BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan	))))))	**Case No. 23-301-EL-SSO**

DIRECT TESTIMONY AND EXHIBITS OF RANDY A. FUTRAL ON BEHALF OF THE OHIO ENERGY GROUP

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

A. My name is Randy A. Futral. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. What is your occupation and by whom are you employed?

A. I am a utility rate and planning consultant holding the position of Director of Consulting with the firm of Kennedy and Associates.

Q. Please describe your education and professional experience.

A. I earned a Bachelor of Business and Science degree in Business Administration with an emphasis in Accounting from Mississippi State University. I have held various positions in the field of accounting for a period of over 35 years, both as an employee and more recently as a consultant. My experience has been focused in the areas of accounting, auditing, tax, budgeting, forecasting, financial reporting, and management.

Since 2003, I have been a consultant with Kennedy and Associates, providing services to state government agencies and large consumers of utility services in the ratemaking, financial, tax, accounting, and management areas.

From 1997 to 2003, I served both as the Corporate Controller and Assistant Controller of Telscape International, Inc., an international public company providing telecommunication and high-end internet access services. My tenure with Telscape included responsibilities in the areas of accounting, financial reporting, budgeting, forecasting, banking, and management.

From 1988 to 1997, I was employed by Comcast Communications, Inc., then the world's third largest cable television provider, in a series of positions including Regional Controller for their South Central regional office. My duties with Comcast encompassed various accounting, tax, budgeting, forecasting, and managerial functions.

From 1984 to 1988, I held various staff and senior level accounting positions for both public accounting and private concerns focusing in the areas of accounting, budgeting, tax and financial reporting.

I have testified as an expert on ratemaking, accounting, finance, tax, and other issues in proceedings before regulatory commissions at the federal and state levels on numerous occasions. I have also acted as the lead expert in numerous proceedings involving audits of Louisiana fuel adjustment clauses, environmental adjustment clauses, purchase gas adjustment clauses, energy efficiency rider filings, and formula rate plan filings resulting in written reports that were ultimately approved by the Louisiana Public Service Commission. Although I have not previously appeared before the Public Utilities Commission of Ohio ("Commission"), I have assisted counsel for the Ohio Energy Group and other Kennedy and Associates' experts in Electric Security Plan ("ESP") and Significantly Excessive Earnings Test ("SEET") proceedings.[1]

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Ohio Energy Group ("OEG"), a group of large industrial customers served by the FirstEnergy Corp. ("FirstEnergy") Ohio utilities, The Toledo Edison Company ("Toledo Edison"), The Cleveland Electric Illuminating Company ("CEI"), and Ohio Edison Company ("Ohio Edison").[2]

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to highlight certain ratemaking issues for the Commission's consideration in SEET cases beginning in 2025, for the ESP riders being established here, and in future base rate cases due to excess ("legacy") nuclear plant costs and the related financing costs that remain on the accounting books of Toledo Edison and CEI (primarily related to their former ownership of the Davis-Besse and

[1] My qualifications and regulatory appearances are further detailed in Exhibit RAF-1.

[2] The members of OEG served by the Companies are: Air Products and Chemicals, Inc, ArcelorMittal Tubular Products Shelby, Cargill, Incorporated, Charter Steel, Cleveland-Cliffs Steel Corporation, (fka AK Steel Corporation), Cleveland-Cliffs Steel LLC (fka ArcelorMittal USA), Cleveland-Cliffs, Inc. (IronUnits LLC), Ford Motor Company, General Motors LLC, Greif, Inc., Howmet Aerospace Inc., Johns Manville Berkshire Hathaway, Linde Inc., Martin Marietta Magnesia Specialties, LLC, Materion Corporation, Messer, LLC, Nature Fresh Farms USA Inc., North Star BlueScope Steel, LLC, POET - Bioprocessing, PTC Alliance Holding Corporation, Stellantis and Worthington Industries.

Perry nuclear power plants). I am not suggesting any improper accounting by FirstEnergy or any of its Ohio utilities. I simply want to suggest precautions that the Commission should consider to ensure that ratepayers are not adversely affected.

Q. Please summarize your testimony.

A. I first describe the capitalization issued to finance the legacy nuclear plant costs of Toledo Edison and CEI that remain on their accounting books and the costs reported on their financial statements. The legacy nuclear plant costs are recorded as goodwill. The capitalization is recorded as common equity and long-term debt. I then address the ratemaking considerations and adjustments necessary to remove the effects of the capitalization that remains on the accounting books of Toledo Edison and CEI. I focus that discussion first on SEET calculations for all years starting in 2025, then on the ESP riders being established here, and finally on future base rate cases.

Despite the fact that they are distribution only utilities and no longer own nuclear generation assets, Toledo Edison and CEI retain the legacy nuclear power plant costs on their accounting books and still incur and report the related long-term debt and common equity capitalization costs on their income statements and balance sheets. Including these legacy nuclear plant financing costs in the SEET calculations results in improperly low earned returns for Toledo Edison and CEI for SEET purposes. The setting of base and ESP rider rates can also be negatively impacted due to higher debt interest rates and required equity levels for Toledo Edison and CEI due to this carryover retained capitalization.

