

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In The Matter Of The Determination Of The)	
Existence Of Significantly Excessive Earnings For 2017)	
Under The Electric Security Plans of Ohio Edison)	Case No. 18-857-EL-UNC
Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company)	
)	
In The Matter Of The Determination Of The)	
Existence Of Significantly Excessive Earnings For 2018)	
Under The Electric Security Plans of Ohio Edison)	Case No. 19-1338-EL-UNC
Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company)	
)	
In The Matter Of The Determination Of The)	
Existence Of Significantly Excessive Earnings For 2019)	
Under The Electric Security Plans of Ohio Edison)	Case No. 20-1034-EL-UNC
Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company)	
)	
In The Matter Of the Quadrennial Review Required)	
By R.C. 4928.143(E) For The Electric Security Plans)	
Of Ohio Edison Company, The Cleveland Electric)	Case No. 20-1476-EL-UNC
Illuminating Company, and The Toledo Edison)	
Company)	

SECOND SUPPLEMENTAL TESTIMONY OF

TRACY M. ASHTON

ON BEHALF OF

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

April 20, 2021

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

2 A. My name is Tracy M. Ashton. My business address is FirstEnergy Corp.
3 (“FirstEnergy”), 76 South Main Street, Akron, Ohio 44308. I am employed by
4 FirstEnergy Service Company as Assistant Controller - Corporate for FirstEnergy and
5 a number of its subsidiary companies, including Ohio Edison Company (“OE”), The
6 Cleveland Electric Illuminating Company (“CEI”), and The Toledo Edison Company
7 (“TE”) (collectively, “Companies” and individually, “Company”).

8 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
9 **COMMISSION IN THESE CONSOLIDATED CASES?**

10 A. Yes. I filed direct and supplemental testimony on March 1, 2021 on behalf of the
11 Companies (“March 1 Testimony”).

12 **Q. WHAT IS THE PURPOSE OF YOUR SECOND SUPPLEMENTAL**
13 **TESTIMONY IN THIS PROCEEDING?**

14 A. In my March 1 Testimony, I presented Prospective SEET (defined in March 1
15 Testimony) results for the Companies in the aggregate over the period 2020-2024, and
16 indicated that the Companies would prepare individual results for each Company. The
17 purpose of my second supplemental testimony is to present supplemental information
18 that provides the individual Prospective SEET results for each Company.

19 **Q. WHAT MATERIALS HAVE YOU INCLUDED WITH YOUR TESTIMONY?**

20 A. I have included the following attachments to my testimony:

21 Schedule TMA-1 - Supplemental: Prospective SEET Return on Equity Calculation

22 Schedule TMA-2 - Supplemental: Prospective SEET Net Income Calculation

23 Schedule TMA-3 - Supplemental: Prospective SEET Common Equity Calculation

Q. PLEASE DESCRIBE THE SUPPLEMENTAL INFORMATION BEING PROVIDED IN THESE SCHEDULES.

A. I used the same methodology and assumptions as described in my March 1 testimony.

As described in the supplemental testimony of Companies' witness Storsin, the preliminary actual results for 2020 that I relied upon as the starting point for the analysis in my March 1 Testimony have been updated for the final actual results reported in the Companies' 2020 FERC Form 1 filings. Otherwise, the only new information being provided here in my second supplemental testimony is to present the Prospective SEET results from my March 1 Testimony by individual Company.

Q. WHAT ARE THE RETURNS ON EQUITY FOR THE PROSPECTIVE SEET FOR THE COMPANIES?

A. The table below summarizes the Prospective SEET returns on equity results for each year and on a weighted average during the balance of ESP IV:

Year	OE	CEI	TE	Aggregate
2020	11.1%	4.3%	7.4%	7.5%
2021	10.3%	3.9%	5.9%	7.0%
2022	9.6%	4.2%	4.4%	6.6%
2023	9.0%	3.9%	4.4%	6.2%
2024	9.2%	3.3%	4.0%	6.0%
Avg.	9.8%	3.9%	5.2%	6.6%

The calculations supporting these results are shown in Schedules TMA-1 - Supplemental, TMA-2 - Supplemental, and TMA-3 - Supplemental.

