Company's Customer Service Department (Customer Service) manages the interface between the Ohio Companies and their electric distribution utility customers. This department is the only FirstEnergy organization that could possibly be in position to grant preferential treatment or advantages to FES or FES customers. The Customer Service organization is shown in the following organization chart.

Customer Service Organization Structure



Customer Service is headed by a vice president who reports directly to the SVP and President, FirstEnergy Utilities (FEU), who, in turn, reports directly to the President and CEO, FirstEnergy. The Vice President, Customer Service has three direct reports: directors who manage Customer Services (249 employees), Customer Contact Centers (611 employees), and Customer Service Analytics (268 employees). Each Customer Service unit is described below.

CUSTOMER CONTACT CENTERS

The Customer Contact Centers organization consists of a Customer Self-Service group, the Technology and Quality group, and three customer contact centers located in Akron, Ohio; Reading, Pennsylvania; and Fairmont, West Virginia.

Three Customer Contact Centers

All customer contact centers operate the same and are part of Customer Service's virtual customer contact center arrangement where calls are routed among the customer contact centers based on the availability and skill sets of customer service representatives (CSRs). CSRs work a flexible schedule – either five eight-hour days or four ten-hour days. The contact centers are open from 8 AM to 6 PM Eastern time, Monday through Friday. After hours and on week-ends, the interactive voice response (IVR) system takes over. The average number of calls handled per CSR in 2017 was 9,163. Thirty-seven percent of total customer calls (handled by CSRs or IVR) received at the three customer contact centers over the twelve-month period from September 2016 through August 2017 were from the state of Ohio. Work is seasonal, to a degree, with September–October having the highest volume of calls, then, in descending order, November–December, January–February, and April–May.

The customer contact centers use a contractor model to bring in new employees. Potential new employees start as contractors for six to eight months before a decision is made whether to make them employees. Some potential employees can remain contractors for longer, up to 18 months. One national external contractor provides the contract employees. At any one time there might be 200 contractor CSRs working at the contact centers. Total CSR staffing (employees and contractors at all customer contact centers) is 650 – 700.

Calls come in to the customer contact centers over the phone through the Interactive Voice Response (IVR) system. Calls are routed to CSRs via a call routing system that is tied into the business and customer relations management system's Customer Resource Management (CRM) module. The contact centers utilize the routing system's Automatic Call Distribution (ACD) module, which employs a skills-based routing strategy, to deliver calls to CSRs via screen pops with attached information, such as customer name, customer automatic number identification (ANI), address, and account number.

Another routing system module is used by the customer contact centers to prioritize and deliver work items such as disputes, website interaction, faxes, and emails to CSRs. Web interaction with customers is usually an email response or a website interaction, providing a number to call. Most responses require a specific routing. If a call involves bad credit, for instance, the customer might have to talk to a CSR. The IVR system has been updated to include recognizing natural language. The Customer Service website has also been upgraded to be more user-friendly for customers.

Other routing system modules provide real-time performance monitoring for customer contact centers, provide detailed interaction data collection and historical reporting, forecast workload and workforce needs, schedule CSRs, and monitor adherence to forecasts and schedules.

The skill levels of the CSRs are based on the types of calls that come into a contact center. The categories of calls and related skill levels of CSRs are:

- Tier C – Credit and Collections
- Tier 1 – Move-in and Move-out
- Tier 2 – Billing
- Tier 3 – New Service and Non-residential Billing
- Tier 4 – Advanced Move-in

The requirements for the Outage and Account Information categories and the accompanying CSR skill level are the same for all the states in which FirstEnergy operates. For the other categories there are some different requirements between the states which require differentiated CSR skill sets.

CSR training starts with either Move-in/Move-out (Tier 1) or Credit (Tier C) and progresses to Billing (Tier 2) calls. CSRs may progress to New Service and Non-residential Billing (Tier 3) and/or to Advanced Move-in (Tier 4). CSRs keep all previously trained skills through their career. In addition, all CSRs are trained in outage calls.

The number of CSRs trained by type and topic of training in all three customer contact centers is shown in the following table.

Number of CSRs Trained by Type and Topic of Training in 2017

CSR Tier	Topic	Number Trained
Tier Credit	Ohio Credit and Collections Human Services Programs Introduction to FirstEnergy Customer Service CRM Introduction to Billing Inquiries Trouble Notifications	117
Tier 1 Move-In/Out	Basic Move-In and Move-Outs Introduction to FirstEnergy Customer Service CRM Introduction to Billing Inquiries Trouble Notifications	89
Tier 2 Billing	Rates Overview Supplier Enrollment and Billing Overview Budget Billing Meter Investigations	282

CSR Tier	Topic	Number Trained
Tier 3 New Service and Non-residential Billing	New Business General Service Inquiries	53
Tier 3 and Tier 4	New Business General Service Inquiries Advanced Move-In for Residential Ohio	65
Tier 4 Advanced Move-In	Advanced Move-In for Residential Ohio	76
Total		**682**
All	Compliance Training	682

The time required to complete the training for each of the tiers shown above can range from 8 to 16 weeks. There are seven to eight new training classes started each year. Classes start with 22 contract personnel, and an average of 18 graduate. All new contractors receive the same "On-Boarding" training. They also receive the FERC Standards of Conduct and Affiliate Restrictions training. Of the 18 contractors who finish the training, only six to eight are typically eventually hired as Customer Service employees.

Training on CRES suppliers is a sub-set of the Billing training. Supplier training reinforces Affiliate Restrictions training and provides training on other customer support topics (e.g., how customers can get additional information on the PUC's Apples to Apples website, specific state requirements, Standard Service Offer (SSO) options provided by the Ohio Companies, and how to explain competitive shopping). The training manual provides material regarding supplier activities. All CSRs receive Power Supplier training.

Another contracted firm provides IVR overflow assistance in emergencies and outages by mimicking Customer Service's IVR system. This contractor does not take live customer calls, handling every call through its automated system.

A third contractor handles a portion of the customer calls relating to credit issues. This contractor is paid on a per call basis, and its CSRs have the same training curriculum as the Customer Service contact center CSRs, consistent with the Customer Service training material under the Credit, New Hire CSR tier. Customer Service has access to this contractor's training records in order to verify that training has been conducted. This contractor performs its own quality assurance function and has call centers throughout the United States, with their Pittsburg, Pennsylvania and Charleston, West Virginia offices serving the FirstEnergy Customer Service contact centers. A schedule showing the percentage of the Ohio Companies' credit-related customer telephone calls handled by this credit call contractor is shown in the following table.

Out-sourced Credit-related Customer Calls
2012–2016 and YTD November 2017

Year	Contractor Percent
2012	44.0%
2013	24.0%
2014	19.3%
2015	43.5%
2016	43.6%
YTD Nov. 2017	24.5%

The percentage of credit-related customer calls for the three Ohio companies handled by the contractor over the past five years has varied from 19% to 44%.

CSRs do not interact with CRES suppliers. They have phone numbers of CRES suppliers and can provide the CRES phone number to the customer, if asked. CSRs do not stay on the phone if the customer is talking to a CRES supplier. CSRs do not lead the customer to any supplier. If the customer does not request a CRES supplier, they will receive default SSO service provided by the Ohio Companies.

In the case of a termination of service and partial payment toward the distribution and CRES service, the supplier receives their money first, and the Ohio Companies get the bad debts. For new service, the customer initially receives the SSO service for one month and receives instructions and information on contacting CRES suppliers in the new customer packet. The customer must place the call to the supplier to request CRES service from the competitive supplier. The CRES supplier is responsible for making the switch from the Ohio Companies' SSO service to the CRES supplier's service through standard procedures with the Ohio Companies.

Customer Self Service

The Customer Self Service unit was formed to respond to customers through interaction on the internet or the Customer Service website during the work day. Prior to this, CSRs had been responding to customer web-based inquiries or emails only during non-business hours. The formation of this group provided this function during business hours. The following exhibit shows the number of emails received in 2016 and the proportion for the Ohio Companies.

Emails Received by the Ohio Companies in 2016

Number of Emails	Ohio Edison	CEI	Toledo Edison	Total Ohio Companies	Total All FirstEnergy Utility Companies	Total Ohio Companies as a Percentage of Total FirstEnergy
Amount	17,197	13,117	5,411	35,725	122,486	29%

Number of Emails	Ohio Edison	CEI	Toledo Edison	Total Ohio Companies	Total All FirstEnergy Utility Companies	Total Ohio Companies as a Percentage of Total FirstEnergy
Percent of Total for Ohio	48%	37%	15%	100%		

In 2016, Customer Self Service CSRs handled 35,725 emails concerning the Ohio Companies. This was 29% of the total number of Customer Service emails received.

The 16 Customer Self Service CSRs receive the same training as the CSRs in the three customer contact centers, including Standards of Conduct, Affiliate Restrictions, and Power Supplier. New hires to this work group come from the ranks of the customer contact centers' CSRs.

Customer inquiries are initiated by response to the "Contact Us" hot spot on the Customer Service website. Contact with customers is through email only; there is no "chat" function. Customer Service has researched using "chat," but there are no current plans to introduce this feature. CSRs have telephones and can contact the customer for a direct conversation if sufficient clarity is not possible through email interaction.

There is a Quality Assurance Review four times per month for each CSR.

There is an automated email management system for tracking incoming and outgoing emails. This system was designed to handle large volumes of incoming email, allows CSRs to see a complete view of each customer's history across multiple emails, and uses pre-scripted responses.

The Customer Self Service work group is responsible for maintaining the website that prompts inquiries from customers and for making changes to the website. Changes performed directly by Customer Self Service include visual and superficial changes such as font types, colors, and sizes. If the change requires more technical work, Information Technology (IT) makes the change. Larger website projects involve a project manager from the Project Management Office in IT.

FECC[3] Technology and Quality

There are two primary functions and work groups in the Technology and Quality unit, Quality Assurance and Technology and Staffing. Quality Assurance listens to a sample of the recorded customer service representative (CSR) calls from customers and rates the performance of the CSR. The Technology and Staffing work group develops forecasts of expected customer calls and provides technical support in the customer contact centers.

[3] FirstEnergy Corp. Contact Center

Quality Assurance. This work group listens to 2,200 customer calls per month to assess the quality of the CSR response to the customer call and to grade the CSRs on their handling of the call. All calls are recorded, and a percentage of calls are randomly selected to be evaluated. The results of these observations are summarized by center and also provide overall scores for each CSR. The number and percentage of total Ohio Companies' customer calls that were listened to for quality assurance at the three customer contact centers for the past five years is shown in the following table.

Number and Percentage of Ohio Customer Calls Evaluated 2012–2016

Year	Calls Handled	Evaluations	Percentage of Calls Evaluated
2012	8,093,677	24,426	0.3%
2013	7,969,382	34,386	0.4%
2014	7,948,868	36,504	0.5%
2015	7,182,995	34,081	0.5%
2016	6,846,366	33,184	0.5%
Total	38,041,288	162,581	0.4%

Over the past five years (2012–2016), 0.4% of the Ohio Companies' calls handled at the three Customer Contact Centers were evaluated for quality assurance.

Four calls per month per CSR are selected for review. Customer Service determined that four calls per CSR per month give it a 90% confidence level that it has listened to a representative sample of calls. Customer Service used an online tool to calculate the sample size needed to support a 90% confidence level that CSR quality assurance scores represent statistically valid results. Using a 90% response distribution with historic performance ranges yielded a sample size of 48 (4 per month x 12 months) for each CSR per year for a margin of error less than 10%.

CSRs are graded using a standard form on each call observed from the recording system with points being awarded for customer relations skills. The recording system is used to collect audio files associated with all inbound calls. This system is used for monitoring, coaching/feedback, and reporting results.

The recording system records all calls, provides the form to be filled in for rating the CSR, and tracks the scoring of all CSRs. Scores can total 100 points, with an additional 15 points that can be awarded for exemplary customer service. The four observations are averaged for a monthly score. The average score currently is 94%. Any score greater than 87% is considered effective. Scores below 87% generate a performance improvement plan. It is possible to score above 100% with the bonus points earned for exceptional performance. The annual quality score for the three customer contact centers for 2016 was:

- Akron, Ohio: 95.0%
- Reading, Pennsylvania: 95.2%
- Fairmont, West Virginia: 96.5%

The external contractor that handles a portion of the credit-related customer calls also observes and grades its CSRs using the same scoring system as that used by Customer Service. Customer Service provides a detailed quality monitoring guide and definitions to the external contractor for use in its quality assurance program. The monitoring guide is derived from the Customer Service quality assurance program and provides guidance and expectations on quality assurance areas such as key business rules, customer satisfaction, and collection skills. The external contractor incorporated the Customer Service quality monitoring guide and definitions into its quality assurance program and evaluation criteria for use with its own CSRs. The intent was to ensure that the external contractor's CSRs receive the same quality assurance review as the Customer Service CSRs. The external contractor completes two observations per week per CSR. The number of quality assurance reviews completed and the overall scores are reported each month to Customer Service. Scores available for recent months in 2017 (August through October) revealed that the external contractor also exceeded the goal of 87% to be considered effective.

Technology and Staffing. The Technology and Staffing work group develops the call forecast which is used to determine future staffing needs by skill level and the scheduling of training courses necessary for the future staffing and work load. Forecasting is based on five-year actual data, considering seasonality and holidays. This data includes state, call type, day of the week, and time of day. The forecast is prepared in a spreadsheet and projects down to the hour level within each day. Workforce management software is also used in developing this forecast.

Staffing at the three customer contact centers is generally adequate to handle the calls forecast for the centers at or above the service level standards. Calls are also forecast for the contractor that handles some of Customer Service credit-related calls. The determination whether calls go to the contractor or stay in-house with the customer contact center CSRs is made by the routing system. This group also is responsible for preparing the scorecards on a daily basis (in the routing system) and for periodic regulatory reporting requirements. Scorecards report average handle time (AHT), productivity, and a quality score for each CSR and for the customer contact center.

The Technology and Staffing work group also provides technical support for all of the CSRs in the three contact centers. This support includes being the first line of assistance for software needs. Software support includes assisting with the routing and recording system programs, as well as the standard commercial business administration packages for documents, spreadsheets, and email.

CUSTOMER SERVICES

The Customer Services group ensures that tariff references are modified accurately, handles billing exceptions, manages the remittance processing center, oversees the human services low income programs, and serves as the regulatory liaison for Customer Service. This group is also responsible for internal controls, including the 12 Sarbanes Oxley (SOX) controls in Customer Service. Each of the five units within Customer Services is described below.

Compliance and Human Services

The Compliance and Human Services work group interacts with the various state commissions concerning low income programs and prepares work plans based on impacts or changes promulgated by the commissions. The low income program in Ohio is Percentage of Income Payment Plan Plus (PIPP Plus). This program limits the amount of the electricity bill to a prescribed percentage of a customer's ability to pay. Payment goes to FirstEnergy, which forwards the entire payment amount to the Ohio Development Services Agency (ODSA), the Ohio department responsible for this program, to pay for the state's operation of this program. The cost of this program (the service bill not paid) is covered under an Ohio rider on the Ohio Companies' electric bills.

Back Office Billing

The Back Office Billing work group handles billing exceptions for ten FirstEnergy utility companies, including the Ohio Companies. (There is a separate dedicated work group for the New Jersey operations because of union involvement.) Billing exceptions for the Ohio Companies are handled by one of two offices in Brecksville, Ohio or Fairmont, West Virginia. The determination of which exceptions are handled by which office is based on complexity of work, with the more complex issues being handled by Brecksville. These work groups handle residential, commercial, and small industrial customer exceptions. The routing system's workload distribution module keeps track of what each representative is working on for time reporting purposes.

Power Billing and Supplier Operations

The Power Billing and Supplier Operations work group works with the large hourly interval industrial customers in all of the states. Rather than work under a tariff, these customers are on contracts and are billed for power supplied on an hourly basis. There are approximately 8,000 of these customers.