II. CAPITALIZATION TO FINANCE NUCLEAR ASSET GOODWILL

Q. Can you provide a brief description of the additional capitalization required to finance the nuclear asset goodwill on the books of Toledo Edison and CEI?

A. Yes. The legacy nuclear plant costs date to 1997 when Ohio Edison formed FirstEnergy and acquired Centerior Energy Corp., the parent company of Toledo Edison and CEI. The acquisition was accounted for as a purchase under generally accepted accounting principles ("GAAP"). Toledo Edison and CEI were required to reduce their nuclear plant costs to fair value pursuant to GAAP. Toledo Edison and CEI reduced their net nuclear plant costs by $561 million and $1,045 million, respectively, and transferred and recorded the legacy nuclear plant costs to goodwill (miscellaneous deferred debits), where the costs still reside. As the acquiring company, Ohio Edison was not required to reduce its nuclear plant costs to fair value pursuant to GAAP.

In 2005, Toledo Edison, CEI and Ohio Edison transferred their nuclear power plants to FirstEnergy Nuclear Generation Corp. ("NGC"), a wholly owned first tier subsidiary of FirstEnergy Solutions ("FES"), a wholly owned first tier subsidiary of FirstEnergy. Toledo Edison and CEI did not transfer the legacy nuclear plant costs and retained those costs as goodwill and the related debt and equity financing costs on their income statements and balance sheets. These $1.6 billion legacy nuclear plant costs still reside on Toledo Edison's and CEI's accounting books as goodwill.

A more detailed description of the history and current status of the legacy nuclear plant costs for Toledo Edison and CEI was provided in the July 2021 Direct Testimony of Mr. Lane Kollen, Vice President of Kennedy and Associates, in the last SEET proceeding in consolidated Case Nos. 18-857-EL-UNC, 19-1338-EL-UNC, 20-1034-EL-UNC, and 20-1476-EL-UNC. Mr. Kollen's testimony also provided references to Commission precedent dating back to 1996 with regard to the revaluation of the nuclear plant costs in question, including the Commission's determination and the FirstEnergy utilities' agreements that the resulting revalued costs recorded as goodwill will not be included in rates. All evidence supporting Mr. Kollen's testimony in that consolidated proceeding was attached to his testimony as exhibits. I assisted Mr. Kollen in the research for and the development of that testimony and attached exhibits. Those cases resulted in $306 million of SEET refunds and other rate reductions.

Q. Do you have any disagreement with how the Companies have recorded the nuclear cost related goodwill on their books?

A. No. My focus is on the ESP ratemaking for the legacy nuclear plant costs, not the accounting. Fundamentally, ratepayers should be held harmless for the capitalization required to finance these legacy nuclear plant costs incurred for nuclear generating plants that are no longer owned by Toledo Edison and CEI. As I stated at the outset, I am not suggesting that FirstEnergy has done anything unreasonable or imprudent. I am simply alerting the Commission to an issue of potential ratemaking importance in this case.

III. RATEMAKING FOR SEET PROCEEDINGS STARTING IN 2025

Q. Briefly describe the SEET.

A. The SEET is a legislatively mandated protection for electric utility customers. It is part of the ESP statute. It requires the Commission to annually consider whether rate adjustments authorized in an ESP (such as Rider DCR, Rider SCR, Rider AMI and Rider VMC) caused the utility to have earnings that were significantly in excess of the earnings of publicly traded companies that face comparable business and financial risk. The utility bears the burden of proof to demonstrate that significantly excessive earnings did not occur.[3]

The SEET requires a calculation of the earned return on equity ("ROE") starting with per books income in the numerator and per books common equity in the denominator, both of which are subject to various ratemaking adjustments, including "such adjustments for capital structure as may be appropriate."[4] The calculated ROE is then compared to the applicable SEET earnings threshold. If there are earnings above the SEET threshold, then the utility is required to refund to consumers the excessive revenues that gave rise to the significantly excessive earnings.

Q. Should the effects from the capitalization required to finance the legacy nuclear goodwill costs be reflected as an adjustment to per books results in the determination of excessive earnings in SEET proceedings starting with test year 2025?[5]

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[3] R.C. 4928.143 (F).

[4] *Id.*

[5] As part of a settlement agreement in the last SEET proceeding, Consolidated Case Nos. 18-857-EL-UNC, 19-

A. Yes. There should be no capitalization to finance nuclear goodwill reflected in the determination of excessive earnings in SEET cases starting with 2025. As I previously noted, the SEET requires a calculation of the earned ROE starting with per books income in the numerator and per books common equity in the denominator, both of which are subject to various ratemaking adjustments. If common equity is excessive because it includes the common equity issued to finance the legacy nuclear plant costs, then the denominator in the calculation is overstated, and the calculated return for SEET purposes is incorrectly reduced. If long-term debt is too high for the same reason, then the amount of interest expense is overstated in the determination of net income in the numerator, and the calculated return for SEET purposes is further and incorrectly reduced. Both of these factors lead to an unreasonably low excessive earnings determination for SEET purposes, all else equal.