Q. DO YOU BELIEVE IT IS SUBSTANTIALLY LIKELY THAT THE COMPANIES' ESP IV WILL RESULT IN SIGNIFICANTLY EXCESSIVE EARNINGS DURING THE BALANCE OF THE PLAN?

1 A. No. Based upon my calculation of the Companies' estimated returns on equity and the
2 analysis of SEET Thresholds presented by Companies' witness Dr. Villadsen, I
3 conclude that it is not substantially likely that the Companies' ESP IV will result in
4 significantly excessive earnings during the balance of the plan. Individually and in the
5 aggregate, the Companies' average estimated earned returns on equity during the
6 balance of ESP IV, and the Companies' estimated earned returns on equity for each
7 remaining year of ESP IV, are all below the Safe Harbor of 13.2 percent, and also well
8 below the SEET threshold of 24.1 percent in Dr. Villadsen's analysis.

9 **Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL TESTIMONY?**

10 A. Yes.

Prospective Significantly Excessive Earnings Test (SEET)
Return on Equity Calculation

Ohio Edison								
Line	Description	2020	2021	2022	2023	2024	2020-2024	Source
1	SEET Net Income	153,037,180						Schedule TMA-2, Page 1, Line 4
2	SEET Common Equity	1,379,879,357						Schedule TMA-3, Page 1, Line 18
3	SEET Return on Equity	11.1%	10.3%	9.6%	9.0%	9.2%	9.8%	Calculation: Line 1 / Line 2

The Illuminating Co.								
Line	Description	2020	2021	2022	2023	2024	2020-2024	Source
4	SEET Net Income	66,881,317						Schedule TMA-2, Page 1, Line 8
5	SEET Common Equity	1,556,148,828						Schedule TMA-3, Page 1, Line 36
6	SEET Return on Equity	4.3%	3.9%	4.2%	3.9%	3.3%	3.9%	Calculation: Line 4 / Line 5

Toledo Edison								
Line	Description	2020	2021	2022	2023	2024	2020-2024	Source
7	SEET Net Income	39,030,808						Schedule TMA-2, Page 1, Line 12
8	SEET Common Equity	528,927,262						Schedule TMA-3, Page 1, Line 54
9	SEET Return on Equity	7.4%	5.9%	4.4%	4.4%	4.0%	5.2%	Calculation: Line 7 / Line 8

FE Ohio Aggregate								
Line	Description	2020	2021	2022	2023	2024	2020-2024	Source
10	SEET Net Income	258,949,304						Schedule TMA-2, Page 1, Line 16
11	SEET Common Equity	3,464,955,448						Schedule TMA-3, Page 1, Line 72
12	SEET Return on Equity	7.5%	7.0%	6.6%	6.2%	6.0%	6.6%	Calculation: Line 10 / Line 11

Note: See Schedules TMA-2 and TMA-3 for the calculation of Net Income and Common Equity.

**Prospective Significantly Excessive Earnings Test (SEET)
Net Income Calculation**

Ohio Edison							
Line	Description	2020	2021	2022	2023	2024	Source
1	Net Income	247,077,083					2020: FERC Form 1; 2021-2024: Forecast
2	Affiliate Company Earnings	(46,408,781)					Supporting Workpapers
3	Special / Extraordinary Items After-Tax	(47,631,122)					Supporting Workpapers
4	SEET Net Income	153,037,180					Calculation: Sum Lines 1-4

The Illuminating Co.							
Line	Description	2020	2021	2022	2023	2024	Source
5	Net Income	94,960,318					2020: FERC Form 1; 2021-2024: Forecast
6	Affiliate Company Earnings	(5,026,651)					Supporting Workpapers
7	Special / Extraordinary Items After-Tax	(23,052,350)					Supporting Workpapers
8	SEET Net Income	66,881,317					Calculation: Sum Lines 5-8

Toledo Edison							
Line	Description	2020	2021	2022	2023	2024	Source
9	Net Income	58,080,833					2020: FERC Form 1; 2021-2024: Forecast
10	Affiliate Company Earnings	(490,919)					Supporting Workpapers
11	Special / Extraordinary Items After-Tax	(18,559,105)					Supporting Workpapers
12	SEET Net Income	39,030,808					Calculation: Sum Lines 9-11