Remittance and Control Operations

The Remittance and Control Operations group processes both mail and electronic remittances. Mail remittance processing is at Fairlawn, Ohio. There is only one deposit per day. Exceptions in remittance processing go to Greensburg, Pennsylvania for resolution.

Billing and Customer Service Controls

The Billing and Customer Service Controls group is responsible for approximately 30 SOX controls and ensuring that tariff items are correct in the billing system. External auditors test the SOX controls. This group also maintains procedures and documentation in a shared (cloud) site for Customer Service as well as basic process improvement projects.

CUSTOMER SERVICE ANALYTICS

The Customer Service Analytics group consists of three sub-work groups – Analytics, Revenue Operations, and Vendor Services.

Analytics

The Analytics group manages the meter reading activity which includes tracking meter reading performance and developing or rerouting meter routes as needed, tracking collection activity, and developing and administering customer contact surveys. This group also tracks key performance indicators (KPIs) for the Customer Services group and manages the benchmarking efforts. The analysis portion of this group performs monthly customer surveys and provides state required reports, benchmarking, and explanations for JD Power ratings.

Revenue Operations

The revenue operations work groups, including one for the Ohio Companies, consist of collectors who call on customers who are in arrears on payments to collect payment, leave notes, or disconnect service, if necessary. All the states in which the FirstEnergy utilities operate have different rules regarding what action can be taken and when it can be taken. Write-offs in Ohio average approximately one-half to three-quarters percent of revenue, slightly better than FirstEnergy in total.

Vendor Services

The Vendor Services work group manages the activities of the outside collection agencies that have been contracted to collect bad debts and provides a back office bankruptcy group, keeping track of all bankruptcy notifications and applying state specific rules. This group also manages the contracts for the CSR contractors.

B. FINDINGS

1. No CRES relevant preferential treatment or advantages from the Ohio Companies were given to FES or FES customers.

Potential preferential treatment or advantages through discounts, fee waivers, and credits for customers of the Ohio Companies are governed by documented policies and procedures that state the purpose of the discount, fee waiver, or credit and any special treatment or rules that apply equally for all customers of the Ohio Companies. There are no specific rules, policies, procedures, or tariffs that apply to customers of the Ohio Companies who are also CRES customers of FES. FirstEnergy policies and procedures relevant to potential FES and FES customer preferential treatment or advantages are discussed below. These include customer discounts, retiree discounts, late payment charge waivers, return check charge waivers, security deposit waivers, and goodwill credits.

Customer Discounts

The Ohio Companies do not offer discounts for retail electric service supplied to customers except for the retiree discounts shown below.

Retiree Discounts

Discounts on retail electric service are provided for residential customers who are CEI and Toledo Edison retirees and were receiving employee discounts at the time of the CEI merger. Maintaining the employee discounts was part of the negotiated agreement that allowed the merger to go forward.

Discounts given to the CEI and Toledo Edison retirees are shown in the following table.

CEI and Toledo Edison Retiree Discounts 2014–2017

Year/ Company	Number of Accounts	Discount Amount ($)
2014[1]		
CEI	11,967	385,978
Toledo Edison	5,751	162,031
Total 2014	17,718	548,009
2015		
CEI	11,229	382,520
Toledo Edison	5,257	152,586
Total 2015	16,486	535,106
2016		
CEI	10,390	331,643
Toledo Edison	4,870	140,615
Total 2016	15,260	472,258
2017		
CEI	9,632	286,015
Toledo Edison	4,643	122,790
Total 2017	14,275	408,805
[1] According to the Ohio Companies, information prior to 2014 was not available.		

The total amount of discounts given to retirees of CEI and Toledo Edison has declined by 25% over the past four years as the number of eligible retirees diminishes due to attrition (moving out of CEI's or Toledo Edison's service area or passing away).

Late Payment Charge Waivers

Late Payment Charges (LPC) are waived due to FirstEnergy processing errors or as a one-time courtesy for customers with excellent payment history. Certain account locks, such as dunning (collection) locks will also prevent LPCs from being charged. A dunning lock is a transaction in the Ohio Companies' customer care solution (CCS) or customer resource management (CRM) system that stops collection activity for a specified period of time.

Return Check Charge Waivers

Return check charges are only reversed when the error causing the check to be returned for insufficient funds was made by FirstEnergy. When the error was made by the customer or the customer's bank, the return check charges are not reversed.

Security Deposit Waivers

Security Deposits are waived for:

- Active duty military members
- On PIPP or PIPP Arrearage Crediting (PAC). PAC is an Ohio program providing assistance on paying remaining PIPP balances for customers who are no longer eligible for PIPP for any reason.
- Existing customers with good payment history within past two years
- Customers transferring existing service from one location to another
- When a qualifying guarantor or letter of credit is provided
- Customers in bankruptcy
- To resolve bill inquiries or disputes
- Deceased rate payers
- Customers on the military deferred payment plan
- To resolve payment inquiries or disputes
- As part of payment negotiations
- To resolve regulatory and other agency complaints

Goodwill Credits

Goodwill credits are adjustments made to a customer's residential, commercial, or industrial account to maintain good customer relations, reimburse customers for costs incurred as a result of FirstEnergy's payment processing errors, adjust an LPC on a legacy account, or reimburse customers for lost savings occurring when the Ohio Companies fail to switch a customer to an alternative energy supplier within the allotted time (current read date plus 15 days) or when supplier rates are not updated in the Ohio Companies' CCS within 30 days of receipt.

A summary of Goodwill Credits given by the Ohio Companies over the past five years is shown in the following table.

Goodwill Credit Summary for the Ohio Companies 2012–2016 ($)

Company	2012	2013	2014	2015	2016	Total
Ohio Edison	3,791	7,851	5,126	4,338	3,658	24,764
CEI	3,000	3,268	3,810	2,329	5,196	17,603
Toledo Edison	2,039	1,998	3,038	1,569	562	9,206
Total	**8,830**	**13,117**	**11,974**	**8,236**	**9,416**	**51,573**
Average	2,943	4,373	3,991	2,745	3,139	17,191

Goodwill credits for the Ohio Companies have totaled $51,573 over the past five years, an average of $17,191 for each company. The annual amount of goodwill credits ranged from a low of $8,236 to a high of $13,117. The annual amounts for each of the Ohio Companies ranged from a low of $562 for Toledo Edison in 2016 to a high of $7,851 for Ohio Edison in 2013. The total amount of goodwill credits provided over the past five years is miniscule (.0004%) compared to the total amount billed for the Ohio Companies ($51,573 / $12,414,500,955 = .0004%).

Conclusion

Although the Ohio Companies provide some discounts, fee waivers, and credits to their customers, they are governed by well documented policies, procedures, and tariffs; are largely immaterial; and do not favor FES CRES over non-affiliated CRES suppliers.

2. **The policies and procedures governing the dispensation of discounts, fee waivers, and credits are clear and well documented.**

The policies and procedures concerning discounts, fee waivers, and credits are documented and controlled by FirstEnergy and apply to all the FirstEnergy utility companies, including the Ohio Companies. These documents are part of FirstEnergy's Customer Service procedures. Documentation includes the purpose of the procedure; applicable definitions of the procedure; description of the procedure; specific rules for different state operations; exceptions; and special customer treatment, reports, and approvals.

3. **Customer Contact Center procedures, protocols, and training are adequate to ensure proper treatment concerning tariffs, discounts, waivers, and credits.**

The primary customer contact personnel, CSRs, are categorized by skill level based on the types of customer calls they are qualified to handle. Training is specific to the necessary skill level for each type of customer topic – outage, move-in and move-out, residential billing and customer choice, new service and commercial billing, advanced move-in, and credit and collections. The amount of training required to be proficient in each of these categories or tiers ranges from eight to sixteen weeks. In addition to the technical Customer Contact Center training, CSRs also receive FERC Standards of Conduct, Affiliate Restrictions, and Power Supplier training.

4. A sample review of the Ohio Companies' customer calls confirmed that CSRs were not providing preferential treatment to the customers of its competitive affiliates.

A sample of calls was randomly selected from a list of calls concerning supplier selection from the Ohio Companies' customers. These calls came in to the customer contact centers during four weeks in October 2017 (from October 2, 2017 through October 24, 2017). A total of 52 calls were selected out of a total of 1,293 calls, amounting to four percent of the universe of supplier selection calls. The sample was selected proportionately to the number of calls received from the customers of each of the Ohio Companies during each of the four weeks in this study. The number of calls selected supported a 90% confidence level, with a 90% distribution and a margin of error of less than 7%.

Almost all the calls were generated by the customers' concern that their electricity provider was being changed. Either the customers had received a letter stating that their provider was being changed, usually through an aggregation, or they had received a visit from a representative of a supplier trying to convince them to change their supplier. Most of the customers wanted explanations of the situation, and most did not want to change their supplier.

The CSRs on the calls were helpful, considerate, and patient in explaining the situation concerning CRES and conveyed to most of them that they did not have to change if they did not want to. On nine of the 52 customer calls, FES was the supplier of electricity. The CSRs referred the customers to the PUCO website which contains information on the available suppliers and their prices. In no cases did the CSRs lobby in favor of using FES or recommend FES or any other supplier.

5. The use of a contractor to audition potential new CSR employees is common among utility companies; however, the majority of CSR contract candidates do not become FirstEnergy employees.

The customer contact centers utilize a single contractor to provide new candidates to work at the customer contact centers. These contractor-provided new employee candidates work as contractors for six to eight months before a decision is made whether to offer them FirstEnergy employment or not. Some potential employees can remain contractors for up to 18 months. By continuing their contractor status for this extended period of time, FirstEnergy can better determine the quality of their work and their chances to become a valuable contributor to Customer Service, without making the commitment to hire them as new employees.

There are seven to eight new hire CSR training classes each year. Each class starts with 22 contract personnel. Of those that start the training classes, approximately 18 graduate. Of those that graduate, only six to eight will eventually be converted from contractors to Customer Service employees. Out of 22 potential CSR candidates per class, only six to eight will become employees. Only 27% to 36% of potential CSR candidates provided by the external contractor become Customer Service employees.

6. The adequacy of the training program and the quality assurance of the work performed by one of the external contractors has not been verified by FirstEnergy Customer Service.

One of Customer Service' external contractors handles a significant portion of customer calls relating to credit issues. Over the past five years, the percentage of credit calls (customers trying to establish a payment plan) that have been handled by this contractor has ranged from 19% to 44%. The CSRs of this contractor have the same training curriculum as the Customer Service CSRs, and Customer Service has access to this contractor's training records. This contractor performs its own quality assurance function and forwards its results to Customer Service. However, an independent review of this contractor's training or its quality assurance program has not been conducted by FirstEnergy Customer Service.

C. RECOMMENDATIONS

1. Evaluate the cost effectiveness of the contractor model used to bring new CSRs. (See Finding 5)

Customer Service utilizes a contractor model to staff its customer contact centers with new recruits. This appears to be an effective method of bringing in relatively large numbers of new recruits. However, most of these new recruits do not end up becoming Customer Service employees. Only 27% to 36% of the contractors that start the CSR training end up being employed by FirstEnergy as CSRs. This wash-out rate (64% to 73%) results in Customer Service having to constantly bring in more contract CSRs as potential employees. There are seven to eight new CSR classes every year, each with approximately 22 contractor personnel. The cost of paying the contractor for bringing in the new candidates and for the contractors that are being trained or being used as CSRs prior to being offered FirstEnergy employment should be analyzed and compared to other new hire models that might bring in fewer candidates but have a higher success rate of progressing to FirstEnergy employment.

2. Customer Service should review the training and quality assurance programs of its credit contractor on a regular basis. (See Finding 6)

The training and quality assurance programs of the Customer Service's external contractor are based on the Customer Service training and quality assurance programs. Reports of the results of the contractor's programs are provided to Customer Service. However, Customer Service has not conducted a review of these programs. In light of the importance of these programs and the amount of resources and effort that Customer Service puts into assessing its own programs, there should be an equal amount of concern for the contractor's programs. Reviewing reports provided by the contractor regarding CSR training and quality assurance scores is not sufficient. Customer Service should conduct a periodic review or audit of its contractor's programs if it is going to continue to utilize its CSR services to handle a portion of its credit-related customer calls.

V. PUBLIC REPRESENTATION DISCLOSURES

A. BACKGROUND

This chapter covers the policies, procedures, and practices of the Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and The Toledo Edison Company (Toledo Edison) (collectively, the Ohio Companies) concerning compliance with Ohio 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.*

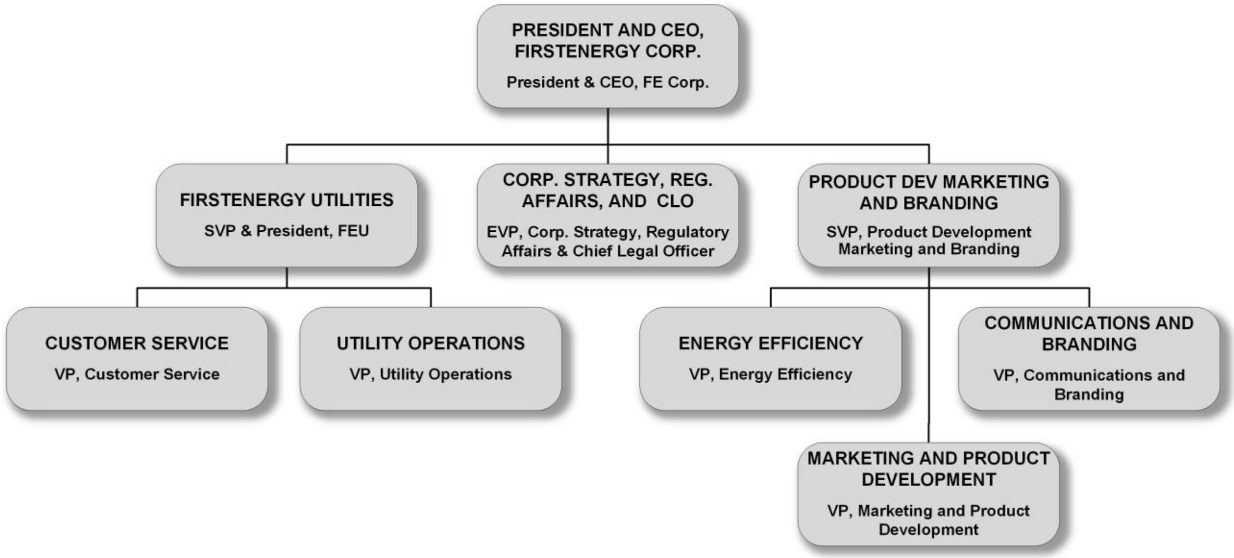
The Ohio Companies' customers should understand clearly whether a representative shared between the Ohio Companies and its affiliated competitive retail electric service (CRES) provider, FirstEnergy Solutions (FES), is representing the Ohio Companies or FES concerning the provision of electric services. If the customers thought that FES' CRES offerings were somehow endorsed by the Ohio Companies, FES would have an unfair advantage over the nonaffiliated CRES providers.

There are six formal groups of communications representatives for the Ohio Companies and other FirstEnergy utility operating companies:

- Service Company Customer Contact Centers which are part of the FirstEnergy Utilities Customer Service organization
- Ohio Companies' Customer Support units which are part of the FirstEnergy Utilities Utility Operations organization
- Service Company National Accounts unit which is part of the Service Company Marketing and Branding Energy Efficiency organization
- Service Company Communications and Branding which is part of the Service Company Marketing and Branding organization
- Service Company Marketing and Product Development (FirstEnergy Products) which is part of the Service Company Marketing and Branding Organization
- Service Company External Affairs which is part of the Corporate Strategy, Regulatory Affairs, and Chief Legal Officer organization

The organizational placement of these groups is shown in the following exhibit.

Ohio Companies Communications Representatives



Each is discussed below.

SERVICE COMPANY CUSTOMER CONTACT CENTERS

The Service Company has Contact Centers dedicated to the Ohio Companies and their sister FirstEnergy utility operating companies in other states organized under the Customer Service group in FirstEnergy Utilities. They are shared services operations because they represent multiple operating companies. However, the representatives in these contact centers do not represent FES.

The Contact Center representatives are trained to refer any inquiry about CRES providers to the Public Utilities Commission of Ohio (PUCO) website and to be clear with customers that they do not endorse any CRES provider, including FES. The Ohio Companies' Contact Center representatives are covered in more depth in Chapter IV, Comparable Access.

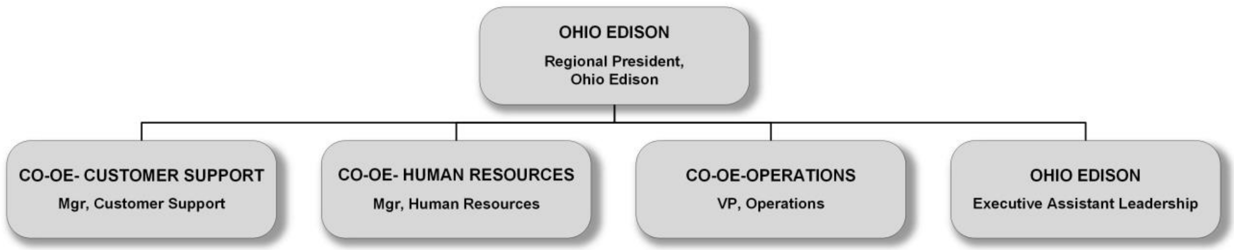
As discussed in Chapter II, Transmission and Distribution System Access, FES has its own contract contact center managed by a segregated unit within a Shared Services Retail Operations support unit dedicated to FES support. The contract FES contact center is not shared with the Ohio Companies.

OHIO COMPANIES' CUSTOMER SUPPORT

One of the functions reporting to the Regional and State operating company presidents under the FirstEnergy Utilities Utility Operations group, including the three Ohio Companies Regional Presidents, is Customer Support. The Customer Support program is an evolution of the former marketing and sales function and key account representative programs.

As an example organization structure, the Customer Support function for Ohio Edison reports to the Regional President who reports to the Vice President, Utility Operations. The organization structure for Ohio Edison is shown in the following exhibit.

Ohio Edison Customer Support Organization Structure



The Ohio Edison Customer Support organization has 20 employee positions of Customer Support personnel. The Customer Support organizations for CEI and Toledo Edison are similar with proportionately sized work groups.

The Customer Support work group interacts with large commercial and industrial customers. It assists customers from the initiation of new service to as long as the company remains a large customer of the Ohio Companies. Customer Support representatives will help project loads; verify the correct distribution rates are being charged; facilitate new and changed services; assist with metering, payment, and reliability issues; and work with the Ohio Companies' jobbing and contracting (J&C) work groups. The J&C work groups act as electrical contractors and perform customer paid work outside of their regular utility work. Customer Support representatives are assigned approximately 20 customers each by geographic area

The Customer Support representatives do not assist their accounts with power choice selections. Most of the large commercial and industrial customers are shopping customers with internal expertise in contracting for retail electric services. Customers with shopping questions for the Customer Support representatives are referred to the FirstEnergy website for a list of suppliers. The Customer Support Managers receive both Standards of Conduct and Affiliate Restrictions training.

The Customer Support Representatives are dedicated to their assigned utility operating company and are not shared with FES. This work group does not generally receive direct support from FirstEnergy Shared Services corporate staff departments except for rate and legal advice.

SERVICE COMPANY MARKETING AND BRANDING

The Marketing and Branding Senior Vice President reports to the FirstEnergy CEO. The organization structure for the Marketing and Branding is shown in the following exhibit.

Marketing and Branding Organization Structure

Communications representatives for the Ohio Companies are found in Energy Efficiency (National Accounts), Communications and Branding, and Marketing and Product Development. National Accounts is part of the Energy Efficiency organization, Communications and Branding has several communications functions, and Marketing and Product Development offers the FirstEnergy Products to the Ohio Companies' customers. Each function is described below.

NATIONAL ACCOUNTS

The national accounts program covers retail, hotel, restaurant, bank, and similar chains spanning two or more FirstEnergy utility operating companies, including the Ohio Companies. There are about 130 parent companies with 200 accounts in the program. Virtually all of the accounts are shopping customers. The national accounts representatives assist with new and expanded services; meter reading issues, such as estimated reads; consumption questions; outages; and energy efficiency rebates.

The Director of National Accounts reports to the Vice President of Energy Efficiency. The unit has three Customer Service Specialists as shown in the following exhibit.

National Accounts Organization Structure

The National Accounts unit is in the Service Company as it serves multiple FirstEnergy utility operating companies. However, it does not serve FES. Even though they are Service Company employees, the National Accounts Customer Service Specialists have the Federal Energy Regulatory Commission (FERC) designation as regulated employees. This group clearly represents the regulated utility side of the business. Questions about electric commodity choices in Ohio are referred to the PUCO website.

The National Accounts group has an informal relationship with the Customer Support departments in each of the regulated utilities who provide service to non-national large commercial and industrial accounts, including the Ohio Companies. There is an annual meeting between the National Accounts unit and the several Customer Support groups. Each customer is designated either a national or local account, not both.

SERVICE COMPANY COMMUNICATIONS AND BRANDING

FirstEnergy Corp. has centralized its communications function, including for the Ohio Companies and FES competitive retail electric service (CRES). A Communications and Branding group houses the spokespeople organized under three units, as shown in the following organization chart.

Communications and Branding Organization Structure

Communications and Branding operates on an "agency model" with individual staff members assigned to work with specific internal clients.

Each of the three units is discussed below.

External Communications

External Communications has four units: Electric Distribution State Communications, Transmission Communications, Nuclear Generation Communications, and Financial and Web Communications.

Electric Distribution State Communications. This five-person unit provides communications support to the FirstEnergy regulated operating companies including the Ohio Companies. The leader of the unit personally handles the communications for Ohio Edison and CEI. Another employee is responsible for Toledo Edison and Pennsylvania Power communications. The responsibilities for the other operating companies' communications are divided among the remaining three employees. This group has nothing to do with FirstEnergy transmission except for outages that affect end-use customers. This group has nothing to do with FES communications. Any FES CRES inquiries are referred to the Manager of Customer Communications in the Communications Services group (see below).

Transmission Communications. This is a single person unit responsible for Transmission related communications. The External Communications Consultant for Transmission is primarily focused on facilitating the Ohio transmission program, both rebuilds and new lines. Examples of the Ohio transmission program are the Garrettsville/Newton Falls rebuild and the Abbe/Medina proposed new line. The Consultant also works on regulatory issues such as the Ohio Electric Security Plan 4. The Consultant also provides media support for the annual FES participation in the PJM

Interconnection[4] (PJM) capacity auction. The Consultant interprets the results and does media external outreach. However, the Manager of Customer Communications in the Communications Services group is responsible for FES communications. The Transmission External Communications Consultant participates in the weekly Wednesday Ohio Companies coordination call with other Ohio Companies and Service Company personnel and provides transmission program communications updates.

Nuclear Generation Communications. This two-person unit provides communications support to the nuclear generating stations.

Financial and Web Communications. The five-person Financial and Web Communications unit handles financial communications, such as the earnings reports, and is responsible for social media. It also houses the Corporate Librarian. This unit's connections to FES are:

- The FirstEnergy website specialist also works on the FES website. The FES website is a separate website, but there is a link from the FirstEnergy website.
- The Corporate Librarian manages the news clipping function, which could include FES news, for the FirstEnergy executives.
- The Social Media specialist manages the FirstEnergy Twitter, Facebook, and LinkedIn accounts which could include analyzing and responding to FES mentions, but the FES Twitter, Facebook, and LinkedIn accounts are not managed by this group.
- FES has its own Twitter, Facebook, and LinkedIn accounts.
- The FirstEnergy YouTube channel managed by this unit could have FES videos on FES offers but had none in 2017.
- The FirstEnergy Flickr account could carry FES pictures, such as something related to FES Green Energy offers.
- This unit does advertising on Facebook and Twitter for FirstEnergy but nothing for FES.
- The FirstEnergy financial communications function necessarily includes FES results and plans. Ohio FES CRES is a part of FES results

This group provides no Transmission operations information other than if an outage affects end-use customers.

Communications Services

Communications Services produces the annual report; writes executive speeches; designs and produces brochures; and manages the in-house print and sign shop that produces signage for FirstEnergy and prints forms, investor relations materials,

[4] PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. Acting as a neutral, independent party, PJM operates a competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability for more than 65 million people. An independent Board oversees PJM's activities. (PJM Website: http://www.pjm.com/about-pjm/who-we-are.aspx)

PowerPoint presentations, and bond issuance materials. The group has three units: Communications Services, Advertising and Production, and Customer Communications.

Communications Services. Communications Services does financial communications and executive speeches, including for FES. Communications Services has an in-house print shop (15 million pages in 2017) that also does signage and banners. It does not produce customer bills or financial reports.

Advertising and Production. The single position in this unit, the Senior Advertising and Production Consultant, manages the FirstEnergy brands, including the FES brand. The Consultant oversees FirstEnergy and operating company (including the Ohio Companies) graphics standards, logo standards, and employee merchandise. The Consultant also oversees the FirstEnergy sports marketing sponsorships, such as the Cleveland Browns FirstEnergy stadium.

Customer Communications. Customer Communications is a five-person unit that manages the regulated customer communications such as bill inserts, the FirstEnergy website, and communications support for the Energy Efficiency group, the Pennsylvania Smart Meter Program, and FirstEnergy Products. The Manager of the unit personally provides communications support to FES, including CRES communications and media relationships on a part-time (ten percent estimated) basis. The FES communications support includes: media relations, executive communications, and brochures and mass market (individual retail customer) mailers. Examples of mailers include: targeted efforts at 15,000 to 30,000 prospects at a time, contract renewals for aggregated and mass market customers, opt out letters for government aggregation, and commercial and industrial sales material. The Manager also attends FES Executive Leadership Team meetings and publishes the minutes. The Manager's FES responsibilities are legacy responsibilities as she was a FES employee communications manager from 2009 to 2014. There is no FES communications function now.

This unit also includes a web specialist focused on the FirstEnergy Products Smart Mart web presence, but also supports the FES website on a part-time (estimated at less than ten percent) basis. There are no electric commodity products or services in the FirstEnergy Products Smart Mart.

Internal Communications

Internal Communications is responsible for employee communications. It publishes three different employee newsletters: one for generation, including FES generation; one for transmission and distribution; and one for all employees, including FES employees. It also produces videos as requested and has an event planner who organizes Board of Director's meetings, manages the employee awards program, and organizes CEO staff meetings.

Designated Spokespersons

There are specific individuals identified on the FirstEnergy website as the spokespersons for certain FirstEnergy entities:

- Corporate Communications – Director
- Corporate Communications – Financial/Web/Social

- Corporate Communications – Regulatory
- FirstEnergy Generation Nuclear
- FirstEnergy Generation Fossil
- Transmission
- Ohio Edison and the Cleveland Electric Illuminating Company
- Toledo Edison
- The other FirstEnergy electric distribution operating companies

The individuals designated as spokespersons for these entities are all members of the Communications and Branding units discussed above.

SERVICE COMPANY MARKETING AND PRODUCT DEVELOPMENT

The Marketing and Product Development group is responsible for the FirstEnergy Products (FEP) business unit and the FEP web-based Smart Mart. For clarity, it is also referred to as the FEP Business Unit in this report. Smart Mart sells products and services to the Ohio Companies' and other FirstEnergy utility operating companies' "regulated customers." (FES sells to all Ohio electric utility customers, both the Ohio Companies and other electric distribution utility customers in Ohio.) The ability to sell products to the Ohio Companies' regulated customers is through a PUCO tariff which specifies types of products and services which can be sold, but does not specify individual products and prices.

Example FEP Smart Mart products include smart thermostats and smart light bulbs (with cameras, speakers, or Wi-Fi boosters). Example services include appliance warrantees and electrician referrals.

FEP and Smart Mart sell no FES CRES related products or services. However, this group will respond to a FES request for a product to bundle for a CRES sales offering. To date, the only example of a shared product is a surge assist product that is offered, separately, by FEP and FES. FEP assisted FES with acquiring the product for sale but does not sell or support the product for FES.

The FEP Business Unit (Marketing and Product Development group) has three units as shown below.

Service Company Marketing and Product Development Organization Structure

As described in Chapter I, Executive Summary, the FEP back office support is provided by the Marketing and Branding Retail Sales Operations Support unit that supports both FEP and FES retail operations.

Consumer Products

This four-person unit is the FEP product management function for all commercialized products and services. It manages the products implemented by Product Innovation and Development. This unit manages all established products and vendors and does complaint handling. Each product and service has a separate profit and loss statement. This function does not serve FES.

Product Innovation and Development

This seven-person unit is charged with developing and implementing new products and services for FEP. It does no work for FES.

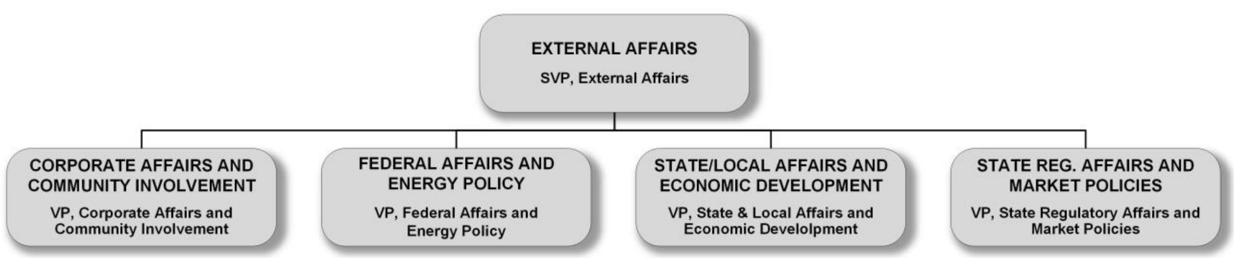
Marketing

Currently, this one person unit is focused on market research at the product level. It will expand to additional marketing functions in 2018 and 2019.

EXTERNAL AFFAIRS

The Senior Vice President, External Affairs, reports to the Executive Vice President for Corporate Strategy and Regulated Affairs and the Chief Legal Officer. The position is responsible for all local, state, and federal external relationships. The organization structure has four functions as shown in the following exhibit.

External Affairs Organization Structure



Each of the four functions is described below.

Community Affairs and Community Involvement

The Vice President for Community Affairs and Community Involvement is also the President of the FirstEnergy Foundation. This six-person unit is responsible for community affairs in the states where FirstEnergy operates. One Community Affairs Manager is responsible for Ohio and represents both the Ohio Companies and FES, which has power plants in Ohio. The FirstEnergy Foundation is the philanthropic arm of FirstEnergy and supports United Way, Harvest for Hunger, and other charities.

Federal Affairs and Energy Policy

The Vice President for Federal Affairs and Energy Policy is responsible for federal legislation affecting FirstEnergy. The Vice President is an Akron resident who commutes regularly to the FirstEnergy Washington, DC office. This eight-person group manages FirstEnergy's relationships with the federal agencies and Congress. It also is FirstEnergy's legislative and regulatory policy analysis group.

State and Local Affairs and Economic Development

The Vice President for State and Local Affairs and Economic Development is responsible for state and local legislation affecting FirstEnergy. This 64-person group has a two-person Ohio state level legislation and community affairs unit in Columbus, Ohio and a 26-person Ohio and West Virginia state external affairs unit that is responsible for local legislation and local relationships in Ohio and West Virginia. Five of the Local Area Manager personnel are assigned to West Virginia and most of the rest are assigned to Ohio. Municipal utilities are served by the FES Wholesale Sales organization and local government aggregators are served directly by the FirstEnergy Shared Services FES CRES Retail Sales organization.