FE Ohio Aggregate							
Line	Description	2020	2021	2022	2023	2024	Source
13	Net Income	400,118,233					2020: Sum of Companies; 2021-2024: Forecast
14	Affiliate Company Earnings	(51,926,351)					Supporting Workpapers
15	Special / Extraordinary Items After-Tax	(89,242,578)					Supporting Workpapers
16	SEET Net Income	258,949,304					Calculation: Sum Lines 13-16

Prospective Significantly Excessive Earnings Test (SEET)
Common Equity Calculation

Ohio Edison								
Average Common Equity								
Line	Month	Description	2020	2021	2022	2023	2024	Source
1	Beg. Bal.	December	1,241,828,919	1,652,798,536				Schedule JMS-2 Line 21
2		January	1,280,456,859					Schedule JMS-2 Line 21
3		February	1,280,948,708					Schedule JMS-2 Line 21
4		March	1,292,842,355					Schedule JMS-2 Line 21
5		April	1,313,632,620					Schedule JMS-2 Line 21
6		May	1,336,580,177					Schedule JMS-2 Line 21
7		June	1,297,557,671					Schedule JMS-2 Line 21
8		July	1,334,115,460					Schedule JMS-2 Line 21
9		August	1,611,990,030					Schedule JMS-2 Line 21
10		September	1,633,771,246					Schedule JMS-2 Line 21
11		October	1,656,733,128					Schedule JMS-2 Line 21
12		November	1,681,926,062					Schedule JMS-2 Line 21
13	End. Bal.	December	1,652,798,536					Schedule JMS-2 Line 21
14		Average	1,431,937,059					Calculation: Average (Lines 1-13)
Common Equity Adjustments								
Adjustment			2020	2021	2022	2023	2024	Source
15	Affiliate Company Earnings		(22,424,202)					Supporting Workpapers
16	Special / Extraordinary Items		(29,633,501)					Supporting Workpapers
17	Total Adjustments		(52,057,702)					Calculation: Line 15 + Line 16
SEET Average Common Equity								
			2020	2021	2022	2023	2024	Source
18	SEET Average Common Equity		1,379,879,357					Calculation: Line 14 + Line 17
* Beginning and ending 2020 balances from 2020 FERC Form 1								
* Common Equity Adjustments represent the thirteen-month average of the annual cumulative net income adjustments on Line 2 and 3 of Schedule TMA-2.								

Prospective Significantly Excessive Earnings Test (SEET)
Common Equity Calculation

The Illuminating Co.								
Average Common Equity								
Line	Month	Description	2020	2021	2022	2023	2024	Source
19	Beg. Bal.	December	1,535,229,847	1,588,753,973				Schedule JMS-2 Line 21
20		January	1,557,124,008					Schedule JMS-2 Line 21
21		February	1,554,775,370					Schedule JMS-2 Line 21
22		March	1,560,111,666					Schedule JMS-2 Line 21
23		April	1,569,663,668					Schedule JMS-2 Line 21
24		May	1,576,027,121					Schedule JMS-2 Line 21
25		June	1,558,359,314					Schedule JMS-2 Line 21
26		July	1,579,786,047					Schedule JMS-2 Line 21
27		August	1,597,737,372					Schedule JMS-2 Line 21
28		September	1,608,833,301					Schedule JMS-2 Line 21
29		October	1,622,311,196					Schedule JMS-2 Line 21
30		November	1,633,810,204					Schedule JMS-2 Line 21
31	End. Bal.	December	1,588,753,973					Schedule JMS-2 Line 21
32		Average	1,580,194,084					Calculation: Average (Lines 19-31)
Common Equity Adjustments								
Adjustment			2020	2021	2022	2023	2024	Source
33	Affiliate Company Earnings		(2,383,073)					Supporting Workpapers
34	Special / Extraordinary Items		(21,662,182)					Supporting Workpapers
35	Total Adjustments		(24,045,256)					Calculation: Line 33 + Line 34
SEET Average Common Equity								
			2020	2021	2022	2023	2024	Source
36	SEET Average Common Equity		1,556,148,828					Calculation: Line 32 + Line 35
* Beginning and ending 2020 balances from 2020 FERC Form 1								
*Common Equity Adjustments represent the thirteen-month average of the annual cumulative net income adjustments on Line 6 and 7 of Schedule TMA-2.								