Local Area Managers are assigned to a specific geographic area and are officed in a convenient FirstEnergy facility in or near their territories. The Local Area Managers are responsible for relationships in their territories with municipal, town, and county officials; business leaders; and key institutions including universities, hospitals, and chambers of commerce. They also are responsible for promoting economic development. The Local Area Managers represent more than the Ohio Companies. They also represent Transmission, the FES power plants in their territories, and field any FES CRES concern and refer it to FES Retail or Wholesale sales units. The Local Area Managers are instructed to be clear in their communications about which FirstEnergy entity they are representing in each dialogue. The Local Area Managers maintain relationships with municipal utilities in their territories but do not sell FES electric commodity service to them. Shopping inquiries are referred to the PUCO website. Shopping choices in Ohio include the provider of last resort (POLR) standard service, government aggregators (e.g., Summit County), or individual shopping.

The Economic Development function has one full-time and one shared representative in Ohio. They work with the Local Area Managers and economic development groups such as Jobs Ohio, the Cleveland Growth Association, and Akron Development growth to attract new businesses and assist the expansion of existing businesses.

This unit also has a Governmental Affairs Representative who is responsible for FirstEnergy's Political Action Committee (PAC). The PAC is employee funded and supports state and federal level political candidates.

State Regulatory Affairs and Market Policies

The Vice President for State Regulatory Affairs and Market Policies is responsible for state regulatory relationships in each of FirstEnergy's five states. This group has two units: one for State Regulatory Affairs and one for Market Policy which is responsible for PJM and FERC affairs.

In the six-person State Regulatory Affairs unit, there is a Director, State Affairs, assigned to the Ohio Public Utility Commission. This position is located in Columbus, Ohio and shares an office with the FirstEnergy legislative and community affairs Director for Ohio. The Ohio Director of State Affairs is the liaison person for the PUCO Commissioners and the PUCO Chief of Staff. The FirstEnergy Service Company Rates Department personnel also regularly interface with the PUCO staff.

The Ohio Director of State Affairs does not represent FES. There is a separate FES function that represents FES interests before the PUCO.

The Ohio Director of State Affairs tracks the matters before the PUCO for the Ohio Companies and other Ohio utilities, attends PUCO meetings, and submits reports of items of interest. He also provides information to the PUCO Commissioners on items such as storms, strategy shifts, changes in key personnel, investment community developments, and other topics of interest. The Director (with the FirstEnergy Ohio legislative specialist) hosts a regular weekly Wednesday 9:00 AM teleconference for FirstEnergy personnel with PUCO interests such as legal, state presidents, and rates representatives.

The Market Policy unit has a staff of eight. This function is responsible for the regional PJM relationship and the national Federal Energy Regulatory Commission (FERC) relationship, including rule making and compliance. This function represents all of FirstEnergy, including the Ohio Companies and FES. However, the function advocates for the FirstEnergy corporate interest which may or may not be in the FES interest. As FirstEnergy exits the electric commodity business, the FES interests will be less important and the regulated utility interests will be more important.

B. FINDINGS

1. The FirstEnergy communications representatives are well-informed on their Ohio public disclosure communication requirements.

The six FirstEnergy organizational units with communications representatives relevant to the Ohio Companies all demonstrated a good understanding of the requirement to be clear in each customer communication as to whom they were representing, either the Ohio Companies or FES CRES. As a practical matter, there are few occasions when there could be customer confusion over whether a FirstEnergy employee was representing the Ohio Companies or FES. Only the Shared Services FES Retail Sales unit and the FES Wholesale Sales unit directly represent FES in Ohio. The Customer Contact Centers' representatives, Customer Support representatives, National Account representatives, and Local Area Managers understand that they do not represent FES and are trained to refer CRES related inquiries to the PUCO website. The Service Company Marketing and Branding personnel who do represent both the Ohio Companies and FES have little direct customer contact and understand well the need to be clear whether they are representing the Ohio Companies or FES on occasions of Ohio Companies customer contact.

2. FirstEnergy Solutions' successful competitive retail electric services in the Ohio Companies' territories may be related to its FirstEnergy name.

FES is a successful competitor in the Ohio Companies' territories for competitive retail electric service (CRES). At the end of June 2017, there were 1.3 million Ohio Companies residential shopping customers. FES had a large market share of the CRES shopping customers in each of the three territories.

The three Ohio Companies are prominently branded as "A FirstEnergy Company," as in "Ohio Edison, A FirstEnergy Company." FirstEnergy works hard on its stand-alone branding in Ohio as well. For example, the Cleveland Browns stadium is a "FirstEnergy Stadium."

The Ohio Companies Corporate Separation Plan Code of Conduct (discussed in detail in Chapter I. Executive Summary) says:

> *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.*

By virtue of the name, FirstEnergy Solutions, it is impossible for the FirstEnergy Ohio Companies representatives to not, "indicate that an electric services company is an affiliate…" as they share the name, "FirstEnergy." Further, Case No. 13-3151-EL-COL requires the Ohio Companies to place the FirstEnergy Solutions logo prominently on the bills to FES CRES Ohio customers.

A separate FirstEnergy program, FirstEnergy Products, offers tariffed products, such as smart light bulbs and thermostats, and services, such as appliance warrantees and electricians, to the Ohio Companies' customers. Executives in this program tout the importance of using the FirstEnergy name with FirstEnergy Products, saying FirstEnergy is a "trusted supplier" and the "FirstEnergy brand is prominent."

When potential CRES customers are presented with a list of potential CRES providers, even if it is from the PUCO website, the name FirstEnergy Solutions connotes that it is part of FirstEnergy, just as Ohio Edison, CEI, and Toledo Edison are part of FirstEnergy. It is natural that some would infer that FirstEnergy Solutions is the same as their "trusted utility supplier" and give greater consideration to FES in making their CRES supplier decisions.

3. The link to the FES website from the FirstEnergy website provides an unfair advantage.

The FirstEnergy website represents the Ohio Companies as well as other FirstEnergy entities. The link from the FirstEnergy website to the separate FES website could be interpreted as an endorsement of FES CRES services by the Ohio Companies. Since the FES website is separate from the FirstEnergy website, the link could be severed easily. Likewise, the link from the FES website to the FirstEnergy website could be severed.

C. RECOMMENDATIONS

1. Remove FirstEnergy from the name of FirstEnergy Solutions to eliminate affiliate bias. (See Finding 2)

Using "FirstEnergy" in the Ohio Companies' CRES affiliate's name, "FirstEnergy Solutions," implies an endorsement by the FirstEnergy Ohio Companies. Should FES continue to be a CRES provider in Ohio, it should have a different name that does not include “FirstEnergy” or any other name that implies a connection to the Ohio Companies.

2. Remove the links between the FirstEnergy website and the FES website. (See Finding 3)

The links between the FirstEnergy website and the FES website should be severed to remove the chance of miscommunicating that the Ohio Companies somehow endorse the FES CRES offerings in Ohio.

VI. COST ALLOCATION MANUAL

A. BACKGROUND

This chapter covers the policies, procedures, and practices of the Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and The Toledo Edison Company (Toledo Edison) (collectively, the Ohio Companies) concerning compliance with Ohio Administrative Code (OAC) paragraph 4901:1-37-08 (C) as specified in the Scope of Investigation in the Request for Proposal from the Public Utilities Commission of Ohio (PUCO):

> *(C) The Cost Allocation Manual (CAM) is intended to ensure the commission that no cross-subsidization is occurring between the electric utility and its affiliates.*

Additionally, this chapter reviews the Ohio Companies compliance with requirements for FirstEnergy Corp.'s (FirstEnergy's) CAM as stated in OAC paragraph 4901:1-37-08 (D) through (J):

> *(D) The CAM will include:*
>
> > *(1) An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.*
> >
> > *(2) A description of all assets, services, and products provided to and from the electric utility and its affiliates.*
> >
> > *(3) All documentation including written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are allocated between affiliates.*
> >
> > *(4) A copy of the job description of each shared employee.*
> >
> > *(5) A list of names and job summaries for shared consultants and shared independent contractors.*
> >
> > *(6) A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.*
> >
> > *(7) A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.*
> >
> > *(8) A log of all complaints brought to the electric utility regarding this chapter.*
> >
> > *(9) A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.*
>
> *(E) The method for charging costs and transferring assets shall be based on fully allocated costs.*
>
> *(F) The costs should be traceable to the books of the applicable corporate entity.*
>
> *(G) The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years.*
>
> *(H) Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with summary of any changes in the CAM at least every twelve months.*

(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.

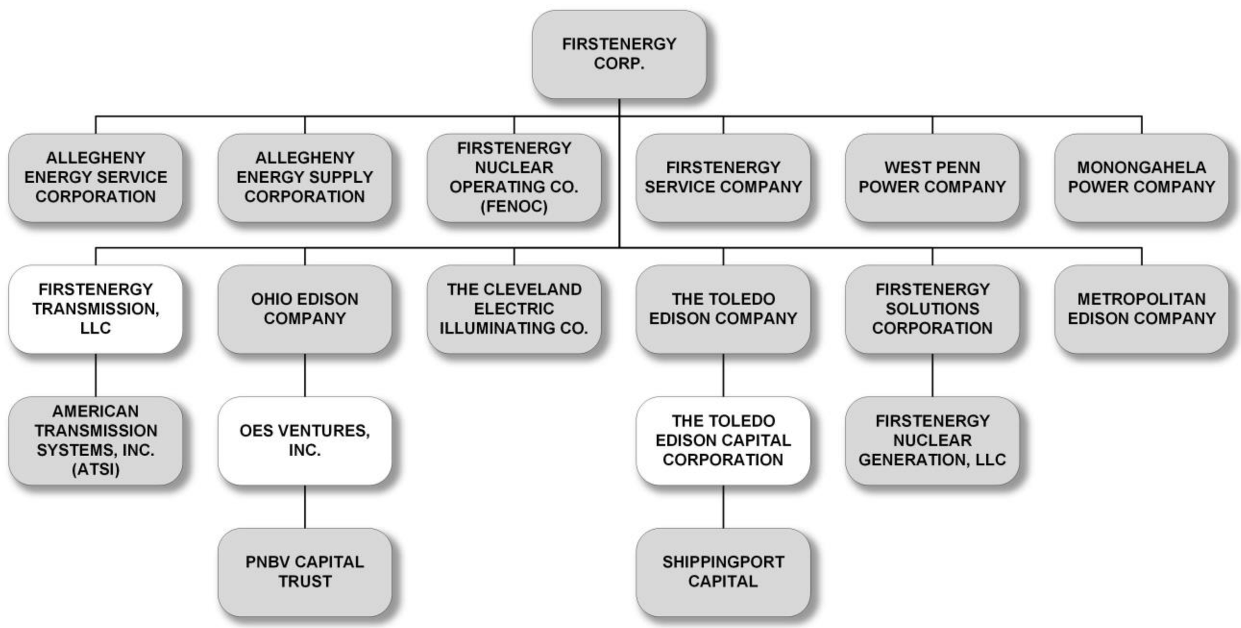
(J) The staff may perform an audit of the CAM in order to ensure compliance with this rule.

These code sections elaborate on the Section (C) requirement that the Ohio Companies ensure that there is no cross-subsidization with their affiliates.

AFFILIATES OF THE OHIO COMPANIES

The following organization chart shows each of the FirstEnergy companies with whom Ohio Edison, CEI, and/or Toledo Edison had affiliate transactions in the past five years (2012–2016).

FirstEnergy Companies with Affiliate Transactions with Ohio Edison, CEI, and/or Toledo Edison from 2012 to 2016



The shaded organization blocks are those companies that had transactions with one, two, or all three of the Ohio Companies in the past five years. The unshaded blocks indicate legal entities in the ownership chain but with no affiliate transactions with the Ohio Companies.

AFFILIATE TRANSACTIONS

The following exhibit indicates which of the affiliate companies had transactions with which Ohio Company.

Transactions between Ohio Edison, CEI, or Toledo Edison and their Affiliates 2012–2016

Affiliate	Ohio Edison	CEI	Toledo Edison
FirstEnergy Corp.	X	X	X
Allegheny Energy Service Corporation	X	X	
Allegheny Energy Supply Company	X	X	X
FirstEnergy Nuclear Generation, LLC	X		X
FirstEnergy Nuclear Operating Co. (FENOC)	X	X	X
FirstEnergy Service Company (Service Company)	X	X	X
FirstEnergy Solutions Corporation (FES)	X	X	X
West Penn Power Company	X	X	X
Metropolitan Edison Company	X	X	
Monongahela Power Company	X	X	
American Transmission Systems, Inc. (ATSI)	X	X	X
PNBV Capital Trust	X		
Shippingport Capital		X	X
Ohio Edison		X	
CEI	X		

Over the past five years, Ohio Edison had transactions with 13 affiliates, including CEI; CEI had transactions with 12 affiliates, including Ohio Edison; and Toledo Edison had transactions with nine affiliates.

The transactions between the Ohio Companies and their affiliates include power transactions (the buying or selling of power) and non-power transactions (transactions involving non-power goods and services). Power transactions include the purchasing of power from FES and Allegheny Energy Supply Company and the selling of power to FirstEnergy Nuclear Generation, LLC.

Service Company

The Service Company provides the majority of the non-power goods and services from affiliates to the Ohio Companies. These consist of corporate-type services either direct charged or allocated to the Ohio Companies from the Service Company departments.

The total amount of goods and services provided by the Service Company to the Ohio Companies over the past five years is shown in the following exhibit.

Goods and Services Provided by the Service Company to the Ohio Companies 2012–2016 ($000)

Company	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR[1] 2012–2016
Ohio Edison	55,360.8	55,104.5	59,302.8	74,140.2	81,931.2	48.0%	10.3%
CEI	46,643.5	41,371.2	44,416.4	51,129.2	59,250.2	27.0%	6.2%
Toledo Edison	21,166.0	20,393.3	21,274.9	25,567.9	27,262.6	28.8%	6.5%
Totals	**123,170.3**	**116,869.0**	**124,994.1**	**151,837.3**	**168,444.0**	36.8%	8.1%
[1] CAGR = Compound Annual Growth Rate							

The Service Company provided over $168 million in goods and services to the Ohio Companies in 2016. Over the past five years, goods and services provided by the Service Company to the Ohio Companies have increased at a compound annual growth rate of 8.1%.

Details of the goods and services provided by the Service Company to the Ohio Companies in 2016 are shown in the following exhibit.

Goods and Services Provided by the Service Company to the Ohio Companies in 2016 ($000)

Category / Department	Ohio Edison	CEI	Toledo Edison	Total
Chairman of the Board	.2	.1	.1	.4
Chief Executive Officer	260.7	183.4	86.9	531.0
President of FirstEnergy Utilities	420.9	289.5	140.9	851.3
Transmission and Distribution	14,944.4	9,818.6	4,762.4	29,525.4
Utility Operations	642.4	111.4	54.2	808.0
Compliance and Regulated Services	1,158.8	820.3	425.7	2,404.8
Customer Service	12,544.1	9,060.7	3,891.6	25,496.4
Energy Efficiency	823.1	1,005.4	316.1	2,144.6
Environmental	534.2	328.1	254.6	1,116.9
CFO and Strategic Planning and Operations	109.6	75.3	36.5	221.4
Corporate Services and Chief Information Officer	15,622.8	11,209.4	5,367.1	32,199.3
Supply Chain	463.5	344.2	172.6	980.3
Accounting	6,851.2	4,870.0	2,565.7	14,286.9
Treasury	373.9	265.7	122.9	762.5
Business Development	216.9	149.1	72.4	438.4
Integrated System Planning	185.5	125.0	60.3	370.8
Corporate Risk	749.1	513.9	251.0	1,514.0
Internal Audit	415.3	323.3	139.3	877.9
Legal Department	6,123.9	4.515.3	2,354.0	12,993.2
Rates and Regulatory Affairs	1,342.9	970.4	525.2	2,838.5
Corp./Real Estate, Records Management	2,381.7	1,492.3	725.2	4,599.2
Corporate Affairs	1,307.1	897.9	437.9	2,642.9
External Affairs and Communications	2,394.7	1,645.7	798.9	4,839.3
Federal Affairs and Energy Policy	423.2	295.7	144.4	863.3
Local Affairs and Economic Development	2,157.2	1,464.5	682.8	4,304.5
State Affairs	133.8	86.0	55.9	275.7
Human Resources	12,862.0	10,735.2	3,944.4	27,541.6
Marketing and Branding	314.5	240.8	101.4	656.7
Interest Income – Carrying Charges on Service Company Assets	−3,826.5	−2,587.3	−1,227.8	−7,641.6
Total Service Company	**81,931.2**	**59,250.2**	**27,262.6**	**168,444.0**

The majority of the charges from the Service Company to the Ohio Companies came from four departments or categories of goods and services: Transmission and Distribution, Customer Services, Corporate Services and Chief Information Officer, and Human Resources.

Power Purchases and Sales

Power Purchases. The Ohio Companies do not purchase power directly from their FES and Allegheny Energy Supply Company affiliates under tariffs. They do purchase power provided by affiliates that is administered by PJM Interconnection[5] (PJM) pursuant to PJM's Open Access Transmission Tariff (OATT) and Ohio rules. A copy of the current PJM OATT can be found on PJM's website: http://www.pjm.com/library.aspx.

Power purchases by the Ohio Companies from FES and Allegheny Energy Supply Company for the past five years are shown in the following exhibit.

Power Purchases from Affiliates 2012–2016 ($000)

Company/Affiliate	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR 2012–2016
Ohio Edison Purchases							
FES	100,661	86,809	97,276	99,677	67,800	−32.6%	−9.4%
Allegheny Energy Supply Company	29,326	15,265	4,072			N/A	N/A
Total Ohio Edison Purchases	**129,987**	**102,074**	**101,348**	**99,677**	**67,800**	**-47.8%**	**-15.0%**
CEI Purchases							
FES	48,818	44,534	57,419	59,791	39,414	−19.3%	−5.2%
Allegheny Energy Supply Company	14,230	7,711	2,258			N/A	N/A
Total CEI Purchases	**63,048**	**52,245**	**59,677**	**59,791**	**39,414**	**-37.5%**	**-11.1%**
Toledo Edison Purchases							
FES	44,062	39,519	48,740	51,466	27,733	-37.1%	-10.9%
Allegheny Energy Supply Company	12,858	6,915	2,031			N/A	N/A
Total Toledo Edison Purchases	**56,920**	**46,434**	**50,771**	**51,466**	**27,733**	**-51.3%**	**-16.5%**
Total Ohio Companies	**249,955**	**200,753**	**211,796**	**210,934**	**134,947**	**-46.0%**	**-14.3%**

Power was purchased from FES for all five years, 2012–2016, while power purchases from Allegheny Energy Supply Co. stopped after 2014. Total power purchases for the Ohio Companies from these two affiliates declined by 46% in the five-year period, an average of over 14% per year.

Power Sales. Ohio Edison sold power to FirstEnergy Nuclear Generation, LLC under the leasehold interests it retained in the Beaver Valley Power Station Unit 2 (BV2) and

[5] PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. Acting as a neutral, independent party, PJM operates a competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability for more than 65 million people. An independent Board oversees PJM's activities. (PJM Website: http://www.pjm.com/about-pjm/who-we-are.aspx)

the Perry Nuclear Power Plant (Perry). The facility leases associated with the sale/leaseback expired on May 31, 2016 for Perry and May 31, 2017 for BV2.

Toledo Edison sold power to FirstEnergy Nuclear Generation, LLC under the leasehold interests it retained in the BV2. The facility lease associated with this sale/leaseback expired on May 31, 2017. The power sales were governed by Service Agreement No. 100, the FirstEnergy Corp. Electric Power Supply Agreement.

Power sales from Ohio Edison and Toledo Edison to FirstEnergy Nuclear Generation, LLC from 2012 through 2016 are shown in the following exhibit.

Power Sales to FirstEnergy Nuclear Generation, LLC 2012–2016 ($000)

Company	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR 2012–2016
Ohio Edison Sales	207,650	219,366	216,882	220,047	139,572	−32.8%	−9.5%
Toledo Edison Sales	50,856	46,924	54,761	65,018	45,462	−10.6%	−2.8%
Total Sales	258,506	266,290	271,643	285,065	185,034	−28.4%	−8.0%

Power sales to FirstEnergy Nuclear Generation, LLC declined by 28.4% over the five-year period, a negative annual rate of 8.0%.

Other Non-Power Transactions

Non-power goods and services transactions between Ohio Edison and its affiliates are shown in the following exhibit.

Ohio Edison – Non-power Goods and Services Provided From and To Affiliates 2012–2016 ($000)

Affiliate	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR 2012–2016
From Affiliates							
Metropolitan Edison	332.8	305.1	461.7	539.9	539.9	62.2%	12.9%
Monongahela Power		292.2	361.2	438.1	482.9	N/A	N/A
West Penn Power	330.8	457.8	612.0	730.8	793.8	140.0%	24.5%
FENOC	50,889.6	47,409.6	51,020.2	60,872.6	36,538.4	−28.2%	−7.9%
Allegheny Energy Service Corp.	565.6					N/A	N/A
Total From Affiliates	**52,118.8**	**48,464.7**	**52,455.1**	**62,581.4**	**38,355.0**	**−26.4%**	**−7.4%**
To Affiliates							
FirstEnergy Corp.	1,083.5	853.8	450.8	2,829.3	2,430.7	124.3%	22.4%
PNBV Capital Trust	13,271.5	10,773.4	7,272.4	3,553.7	936.5	−92.9%	−48.5%
ATSI	10,819.1	10,858.5	10,791.9	10,817.2	10,847.9	0.3%	0.1%
CEI	329.0					N/A	N/A
Total To Affiliates	**25,503.1**	**22,485.7**	**18,515.1**	**17,200.2**	**14,215.1**	**−44.3%**	**−13.6%**

Goods and services from affiliates to Ohio Edison, as shown in the table above, were:

- Metropolitan Edison – Rent for Pottsville Pike: cost for office space in Reading, Pennsylvania shared by Ohio Edison and four other FirstEnergy utility companies
- Monongahela Power charges – Rent for the Fairmont Corporate Center: cost for office space in Fairmont, West Virginia shared by Ohio Edison and four other FirstEnergy utility companies
- West Penn Power – Rent for the Greensburg Corporate Center: cost for office space in Greensburg, Pennsylvania shared by Ohio Edison and 12 other FirstEnergy affiliates
- FENOC – Operating and maintenance (O&M) expenses related to the sale leaseback of BV2 and the Perry sale/leaseback
- Allegheny Energy Service Corp. – Corporate-type services, such as technical, engineering, accounting, managerial, financial, purchasing, computing, legal, administrative, operational, and regulatory services.

Goods and services provided by Ohio Edison to affiliates, as shown in the table above, were:

- FirstEnergy Corp. – Interest income from excess cash deposited in the FirstEnergy Regulated Money Pool
- PNBV Capital Trust – Interest income for a promissory note issued by PNBV Capital Trust (50% owned by OES Ventures, a subsidiary of Ohio Edison, and 50% owned by Citibank North America)

- ATSI – direct charge for ground lease
- CEI – Rent for the Fairlawn Call Center

Non-power goods and services transactions between CEI and its affiliates are shown in the following exhibit.

CEI – Non-power Goods and Services Provided From Affiliates and To Affiliates 2012–2016 ($000)

Affiliate	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR 2012–2016
From Affiliates							
FirstEnergy Corp.			826.5	1,150.9	672.3	N/A	N/A
Metropolitan Edison	265.8	252.8	350.3	399.1	399.1	50.2%	10.7%
Monongahela Power				285.5	327.9	N/A	N/A
West Penn Power	251.3	270.0	388.8	503.2	554.2	120.5%	21.9%
FENOC	258.3	253.2	342.5	357.5	369.8	43.2%	9.4%
Ohio Edison	329.0	329.5				N/A	N/A
Allegheny Energy Service Corp.	435.7					N/A	N/A
Total From Affiliates	**1,540.1**	**1,105.5**	**1,908.1**	**2,696.2**	**2,323.3**	**50.9%**	**10.8%**
To Affiliates							
FirstEnergy Corp.	288.7	627.1				N/A	N/A
Shippingport Capital	10,536.3	376.7				N/A	N/A
ATSI	7,365.0	7,369.9	7,401.0	7,392.6	7,379.2	0.2%	0.1%
FENOC	1,132.1	1,152.6	1,152.6	1,152.6	1,152.6	1.8%	0.5%
Total To Affiliates	**19,322.1**	**9,526.3**	**8,553.6**	**8,545.2**	**8,531.8**	**−55.8%**	**−18.5%**

Goods and services from affiliates to CEI, as shown in the table above, were:

- FirstEnergy Corp. – Interest expense for cash borrowed from the FirstEnergy Regulated Money Pool
- Metropolitan Edison – Rent for Pottsville Pike: cost for office space in Reading, Pennsylvania shared by CEI and four other FirstEnergy utility companies
- Monongahela Power charges – Rent for the Fairmont Corporate Center: cost for office space in Fairmont, West Virginia shared by CEI and four other FirstEnergy utility companies
- West Penn Power – Rent for the Greensburg Corporate Center: cost for office space in Greensburg, Pennsylvania shared by CEI and 12 other FirstEnergy affiliates
- FENOC – Beta Lab O&M expenses
- Ohio Edison – Rent for the Fairlawn, Ohio Call Center

- Allegheny Energy Service Corp. – corporate-type services, such as technical, engineering, accounting, managerial, financial, purchasing, computing, legal, administrative, operational, and regulatory services

Goods and services provided by CEI to affiliates, as shown in the table above, were:

- FirstEnergy Corp. – Interest income from excess cash deposited in the FirstEnergy Regulated Money Pool
- Shippingport Capital – Interest income for a promissory note issued by Shippingport Capital Trust (6.55106% owned by Toledo Edison)
- ATSI – Ground lease
- FENOC – Lease Beta Lab

Non-power goods and services transactions between Toledo Edison and its affiliates are shown in the following exhibit.

Toledo Edison – Non-power Goods and Services Provided From Affiliates and To Affiliates 2012–2016 ($000)

Affiliate	2012	2013	2014	2015	2016	Percent Change 2012–2016	CAGR 2012–2016
From Affiliates							
FirstEnergy Corp.			438.2	729.3		N/A	N/A
West Penn Power				253.9	272.4	N/A	N/A
FENOC	26,494.9	18,473.8	25,806.2	28,756.6	22,917.6	−13.5%	−3.6%
Total From Affiliates	**26,494.9**	**18,473.8**	**26,244.4**	**29,739.8**	**23,190.0**	**−12.5%**	**−3.3%**
To Affiliates							
FirstEnergy Corp.	974.7	662.8			265.8	N/A	N/A
Shippingport Capital	6,671.8	1,577.6				N/A	N/A
ATSI	1,818.6	1,816.8	1,822.9	1,809.4	1,820.3	0.1%	0.0%
Total To Affiliates	**9,465.1**	**4,057.2**	**1,822.9**	**1,809.4**	**2,086.1**	**−78.0%**	**−31.5%**

Goods and services from affiliates to Toledo Edison, as shown in the table above, were:

- FirstEnergy Corp. – Interest expense for cash borrowed from the FirstEnergy Regulated Money Pool
- West Penn Power – Rent for the Greensburg Corporate Center: cost for office space in Greensburg, Pennsylvania shared by CEI and 12 other FirstEnergy affiliates
- FENOC – O&M expenses related to the sale leaseback of BV2

Goods and services provided by Toledo Edison to affiliates, as shown in the table above, were:

- FirstEnergy Corp. – Interest income from excess cash deposited in the FirstEnergy Regulated Money Pool

- Shippingport Capital – Interest income for a promissory note issued by Shippingport Capital Trust (6.55106% owned by Toledo Edison)
- ATSI – Ground lease

COST ALLOCATION MANUAL

The FirstEnergy Cost Allocation Manual (CAM) governs the direct charging and allocation of inter-affiliate transactions for FirstEnergy's subsidiary companies, including the Ohio Companies.

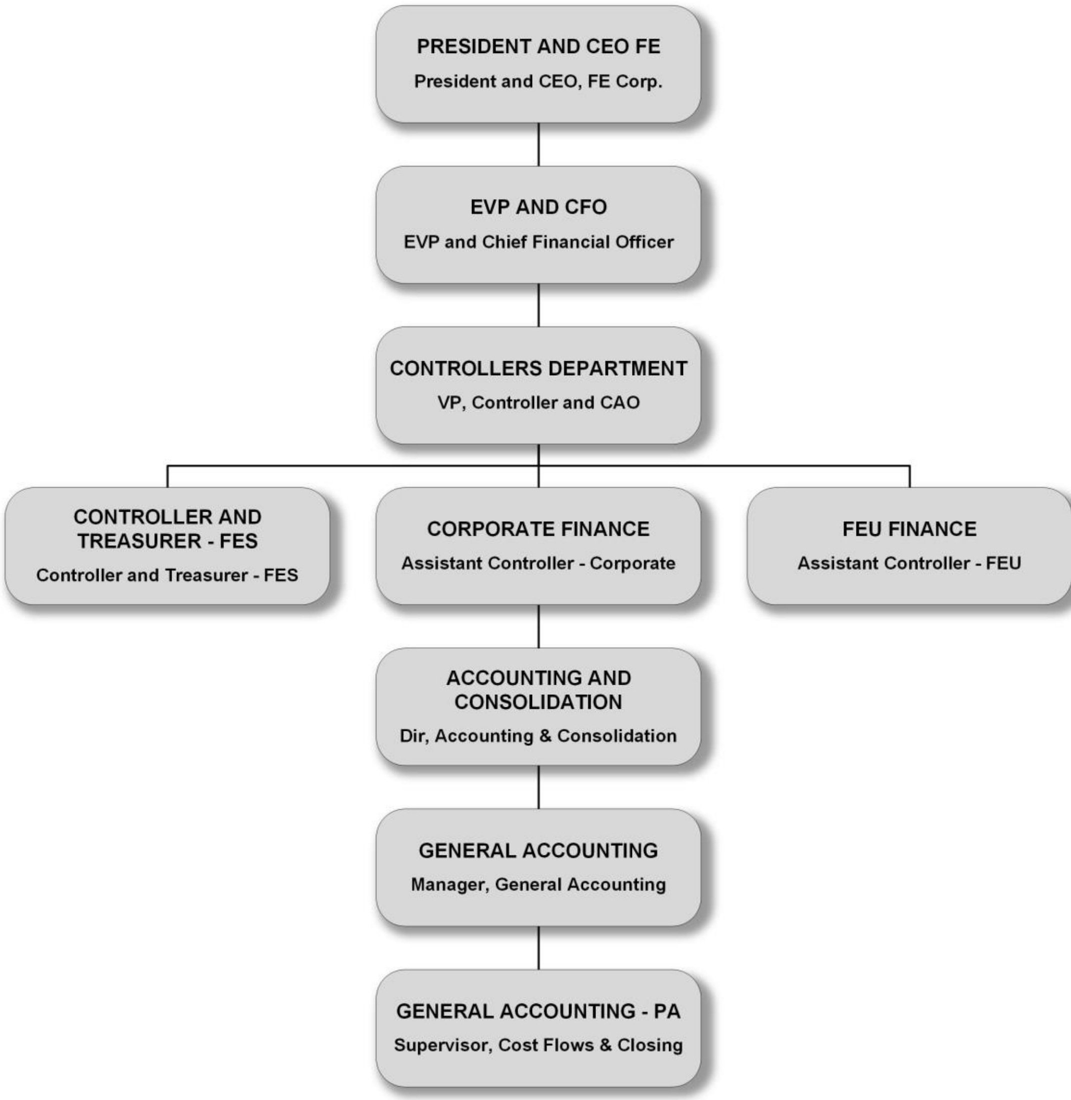
The FirstEnergy cost allocation methodology complies with standards promulgated by the Public Utilities Holding Company Act (PUHCA) of 2005 (including cost allocation methodologies previously approved by the SEC under PUHCA 1935) and applicable state regulations.