* Beginning and ending 2020 balances from 2020 FERC Form 1

*Common Equity Adjustments represent the thirteen-month average of the annual cumulative net income adjustments on Line 6 and 7 of Schedule TMA-2.

Prospective Significantly Excessive Earnings Test (SEET) Common Equity Calculation

Toledo Edison								
Average Common Equity								
Line	Month	Description	2020	2021	2022	2023	2024	Source
37	Beg. Bal.	December	518,935,512	553,184,404				Schedule JMS-2 Line 21
38		January	531,436,732					Schedule JMS-2 Line 21
39		February	527,487,574					Schedule JMS-2 Line 21
40		March	526,276,876					Schedule JMS-2 Line 21
41		April	529,651,981					Schedule JMS-2 Line 21
42		May	535,303,956					Schedule JMS-2 Line 21
43		June	527,011,613					Schedule JMS-2 Line 21
44		July	537,152,019					Schedule JMS-2 Line 21
45		August	545,758,969					Schedule JMS-2 Line 21
46		September	551,728,473					Schedule JMS-2 Line 21
47		October	557,975,407					Schedule JMS-2 Line 21
48		November	563,350,560					Schedule JMS-2 Line 21
49	End. Bal.	December	553,184,404					Schedule JMS-2 Line 21
50		Average	538,865,698					Calculation: Average (Lines 37-49)
Common Equity Adjustments								
	Adjustment		2020	2021	2022	2023	2024	Source
51	Affiliate Company Earnings		(278,389)					Supporting Workpapers
52	Special / Extraordinary Items		(9,660,047)					Supporting Workpapers
53	Total Adjustments		(9,938,436)					Calculation: Line 51 + Line 52
SEET Average Common Equity								
			2020	2021	2022	2023	2024	Source
54	SEET Average Common Equity		528,927,262					Calculation: Line 50 + Line 53
* Beginning and ending 2020 balances from 2020 FERC Form 1								
* Common Equity Adjustments represent the thirteen-month average of the annual cumulative net income adjustments on Line 10 and 11 of Schedule TMA-2.								

Prospective Significantly Excessive Earnings Test (SEET) Common Equity Calculation

FE Ohio Aggregate								
Average Common Equity								
Line	Month	Description	2020	2021	2022	2023	2024	Source
55	Beg. Bal.	December	3,295,994,278	3,794,736,913				Sum of Companies
56		January	3,369,017,598					Sum of Companies
57		February	3,363,211,652					Sum of Companies
58		March	3,379,230,896					Sum of Companies
59		April	3,412,948,268					Sum of Companies
60		May	3,447,911,255					Sum of Companies
61		June	3,382,928,599					Sum of Companies
62		July	3,451,053,526					Sum of Companies
63		August	3,755,486,371					Sum of Companies
64		September	3,794,333,020					Sum of Companies
65		October	3,837,019,732					Sum of Companies
66		November	3,879,086,827					Sum of Companies
67	End. Bal.	December	3,794,736,913					Sum of Companies
68		Average	3,550,996,841					Calculation: Average (Lines 55-67)
Common Equity Adjustments								
	Adjustment		2020	2021	2022	2023	2024	Source
69	Affiliate Company Earnings		(25,085,664)					Sum of Companies
70	Special / Extraordinary Items		(60,955,730)					Sum of Companies
71	Total Adjustments		(86,041,394)					Calculation: Line 69 + Line 70
SEET Average Common Equity								
			2020	2021	2022	2023	2024	Source
72	SEET Average Common Equity		3,464,955,448					Calculation: Line 68 + Line 71
* Beginning and ending 2020 balances are equal to the sum of the Companies								
*Common Equity Adjustments represent the thirteen-month average of the annual cumulative net income adjustments on Line 14 and 15 of Schedule TMA-2.								

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Summary: Testimony Second Supplemental Testimony of Tracy M. Ashton (Public)
electronically filed by Mark T Keaney on behalf of Ohio Edison Company and The Cleveland
Electric Illuminating Company and The Toledo Edison Company