PUHCA 1935 facilitated regulation of public utilities and kept utility holding companies that were engaged in regulated businesses from engaging in unregulated businesses. PUHCA 2005 repealed PUHCA 1935 and transferred to the Federal Energy Regulatory Commission (FERC) utility holding company oversight authority previously held by the Securities and Exchange Commission (SEC), providing FERC with access to books and records of utility holding companies "relevant to costs incurred" by the public utility affiliated with a holding company and "necessary or appropriate" to protect utility customers.

CAM Organizational Responsibilities

The Service Company Controllers Department is responsible for creating and maintaining FirstEnergy's cost allocation methods and the CAM. The Service Company organizations that are involved with the CAM are shown in the following organization chart.

Service Company Organizations Involved With the CAM



The CAM-related functions of the departments shown above are discussed in the following paragraphs, starting with the Controllers Department.

Controllers Department. The cost allocation portion of the CAM is the responsibility of the Controller and Chief Accounting Officer (CAO). Work groups in the Controllers Department are responsible for providing financial support to the management and decision makers in the business units. These work groups are responsible for planning, budgeting, and reporting actuals against the budgets; performing corporate financial accounting and reporting; tax planning and tax accounting; managing and consolidating the capital planning function; and managing the cost allocation function (including maintaining the CAM). Determining the appropriateness of costs allocated to the Ohio Companies and the other operating companies is the responsibility of three assistant controllers working with the business owners: Assistant Controller – Corporate, Assistant Controller – FEU, and Controller and Treasurer – FES.

Corporate Finance. In Corporate Finance, the Assistant Controller – Corporate is responsible for maintaining the CAM and approving all changes to the CAM and the cost allocation factors. Corporate Finance oversees the Accounting and Consolidation group that includes the General Accounting and General Accounting – Pennsylvania units that have CAM-related responsibilities.

Accounting and Consolidation. This group is responsible for annual reviews with cost center managers concerning their functions and how the cost centers' costs should be charged to the subsidiaries, including the Ohio Companies.

General Accounting. This group performs the traditional corporate accounting functions including consolidations, processing journal entries, cost allocations, and setting up specifications for the CAM.

General Accounting – Pennsylvania. This group, located in Pennsylvania, is responsible for maintaining the cost allocation manual (CAM), executing the annual cost allocation formulas, and updating cost allocation formulas in FirstEnergy's financial enterprise resource planning (ERP) system. Annually, the cost allocation factors and percentages are reviewed and approved prior to being established in the general ledger system. This work group is also responsible for monthly closing and all financial ERP master data for the general ledger accounts and cost centers, assessment cycles, and cost allocations factors. This work group also maintains the cost collectors in the financial ERP.

FEU Finance. This group handles the reporting of actual cost against the budgeted costs for all FirstEnergy utility companies. The Assistant Controller, FEU, also has the responsibility of reviewing the CAM annually to verify that the cost allocations are appropriate for the utility companies. Over time, allocation methodologies generally do not change, but inputs do. FirstEnergy's external auditor also reviews the cost center allocations on an annual basis.

Controller and Treasurer – FES. This work group is responsible for reviewing the cost allocations to FES. Reviews are made in the Summer/Fall time frame to verify the basis for allocations, based on June 30 actuals. Cost allocation inputs have not changed significantly in the last few years.

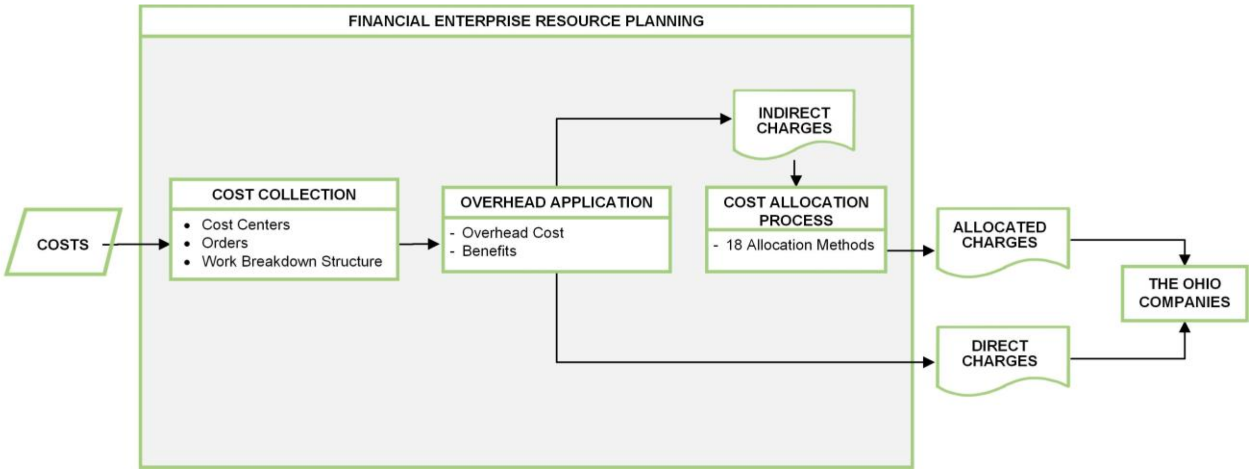
Cost Allocation Methodology

The guidelines in the CAM require intercompany services to be charged to receiving entities at their full or total cost. This cost can be conveyed either directly (passing on the cost of the good or service provided to the entity receiving the good or service) or through an allocation of costs (in the case of multiple recipients of the same good or service). The preferred basis for charges to affiliates is the direct charge method. If costs are allocated, they must be distributed in a fair and equitable manner.

The preferred basis for allocations is one that is straightforward, measurable, and transparent, e.g., total costs allocated based on percentage of service units delivered. Since most cost centers are dissimilar in the goods or services that are provided to the recipient, it is important to have a sufficient number of different allocation methods to ensure that costs are fairly allocated. The use of a general allocator based on a single broad measurement statistic, such as the number of companies or the total amount of assets, should be avoided, if possible. General allocators based on a combination of several broad measurements are commonly used by utility companies, although their use should be limited as much as possible in favor of more specific measurements of goods or services delivered.

Costs are gathered in cost collectors prior to distribution to the ultimate recipient entity. To the basic costs from the general ledger, overhead costs are added in order to generate total or full costs. Total costs are either direct charged to the Ohio Companies or indirectly charged to the Ohio Companies through an allocation process. The following exhibit shows the process flow for direct charges and allocations to the Ohio Companies.

Process Flow for Direct Charges and Allocations to the Ohio Companies



The following paragraphs explain the boxes involved in the process flow of direct charges and allocations to the Ohio Companies.

Costs. Costs are sourced from the payroll system, accounts payable, and general ledger entries. All costs are assigned to one of the three cost collectors.

Financial Enterprise Resource Planning. This is FirstEnergy's integrated financial accounting system. All of the cost allocation process occurs within the Enterprise Resource Planning system.

Cost Collection. Costs are first gathered in one of FirstEnergy's three types of cost collectors – cost centers, orders, and work breakdown structures:

- Cost center – This is the smallest unit of responsibility within a company and identifies where costs are incurred. It can serve as providing area (service provider) or a target area (service receiver).
- Order – This is used for capturing, reporting, and analyzing costs related to a specific project, program, or initiative.
- Work breakdown structure (WBS) – This reflects the financial model of a project, representing, in a hierarchy, the actions and activities to be carried out in a specific project. The WBS structure is less restrictive than the other cost collectors.

The WBS facilitates collection by line item grouping. Orders refer to project cost in the WBS. The Master File in the financial ERP contains cost centers, allocation factors, and recurring organization. There is one allocation per cost center. Changes to the cost allocations means updating the assessment cycles in the financial ERP, including the allocating percentages and the receiving entity. Changes are usually caused by employee movement. There might be 10 to 20 changes in any given year.

Costs are kept separate by using separate company codes and cost collectors, such as cost centers, work breakdown structures, and orders. There are 1,200 cost centers. Controls are in place to ensure that allocations to cost centers are correct, include an annual review of cost allocation methodology with the business functions to ensure that the allocation factors and recipients of the allocation are still appropriate, and a review and approval by an assistant controller – either the Assistant Controller – Corporate, the Assistant Controller – FEU, or the Controller and Treasurer – FES. The 18 cost allocation factors are calculated based on twelve months of actual data as of June 30th of each year and go into effect in January of the new year. After reviewing allocations with the operating departments, a few will be changed each year, based on changes in the way business is being done.

Overhead Application. Overheads are typically corporate charges added to, or assigned to, basic cost amounts to arrive at a total cost view. Overheads can include items such as charges from administrative departments that support the basic cost or benefit costs that are added to personnel costs. The overhead application process defines the required overheads applied to costs as part of both the budget planning process and the monthly closing process. There are rules for each overhead cost, including the identification of the source amounts subject to the application of the overhead and the method for calculating the overhead rate.

Overhead costs are applied to both direct costs and indirect costs. At the end of the month, after overheads have been applied to basic costs to generate the total cost, these costs are charged to the Ohio Companies, either through a direct charge or indirectly through a cost allocation process.

Cost Allocation Process. Allocations are unique processing steps designed to move charges from one legal entity to another, such as the Service Company Human Resources function billing the Ohio Companies for workers compensation services it performs based on number of participating employees. The costs of product and services provided by the Service Company that cannot be charged directly to the subsidiary receiving the product or service are allocated among the subsidiaries by utilizing one of the indirect cost allocation methods described below. The method of cost allocation varies based on the department or function rendering the service. The eighteen allocation methods used by FirstEnergy have been developed and are maintained by the Controller's Department. In June, allocation methods are updated by reviewing the factors with the operating units and determining if they are still appropriate or if anything has changed.

The allocation methods are:

- Multiple Factor – All: For the indirect costs for products or services benefiting the entire FirstEnergy system, FirstEnergy and all subsidiaries bear a fair and equitable portion of such costs.

  - FirstEnergy bears five percent of these indirect costs. The remaining indirect costs are allocated among the utility subsidiaries and the non-utility subsidiaries benefiting from the services provided based on FirstEnergy's equity investment in the respective groups.
  - A subsequent allocation step then occurs. Among the utility subsidiaries, allocations are based on the Multiple Factor – Utility method. Among the non-utility subsidiaries, allocations are based on the Multiple Factor – Non-Utility method.
- Multiple Factor – Utility: For the Indirect Costs for a product or service solely benefiting one or more of the utility subsidiaries, each such utility subsidiary so benefiting is charged a portion of the indirect costs based on the sum of the weighted averages of the following factors:
  - Gross transmission and/or distribution plant
  - Operating and maintenance expense excluding purchase power and fuel costs
  - Transmission and/or distribution revenues, excluding transactions with affiliates
- Multiple Factor – Non-Utility: For the Indirect Costs for products or services solely benefiting the Non-Utility Subsidiaries, each non-utility subsidiary so benefiting is charged a proportion of the indirect costs based on the total assets of each non-utility subsidiary, including the generating assets under operating leases from the utility subsidiaries.
- Multiple Factor – Utility and Non-Utility: For the indirect costs for a product or service benefiting one or more of the utility and non-utility subsidiaries, each such subsidiary so benefiting is first assigned a distribution ratio that is in proportion to the indirect costs based on FirstEnergy's equity investment in such subsidiaries. Following this distribution, a subsequent allocation step then occurs. Among the utility subsidiaries, allocations are based on the Multiple Factor-Utility. Among the non-utility subsidiaries, allocations are based on Multiple Factor – Non-Utility.
- Direct Charge Ratio – The ratio of direct charges for a particular product or service to an individual subsidiary as a percentage of the total direct charges for a particular product or service to all subsidiaries benefiting from such services. Indirect costs are then allocated to each subsidiary based on the calculated ratios.
- Number of Customers Ratio – For costs of products and services driven by the number of utility customers, the allocation method used is the number of utility customers for the respective utility subsidiary receiving the product or service divided by the total number of utility customers.
- Number of Shopping Customers Ratio – A shopping customer is defined as a utility customer who has selected a competitive electric generation supplier. For costs of products and services driven by the number of shopping customers, the allocation method used is the number of shopping customers for the respective utility subsidiary receiving the product or service divided by the total number of shopping customers.
- Number of Participating Employees – General – For costs of products and services driven by all participating employees within the FirstEnergy system, the allocation

method used is the number of participating employees for the respective subsidiary receiving the product or service divided by the total number of participating employees.

- Number of Participating Employees – Utility and Non-Utility – For costs of products and services driven by participating employees who work for the utility and non-utility subsidiaries, the subsidiaries receiving the product or service are first assigned a distribution ratio that is in proportion to the indirect costs based on FirstEnergy's equity investment in the respective groups. Costs are further allocated by using the number of participating employees for the respective subsidiary divided by the total number of participating FirstEnergy employees.
- Gigabytes Used Ratio – Number of gigabytes utilized by a subsidiary receiving the product or service divided by the total number of gigabytes used by the FirstEnergy system companies applicable to that respective product or service.
- Number of Computer Workstations Ratio – Number of computer workstations utilized by a Subsidiary receiving the product or service divided by the total number of computer workstations in use by the FirstEnergy system companies applicable to that respective product or service.
- Number of Billing Inserts Ratio – Number of billing inserts performed for a subsidiary receiving the product or service divided by the total number of billing inserts performed for the FirstEnergy system companies applicable to that respective product or service.
- Number of Invoices Ratio – Number of invoices processed for a subsidiary receiving the product or service divided by the total number of invoices processed for the FirstEnergy system companies applicable to that respective product or service.
- Number of Payments Ratio – Number of monthly payments processed for a subsidiary divided by the total monthly number of payments processed for the FirstEnergy system companies applicable to that respective product or service. This will not be utilized until some historical information is available out of the new automated system.
- Daily Print Volume – Average daily print volume performed for a subsidiary receiving the service divided by the total average daily print volume performed for the entire FirstEnergy system.
- Number of Servers – Number of servers utilized by a subsidiary receiving the product or service divided by the total number of servers utilized by the FirstEnergy system.
- Application Development Ratio – Number of application development hours budgeted for a subsidiary receiving the service divided by the total number of budgeted application development hours for the year.
- Server Support Composite – The average ratio of UNIX gigabytes, financial ERP gigabytes, and number of servers for a subsidiary receiving the service.

B. FINDINGS

1. The CAM policies and procedures prevent cross-subsidization between the Ohio Companies and their affiliates.

The CAM provides policies, procedures, guidelines, and methodologies that are effective in preventing cross-subsidization of costs direct charged or allocated from FirstEnergy's affiliates to the Ohio Companies and from the Ohio Companies to the FirstEnergy affiliates. The CAM dictates that affiliate transactions be fully costed and direct charged, as much as possible. If transactions cannot be direct charged, then allocations must be fair and equitable to all parties involved. To this end, the CAM includes 18 different allocation methodologies to allocate costs among affiliated companies. Additional confidence in the CAM is provided by an Internal Audit periodic review of the CAM and that some of the well-developed and annual reviewed SOX controls are relevant to the CAM as well.

2. FirstEnergy's cost allocation process adequately manages the affiliate transactions of the Ohio Companies.

The cost allocation process creates and maintains the 18 cost allocation methods used to distribute costs other than direct charges among affiliates. This process prepares and supports transactions, manages the cost allocation transactions, and reconciles and closes the allocation results. The cost allocation methodology is clearly defined and adequately addresses individual department or function relationships. The amounts charged to the Ohio Companies are visible, explained, and traceable through the process to the initiating cost center. Responsibilities are clear, well-defined, and documented.

3. Power purchases and sales are not covered by the CAM but are covered by other regulatory processes.

Power purchases and sales by the Ohio Companies from, and to, two affiliates—FES and Allegheny Energy Supply Company—are not covered by the CAM. These purchases and sales are administered by PJM Interconnection (PJM) pursuant to PJM's Open Access Transmission Tariff (OATT) and Ohio rules. Please see Chapter I, Executive Summary, for more information on the power purchase regulatory processes.

4. One of the CAM's 18 allocation methods uses an arbitrary factor.

The "Multiple Factor – All" allocation method uses an arbitrary factor to assign a portion of the costs to be allocated. FirstEnergy is first assigned five percent of the indirect costs that are being allocated before applying other, measurable factors, such as equity investment, gross transmission and/or distribution plant, operating and maintenance expense excluding purchase power and fuel costs, and transmission and/or distribution revenues excluding transactions with affiliates to allocate the remainder of the costs. The five percent assigned to FirstEnergy is arbitrary and not based on any measurable factor.

5. The method for charging costs is based on fully allocated costs.

The costs for goods and services provided to the Ohio Companies from their affiliates or provided from the Ohio Companies to their affiliates are based on fully allocated costs. The cost allocation process of FirstEnergy's financial ERP first develops the total cost to be allocated by defining overheads and allocations and developing the business rules for each overhead and allocation including: the identification of the source amounts which are subject to either the application of the overhead or to be allocated, the methodology for calculating the overhead rate or allocation factors, and the identification of the target records to be created as a result of the overhead or allocation. Overheads are typically corporate charges added to source direct cost amounts to arrive at a total cost view. The addition of overhead costs to the source direct costs results in the total costs which are allocated, resulting in fully allocated costs.

6. Costs are traceable to the books of the applicable corporate entity.

All costs charged to the Ohio Companies are reported on their *Transactions with Associated (Affiliated) Companies* in the FERC Form 1s: Annual Reports of Major Electric Utilities, indicating the source and the description of the costs. Costs charged to the Ohio Companies from the Service Company over the last five years are shown in the following exhibit.

Service Company Charges to the Ohio Companies ($000)

Company	2012	2013	2014	2015	2016
Ohio Edison	55,360.8	55,104.5	59,302.8	74,140.2	81,931.2
CEI	46,643.5	41,371.2	44,416.4	51,129.2	29,250.2
Toledo Edison	21,166.0	20,393.3	21,274.9	25,567.9	27,262.6
Totals	**125,182.3**	**118,882.0**	**127,308.1**	**152,852.3**	**170,460.0**

The same costs that are shown above are also shown in *The Analysis of Billing Associated Companies* in FERC Form 60: Annual Report of Centralized Service Companies for the Service Company for the same years and companies. The same costs are reflected in the two different federal reports and identify the same source and destination of the costs. The Cost Allocation Master File traces all of the costs from the cost centers of the Service Company to all of the destination entities, including Ohio Edison, CEI, and Toledo Edison.

7. Affiliate transaction information is maintained for a minimum of three years.

All affiliate transaction information is considered part of FirstEnergy's financial records and this information is maintained longer than three years. FirstEnergy must comply with the records retention requirements of a number of Federal and state authorities including the Federal Regulatory Energy Commission (FERC), state utility commissions, and the Internal Revenue Service (IRS). An estimated six percent of FirstEnergy's electronic records are maintained in an electronic records management system, while an estimated 91% of electronic records are maintained in FirstEnergy's financial ERP, and an estimated three percent of electronic records are maintained by individual FirstEnergy departments.

8. The PUCO is provided with a summary of changes to the CAM.

The CAM undergoes minor changes, usually caused by employee movement from one department to another, in any given year. There might be 10 to 20 changes in the CAM per year. Annually, a copy of the revised CAM with all of the changes that have occurred since the previous year is sent to the PUCO.

9. FirstEnergy has designated a primary contact for dealing with the PUCO.

FirstEnergy's VP, Compliance and Regulated Services, is the designated contact for all matters related to affiliate transactions with the PUCO. This position is responsible for FirstEnergy's adherence to the code of conduct and the affiliate transactions rules for each state within which FirstEnergy conducts business. This responsibility includes monitoring affiliate activities and transactions, and training FirstEnergy personnel in the Standards of Conduct and Affiliate Restrictions.

10. The PUCO is able to perform an audit of FirstEnergy's CAM.

FirstEnergy and the Ohio Companies continue to facilitate the undertaking of an audit of the CAM. FirstEnergy and the Ohio Companies provide resources and facilities to enable the PUCO or its designates to conduct an audit of the CAM.

11. The CAM is current and available to appropriate personnel.

The FirstEnergy CAM is updated on an annual basis. Changes in personnel or in functions are updated and there is an annual review of cost allocation methodology with the business functions to ensure that the allocation factors and recipients of the cost assignments are still appropriate. A copy of the updated CAM or the changes to the CAM is provided to the PUCO staff on an annual basis. The CAM is not formally distributed to employees, but it is made accessible to employees of the Ohio Companies and their affiliates subject to the Standards of Conduct restrictions.

12. The CAM does not include all of the elements required by the Ohio Administrative Code.

Ohio Administrative Code (OAC) paragraph 4901:1-37-08 (D) (1), (4), (5), (6), (7), (8), (9) states:

> *The CAM will include:*
>
> > *(1) An organization chart of the holding company, depicting all affiliates, as well as description of activities in which the affiliates are involved.*
> >
> > *(4) A copy of the job description of each shared employee.*
> >
> > *(5) A list of names and job summaries for shared consultants and shared independent contractors.*
> >
> > *(6) A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.*
> >
> > *(7) A log detailing each instance in which the electric utility exercised discretion in the application of its tariff provisions.*
> >
> > *(8) A log of all complaints brought to the electric utility regarding this chapter.*
> >
> > *(9) A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.*

Although these elements may be available in some other format, they were not included in the CAM that was provided to the auditors.

C. RECOMMENDATIONS

1. Reconfigure the "Multiple Factor – All" allocation method based on measurable factors. (See Finding 4)

The five percent of indirect costs that are assigned to FirstEnergy is an arbitrary assignment. The definition of this allocation method in the CAM does not include any definable measurement for this five percent allocation. This allocation method should be evaluated and reconfigured so that all allocation of costs using this allocation method is based on measurable and appropriate criteria.

2. Include all of the elements required by the Ohio Administrative Code (OAC) in the FirstEnergy CAM. (See Finding 12)

OAC paragraph 4901:1-37-08 requires nine elements to be included in the FirstEnergy CAM. The CAM provided only included two of these elements. The other seven – (1), (4), (5), (6), (7), (8), and (9) may be available and may have been sent to the PUCO. However, technically, they were not included in the CAM that was reviewed by the auditor. In order to comply with the OAC, these elements should be added to the CAM.

APPENDIX A. LIST OF DOCUMENT REQUESTS

Request Number	Request
001	Detailed current organization charts of the three Ohio operating companies (Companies) and each affiliate with which the Companies had transactions over the past five years (2012–2016) and YTD June 30, 2017 (their affiliates), showing all positions, the reporting relationships (superior and subordinates), the title of the position, department or unit name, the cost center, and the current incumbent (or indicate that the position is vacant).
002	Current legal entity organization chart (sometimes called the tax entity chart) showing all FirstEnergy subsidiaries and investments including percentages owned and the relationships of each entity to one another.
003	Accounting policies and procedures manuals for the Companies and their affiliates.
004	List of all internal audit reports issued in the past five years (2012–2016) and YTD June 30, 2017 for the Companies and each of their affiliates.
005	Most recent audited financial statements for the Companies and each of their affiliates.
006	Most recent external audit letters regarding any material weaknesses or significant deficiencies identified during the audits of the Companies and each of their affiliates.
007	Policies and procedures concerning information technology security and physical separation of data for the Companies and each of their affiliates.
008	Description of financial computer system access controls (identification, authorization, authentication, and access approvals) and access monitoring procedures in place for the Companies and each of their affiliates.
009	Copies of attestations of effectiveness of financial system access controls issued for the past five years (2012 – 2016) and YTD June 30, 2017 for the Companies and each of their affiliates.
010	Procedures for testing protections for the Companies' and each of their affiliates' information systems.
011	Most recent audits or tests of safeguard practices and procedures for information systems for the Companies and each of their affiliates.
012	Policies and procedures regarding joint purchases by the Companies and affiliated entities.
013	List of all Companies' joint purchases with their affiliates for the past five years.
014	Policies and procedures regarding accounting and billing for any joint purchases by the Companies and affiliates.

Request Number	Request
015	Schedule detailing tariff electric services provided by the Companies to affiliates over the past five years (2012–2016) and YTD June 30, 2017.
016	Schedule detailing non-tariff electric services provided by the Companies to affiliates over the past five years (2012–2016) and YTD June 30, 2017.
017	Schedule detailing any tariff services provided by the Companies' affiliates to the Companies over the past five years (2012–2016) and YTD June 30, 2017.
018	Schedule detailing any non-tariff services provided by the Companies' affiliates to the Companies over the past five years (2012–2016) and YTD June 30, 2017.
019	Customer Service policies and procedures governing the treatment of the Companies' customers regarding discounts and any types of fee waivers.
020	Report of discounts and waivers provided to the Companies' affiliates or customers of affiliates in the past five years (2012–2016) and YTD, June 30, 2017.
021	List of all the Companies' tariffs with instructions for normal and any special customer treatment.
022	Description of the Companies training of employee or contractor representatives regarding customer discount provisions.
023	Policies and procedures of the Companies and their affiliates governing public statements on whom they are representing concerning the provision of electric services.
024	List of all shared representatives or shared employees between the Companies and any of their affiliates, their titles, duties, and locations.
025	Schedule of all public representations concerning the provision of electric services given by shared representatives or shared employees in the past five years (2012 – 2016) and YTD June 30, 2017.
026	The Companies and their affiliates cost allocation manuals (CAMs) and/or other documented policies and procedures governing the charging, assigning, and allocation of prices and costs of inter-affiliate transactions.
027	Schedule of distribution of the Companies and their affiliates CAM(s).
028	Schedule of all internal audits conducted on the CAM(s) over the past five years (2012–2016) and YTD, June 30, 2017.
029	Schedule of goods, services, asset transfers, and any other exchanges of value provided by the Companies to each of its affiliates in the past five years (2012–2016) and YTD June 30, 2017.

<table>
<tr><th>Request Number</th><th>Request</th></tr>
<tr><td>030</td><td>Schedule of goods, services, asset transfers, and any other exchanges of value provided to the Companies by each of their affiliates in the past five years (2012–2016) and YTD June 30, 2017.</td></tr>
<tr><td>031</td><td>Documentation of any fair market value (FMV) calculations made and used to price transfers of goods, services, asset transfers, and any other exchanges of value between the Companies and their affiliates in the past five years 2012–2016) and YTD June 30, 2017.</td></tr>
<tr><td>032</td><td>Documentation of other valuation used if FMV was not used.</td></tr>
<tr><td>033</td><td>Describe in detail the process utilized to enter into agreements to purchase wholesale power from other utilities, independent providers or aggregators.</td></tr>
<tr><td>034</td><td>For each purchase of wholesale capacity and/or energy from an affiliate in the past five years (2012-2016) and YTD, June 30, 2017, please provide the following:
a. The name of the affiliate and relationship to the Companies
b. The resulting agreement
c. The price paid for capacity and energy
d. The total annual costs of energy and capacity received
e. The energy supplied by year (in MWh)
f. The capacity provided by year (in MW-Year)
g. The process used to select the affiliate as provider of capacity and/or energy
h. The cost/benefit analysis supporting the purchase</td></tr>
<tr><td>035</td><td>For each sale of wholesale capacity and/or energy to an affiliate in the past five years (2012-2016) and YTD June 30, 2017, please provide the following:
a. The name of the affiliate and relationship to the Companies
b. The resulting agreement
c. The price received for capacity and energy
d. The total annual costs of energy and capacity received
e. The energy provided by year (in MWh)
f. The capacity provided by year (in MW-Year)
g. The process used to select the affiliate as provider of capacity and/or energy
h. The cost/benefit analysis supporting the sale</td></tr>
<tr><td>036</td><td>Corporate Separation Plan.</td></tr>
<tr><td>037</td><td>Please provide access to the Regulated Commodity Sourcing sharepoint site.</td></tr>
<tr><td>038</td><td>Please provide the documents that define ESP IV.</td></tr>
</table>

Request Number	Request
039	For each SSO auction that occurred in the years 2012 through 2016, please provide a list of the bidders in each auction, a list of the winning bidders in each auction and the number of tranches won by each winning bidder.
040	Please provide all communications between the consultant and FES in the years 2012 through 2016.
041	Please provide all communications between ED Regulated Commodity Sourcing and FES in the years 2012 through 2016.
042	2014/2015 Corporate Separation Rules Internal Audit.
043	Description of scoring system used to rank proposed areas that were included in the 2017 Audit Plan.
044	2017 Internal Audit Plan.
045	List and description of SOX controls and reports.
046	Identification of the SOX controls and reports relevant to compliance with the Ohio corporate separation rules.
047	List, description, and resolution of all calls received on the FirstEnergy hotline in for the last five years and YTD 2017.
048	Most recent Internal Audit report to the Audit Committee.
049	Most recent CAM audit report for Maryland.
050	List of all SOX control or audit failures for the past five years and YTD.
051	FirstEnergy Credit Facility.
052	FirstEnergy Money Pool agreement.
053	Schedule of long-term debt for all three Ohio companies as of December 31, 2016 and June 30, 2017.
054	Charter or policies and standards governing the Pension & Investments Committee.
055	Description of the Operating and Capital Budgeting Processes.
056	Current credit ratings of all FirstEnergy companies.
057	Please provide a copy of the August 22, 2017 Kick-Off Meeting presentation.
058	Please provide copies of all press releases, presentations, SEC filings, and other publicly available information relevant to exiting competitive generation.
059	Please provide the Code of Conduct.
060	Please provide the Code of Conduct training materials.
061	Please provide the FERC independent functioning requirements, information sharing restrictions, and the No Conduit Rule.

Request Number	Request
062	Please list the number of employees by legal entity and department in each FERC classification.
063	Please list the number of contractors in each FERC classification by company.
064	Please describe the physical access rights for each FERC classification in as much detail as possible.
065	Please describe the electronic (information) access rights for each FERC classification in as much detail as possible.
066	Please provide the Affiliate Restrictions training materials.
067	Please provide a list of the names, titles, and physical location by legal entity and department of the employees who successfully completed Affiliate Restrictions training in the last 12 months (through August 2017).
068	Please describe how the “other employees” regularly interact with Marketing Function Employees.
069	How can we verify which employees completed the Affiliate Restrictions training in the last 12 months?
070	Please provide a list of the names and titles by department of the employees who have not successfully completed FERC Standards of Conduct training in the last 12 months (through August 2017).
071	Please provide a copy of the latest internal audit of compliance with the FERC Standards of Conduct.
072	Please provide a copy of the latest external audit of compliance with the FERC Standards of Conduct.
073	How can we verify that the other employees not listed in the previous request completed the FERC Standards of Conduct training in the last 12 months?
074	Please provide the FERC requirement for annual refresher training on FERC Standards of Conduct (SOC).
075	Please provide a list of all of the TFE employee work spaces with full addresses and a description of each facility.
076	Please provide all monthly and annual reports referenced as sub-bullet points under the “Compliance Monitoring of Corporate TFE Workshops” bullet.
077	Please provide a detailed description of each of the sub-bullet points (SAP Privileged Access, Segregation of Duties, etc.) with a reference to the formal system and procedural controls for each.
078	Please provide a copy of the latest Quarterly Review of Separations & Transfers.

Request Number	Request
079	Please describe the process for allowing CRES providers with access to the Customer Information List.
080	Please provide a sample of the Customer Information List data to which the registered CRES providers have access. Please disguise any actual customer information.
081	Please provide a list of all of the CRES providers' requests for additional information not on the Customer Information List for the last five years and year-to-date 2017 including the CRES provider, the information requested, and whether or not the requested information was provided.
082	For each customer service level (e.g., CSR, supervisor, and manager), please provide the degree of discretion each level has for approving discounts and fee waivers by type (late payment charges, return check charges, etc.).
083	Please describe in detail the "weeks of additional training for new skills" and the employee categories that receive the training.
084	Does FES pay royalties to the Ohio companies for use of the FirstEnergy name? If so, please list the payments for the last five years and the expected payments for 2017. If FES does not pay name royalties to the Ohio companies, please explain the rationale on why not.
085	Please provide the results of the periodic reviews of compliance efforts for the last five years and year-to-date.
086	We understand that the FirstEnergy Solutions Retail Sales & Marketing function has been transferred out of FES to the Marketing & Branding group. However, the FES page on the FirstEnergy web site promotes retail sales. a. How are retail sales in Ohio to be handled going forward? b. Which employees (legal entity and department) handle FES retail sales and service? c. Which legal entity will sell retail services? d. Which legal entity will hold the retail sales book? e. Which legal entity will provide the retail services?
087	For each PIPP auction that occurred in the years 2012 through 2016 and year-to-date, please provide a list of the bidders in each auction, a list of the winning bidders in each auction and the number of tranches won by each winning bidder.
088	Please provide all communications between PIPP bidders and ED Regulated Commodity Sourcing in the years 2012 through 2016.
089	Please provide all communications between SSO bidders and ED Regulated Commodity Sourcing in the years 2012 through 2016 and year-to-date.

Request Number	Request
090	For each REC auction that occurred in the years 2012 through 2016 and year-to-date, please provide a list of the bidders in each auction, a list of the winning bidders in each auction, and the number of RECs won by each winning bidder.
091	Please provide all communications between the consultant and FES in the years 2012 through 2016 and year-to-date.
092	Please provide all communications between REC auction bidders and ED Regulated Commodity Sourcing in the years 2012 through 2016 and year-to-date.
093	Please describe the processes and limitations in place to restrict communications between select employees.
094	Please provide all communications in the years 2012 through 2016 and year-to-date between the strategy department and FirstEnergy Solutions.
095	Please provide all communications in the years 2012 through 2016 and year-to-date between the strategy department and ED Regulated Commodity Sourcing.
096	Please provide all communications in the years 2012 through 2016 and year-to-date between the strategy department and any FirstEnergy transmission functions.
097	Please confirm that there are no technological limitations on contacts between FirstEnergy employees for Company email, land lines, and cell phones. Please describe any technological limitations in effect.
098	Please describe how the FirstEnergy e-mail system is linked to the Code of Conduct.
099	List of goods and services that can be acquired that do not have to go through Supply Chain and the organizational unit that can acquire each.
100	List of goods and services provided to the Ohio utilities contracted and supplied through FirstEnergy’s Supply Chain.
101	List of goods and services provided to the Ohio utilities not contracted and supplied through FirstEnergy’s Supply Chain.
102	Most recent proxy statement.
103	List of Compliance Champions for each of the Ohio utility companies.
104	Latest reliability audit.
105	FirstEnergy FERC Form 60’s for the last five years (2012-2016).
106	Amount of direct charges and allocated charges from affiliates to the three Ohio companies for the past five years and YTD, 2017.
107	Amount of direct charges and allocated charges from affiliates to FES for the past five years and YTD, 2017.

Request Number	Request
108	List of SOX controls in the Assistant Controller – Corporate area.
109	List of SOX controls related to CAM issues.
110	Description of training provided to service representatives.
111	Number of personnel trained by type of training.
112	Training curriculum for service representatives.
113	Training material for the PUC's Apples to Apples, specific state requirements, SSO options, how to explain competitive shopping, price to compare, how to refer customers to the web site, and other customer choice topics.
114	Training material for supplier service training.
115	Annual Quality Score for 2016 for each customer contact center.
116	Monthly and annual statistics concerning customer calls by state.
117	Current contract with the customer service contractor.
118	Current contract with the customer service contractor.
119	Current contract with the customer service contractor.
120	Number and percentage of total calls that are listened to for quality assurance at each of the Customer Contact Centers for the past five years (2012–2016) and YTD 2017.
121	Example actual feedback sheet for a CSR quality call review involving a customer choice related call. Please disguise the CSR.
122	Five year and year-to-date statistics on Ohio shopping statistics including the number of customers by class (residential, commercial, and industrial) choosing affiliated suppliers versus the total number of shopping customers.
123	Example of a completed 1039 form for J&C work performed by CEI or FirstEnergy.
124	Description of the Customer Support Training program.
125	Supplier training materials for customer support reps.
126	Shopping customer training materials for customer support reps.
127	Attendees, agenda, and minutes for the September meeting of the Customer Support and National Accounts personnel.
128	Actual results compared to budget for Shared Services departments for the past five years (2012–2016) and YTD 2017.
129	Description of the budget process for the Shared Services departments.
130	Overview of the financial planning system and description of how it is used for the FirstEnergy Shared Services departments.

Request Number	Request
131	Overview of the report writer and description of how it is used for the FirstEnergy Shared Services departments.
132	Confirmation that the Customer Support Representatives for the three Ohio Companies have all received Affiliate Restrictions training for the last five years. Identify any exceptions.
133	All metrics for Customer Self-Service for 2016 and YTD 2017, identifying customer interaction by state.
134	Overview description of the customer service system.
135	Backlog report as of August 31, 2017.
136	Quarterly Quality Assurance Review for August 2017.
137	Blank screen shot of “Contact Us.”
138	Sample customer service report of inquiry from customer and Customer Self-Service reply.
139	Statistics re: training provided to the three Ohio utility companies in 2016 and YTD 2017, broken out by hard-copy training vs on-line training.
140	Presentation re: Code of Conduct given at the September 18, 2017 Audit Committee meeting.
141	Description of the Annual Audit Plan Risk Scoring process.
142	Overview description of the risk tracking system.
143	Most current Open Issues Report .
144	Schedule of all allocation factors used for the past five years (2012-2013).
145	Schedule of transactions between the three Ohio companies and their affiliates by major account or department and categorized by direct charges and allocations for the past five years (2012–2016).
146	Sample of the Service Company Cost Center Review document for the last annual update.
147	Sample of a completed SOX control test.
148	Refresher time charging training documentation (Webinar).
149	Policies and Procedures concerning the refresher training on Sharepoint.
150	Schedule of all refresher training specific to utilities.
151	Most recent Earnings Driver Report for the three Ohio companies.
152	Most recent O&M Analysis for the three Ohio companies.
153	Most recent Earnings Report for the same period as the two previous documents.
154	Power Point presentation of actual vs budget and forecast for the same period as above.

Request Number	Request
155	Sample documentation of the annual review of cost center allocations.
156	Report of number of inquiries and resolutions for 2016 and YTD 2017.
157	Most recent Dashboard.
158	Description, purpose, and membership of the Corporate Compliance Training Governance Committee.
159	Overview and description of the risk system.
160	Most recent Risk presentation to the Audit Committee.
161	Anti-market manipulation training policy.
162	Anti-market manipulation reference case.
163	Description of the purpose and operations of the following subsidiary companies to the three Ohio utility companies: • OE Funding, LLC • OES Ventures, Inc. • Pennsylvania Power Company • CEI Funding, LLC • Toledo Edison Capital Corporation • TE Funding, LLC
164	Sample Daily Cash Position report for September 27, 2017.
165	Sample SAP “Net Cash Position by Entity” report for September 27, 2017.
166	Quarterly Cash Position/Transaction reports sent to PUCO for 2016 and YTD 2017.
167	Description of the Money Pool interest rate calculation.
168	Current and 2018 planned FES CRES related Ohio employee staffing, sales agents, and advertising budgets.
169	Any policy, procedure, job description, or other document that states that the Director of State Affairs for Ohio does not represent FirstEnergy Solutions and/or only represents the three FirstEnergy Ohio utilities.
170	Please confirm that FirstEnergy is exiting the competitive retail electric “commodity exposed” business in Ohio in conjunction with its exit of the “commodity exposed” generation business.
171	In conjunction with the exiting of the “commodity exposed” businesses, has FirstEnergy identified a need to reduce its FirstEnergy Service Company costs and/or staffing level going forward? If so, by how much and when?
172	Please provide the current strategic plan(s) covering FirstEnergy Solutions, FirstEnergy Utilities, and FirstEnergy Service Company.

Request Number	Request
173	List of all “transmission and distribution systems (e.g., system operations, capability, price, curtailments, and ancillary services)” and for each system provide: • A detailed description of the system • The title and organization of the principal system user/owner • The titles and organizations of administrative rights holders • Do any competitive retail electric service providers have access to the system? If so, which ones and how? • How are FES CRES related personnel prevented from accessing the system • A detailed description of the authorization authentication levels and procedures for the system, e.g. user names, passwords, and RSA token fobs
174	List and copies of all Critical Infrastructure Protection related transmission and distribution system rules and descriptions of how FirstEnergy complies with or exceeds each rule.
175	Updated organization chart shown during the interview.
176	List of categories of skill sets for contact center employees.
177	Number of employees (including contractors) at each contact center categorized by the skill sets for which they are qualified.
178	Most recent available documentation of the FERC Standards of Conduct and Affiliate Restriction training received by contractor CSRs.
179	Attestation and most recent available documentation of the quality assurance reviews conducted by the contractor on its CSRs that answer FirstEnergy customer calls.
180	Percentage of FirstEnergy Credit Calls handled by the contractor for the past five years (2012 -2016) and YTD, 2017.
181	Most recent customer service benchmarking report that includes FirstEnergy customers.
182	Description and numerical code structure of FirstEnergy’s Cost Collectors.
183	2017 Cost Allocation Master File.
184	Details and results of the latest testing performed for SOX control ANR-CTL-1088.
185	Draft of Internal Audit report of CAM or cost allocation audit of New Jersey and Pennsylvania.
186	Please verify that all new CSR employees and contractors receive the same “On-Boarding” training.

Request Number	Request
187	Please verify that contractor CSRs receive the same training as their comparable FirstEnergy CSRs.
188	Please verify that contractor CSRs forward all customer questions regarding suppliers of retail power to the Customer Contact Centers.
189	Training Plan for 2017.
190	Call Forecast for 2017.
191	Staffing Master for 2017.
192	Most recent monthly QA Report from the customer service system.
193	Most recent Daily ASA report for Ohio.
194	Please verify that there is a record of all FirstEnergy employees' FERC Standards of Conduct training and Affiliate Restrictions training in the Map My Learning data base.
195	Schedule of direct charges and allocations from the Insurance & Operational Risk department to operating units or companies in 2016 and YTD, 2017.
196	List of property insurance claims greater than $10 million for the past five years (2012 – 2016) and YTD, 2017.
197	Schedule of insurance premiums for the past five years (2012 – 2016) and YTD, 2017.
198	Schedule of risks concerning the three Ohio companies from the ERM data base.
199	Description of framework for assigning risk levels and velocity.
200	Most recent annual risk presentation given to the ELT.
201	Most recent audit regarding access to the ERM data base.
202	Referring to the responses to DR 036, Attachment 1 and DR 059, please reconcile each of the 11 articles and sub articles in the Corporate Separation Plan Code of Conduct starting on page 7 with the specific section in the DR 007 response (page and section number) that reflects the compliance program for each element of the Corporate Separation Plan Code of Conduct.
203	Referring to the responses to DR 036, Attachment 1 and DR 059, please identify and detail any compliance program other than the FERC compliance program relevant to the 11 articles and sub articles in the Corporate Separation Plan Code of Conduct starting on page 7.
204	Please provide the number of customers of The Waverly Electric Light and Power Company and describe its state(s) of operation and its service territory.

Request Number	Request
205	Please explain in detail how each organizational unit in the FirstEnergy Service Company Retail Sales & Marketing Group supports the FirstEnergy Solutions competitive retail electric services sales and support in Ohio.
206	Please list each Ohio related FirstEnergy Solutions and FirstEnergy Service Company competitive retail electric services sales employee (by legal entity) and sales agent by sales territory and market segment (industrial, commercial, government, residential, etc.).
207	Please explain in detail how each organizational unit in the FirstEnergy Service Company Marketing & Product Development group supports FirstEnergy Solutions competitive retail electric services sales and support in Ohio.
208	Which organizational units operate and support the Ohio Distribution Control Centers?
209	List of all SOX controls for FEG Business Services, Fossil Generation, and Fleet Support.
210	Overview of risk system.
211	Sample of January 29, 2018 POLR supplier agreement.
212	Sample of ISDA counter-party master agreement.
213	List of SOX controls in the Risk Control area.
214	Overview of IWD system (with flow charts depicting process, if available).
215	Schedule of customer discounts given by Ohio company for the past six years (2012 – 2017).
216	Number of Power Billing contracts and amount of revenue from contracts for each of the Ohio companies for the past six years (2012 – 2017).
217	Number of suppliers and amount of revenue per supplier for each of the Ohio companies for the past six years (2012 – 2017).
218	List of all SOX controls in Customer Management.
219	Overview of C-Net.
220	Control report of goodwill credits granted for the past six years (2012 - 2017).
221	Payment posting priority.
222	Overview of the customer service system.
223	Overview of the customer service system.
224	Average number of calls with video.
225	Number of CSRs graded in 2017.
226	Average number of calls handled per CSR in 2017.

Request Number	Request
227	Please provide the calculation documentation that indicates that reviewing four calls per month for each customer service representative yields a 90% confidence level.
228	Overview of the customer service system.
229	One month forecast by type of call for each of the three operating companies in Ohio – Ohio Edison, Toledo Edison, and the Illuminating Company.
230	Average handling time (AHT) by type of call that is used in a recent forecast.
231	Copy of recent report provided to the ELT concerning performance reporting for the three Ohio operating companies.
232	Breakout of document request # 190 by Ohio operating company.
233	Please verify that contractor service representatives receive the same quality assurance review as the FirstEnergy CSRs.
234	Please provide a schedule showing all costs direct charged or allocated out of the T&D Warehousing and Material Management department by cost type (labor, materials, etc.) and ultimate recipient (operating company) of costs for the last five years (2013 through 2017). Please indicate whether the costs are direct charged or allocated using FirstEnergy's CAM.
235	Overview of the document management system.
236	Estimate of percentage of documents that are maintained in the document management system vs in the departments.
237	Estimate of percentage of documents that are maintained in the document management system vs maintained in hardcopy.
238	Description of the training performed, the units or types of personnel that are trained for each type of training, the number of personnel receiving each type of training in 2016 and 2017.
239	Description of the security protecting access to the document management system.
240	Please confirm that training is done by the Information Compliance work group.
241	Please provide an updated organization chart showing all current Retail Operations positions, their company (FES or Shared Services), their FERC classifications, and their physical work locations (e.g., WAC B1 or B3).

Request Number	Request
242	Please prepare a table with columns for the following topics (first column) and how Retail Operations supports FES Retail Sales (second column) and FirstEnergy Products (third column) • Which positions support each organization unit? Please identify all positions that support both units. • Information systems used • Contract and transactional management support provided • Customer management support provided • Revenue and cash management support provided • System operations support provided • Contractor utilized for each function (call center, revenue, mailings, credit cards, etc.) • Any other topics that cover the physical and IT separation between FEP and FES support
243	Description of the process used to develop 2017cost allocations to FES by the Customer Communications group (e.g., estimates, time studies, direct charges).
244	Detailed budget for Customer Communications group charges to FES in 2017.
245	Detailed schedule of actual Customer Communications group year-to-date 2017 charges by individual employee and all other line item charges to FES.
246	Please provide the name of the affiliate(s) from whom Ohio Edison, CEI, and Toledo Edison purchased the REC's in 2014.
247	Please describe the transaction and provide the name of the affiliate(s) involved in the "Regulatory Asset Securitization" for Ohio Edison, CEI, and Toledo Edison in 2013.
248	Please describe the transaction and provide the name of the affiliate(s) involved in the "Net Sale-Leaseback Transfers" for Ohio Edison in 2015, 2016, and 2017 and Toledo Edison in 2017.
249	Please provide the amount of Direct Charges for each company and year listed on DN 106, separate from Allocated Charges for each company and year listed on DN 106. For each company and year, the total of the new amounts provided should equal the amounts provided on DN 106. Please expedite this response.

Request Number	Request
250	Please: • Provide a description or explanation of the "Sale of Power to Nuclear Genco" for Ohio Edison and Toledo Edison for the 2012 - 2016 time period. • Explain why the sale of power has decreased over the 2012 - 2016 time period. • Explain the source of the power that was sold. • Describe or summarize "Service Agreement No. 100, FirstEnergy Corp. Electric Power Supply Agreement."