IV. RATEMAKING FOR BASE RATES AND ESP RIDERS

Q. Can the capitalization related to the legacy nuclear plant costs recorded as goodwill affect the return on rate base and negatively impact ratemaking associated with base rates and riders approved as part of this ESP?

A. Yes. Therefore, the Commission should make sure that all effects on the return applied to rate base due to the capitalization and the costs of each component are considered in the ratemaking process in this ESP. Such proceedings include those for the setting

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1338-EL-UNC, 20-1034-EL-UNC, and 20-1476-EL-UNC, it was agreed amongst the parties that no further adjustments related to capitalization for the nuclear goodwill would be proposed related to SEET determinations through the end of the 2024 test year.

of base rates and rates for ESP capital recovery riders such as Rider DCR, Rider AMI and Rider SCR. If not for the effects of the capitalization and financing costs still incurred for the legacy nuclear plant costs, it would be reasonable to expect that the capital structure ratios for debt and equity and credit ratings for the three FirstEnergy utilities would be virtually the same since they would have the same financial and credit profiles, jointly file applications for rate proceedings, and have identical forms of rate recovery.

Q. Under standard ratemaking, do the rates of risky utilities tend to be higher than for non-risky utilities?

A. As a general rule, yes. For example, risky utilities tend to have lower credit ratings and higher borrowing costs. The $1.6 billion of legacy nuclear plant debt and equity capitalization on the balance sheets of Toledo Edison and CEI has no associated revenue stream because this capitalization is not in rate base. This reduces their credit metrics which makes them more risky. My testimony highlights the issues the Commission should consider in this ESP to hold ratepayers harmless from this added risk.

Q. What is the first ESP ratemaking consideration that the Commission should be aware of?

A. First, and perhaps most importantly, the Commission should always ensure that none of the legacy nuclear goodwill costs are included in rate base since the FirstEnergy utilities are now distribution-only utilities that own no nuclear or other generation assets. It is my understanding that no legacy nuclear goodwill costs were included in rate base in Toledo Edison's or CEI's last distribution rate cases.

Q. What is the second ratemaking issue for Commission consideration?

The Commission should consider the impacts of the nuclear goodwill on the ratios of equity and debt in the capital structure used to calculate the cost of capital for the return on rate base. The table below depicts the level of debt and equity in the capital structure at the end of 2022 for the FirstEnergy utilities.[6]

Capital Structure as of 12/31/2022	**Ohio Edison**		**Toledo Edison**		**Cleveland Electric**	
$ Millions	Amount	%	Amount	%	Amount	%
Total Debt	1,305	51.2%	458	44.8%	1,516	47.8%
Equity	1,242	48.8%	565	55.2%	1,655	52.2%
Total Capitalization	2,547	100.0%	1,023	100.0%	3,171	100.0%

Ohio Edison, the only utility that had no remaining legacy nuclear costs included with financing costs, had the lowest equity ratio among the three. A lower equity ratio typically results in a lower cost of capital and lower rates for consumers. This is true because equity has a higher cost than debt, and equity is grossed-up for income taxes.

Q. What is the third ratemaking issue for Commission consideration?

A. The Commission should consider the impacts of the nuclear goodwill on the level of risk considered in the development of the authorized return on equity ("ROE"). Toledo Edison and CEI would likely be considered more risky since a large portion of their capitalization relates to assets that are no longer used and useful and for which no future ratepayer recovery should be available. Most analysts contend that in order to

[6] Data derived from S&P Global Market Intelligence Reports for each FirstEnergy utility for the year ended December 31, 2022. I have attached copies of applicable pages from each report as Exhibit RAF-2.

attract investment capital, a high-risk utility should be authorized a relatively high ROE. That would be improper here because the risk is self-imposed.

Q. What is the fourth ratemaking issue for Commission consideration?

A. The Commission should consider the impacts of the nuclear goodwill on the interest rates obtained for future debt issuances. The table below depicts the current credit ratings for the three utilities generated by Standard and Poor's ("S&P") and Moody's investor services.[7]

Credit Ratings	Ohio Edison	Toledo Edison	Cleveland Electric
S&P	BBB	BBB	BBB
Moody's	A3	Baa2	Baa3

S&P rates each of the three utilities the same with BBB ratings. However, Moody's assigned Ohio Edison with an A rating, Toledo Edison with a Baa2 rating, and CEI with a Baa3 rating. These ratings are progressively worse in direct correlation to the level of capitalization required to finance the nuclear goodwill. In fact, CEI's credit rating of Baa3 is only one level above junk bond status.

Q. Does this complete your testimony?

A. Yes.

[7] *Id.* for S&P. September 20, 2023 Credit Opinion for Moody's Investor Service for each FirstEnergy utility. I have attached copies of applicable pages from the Moody's opinion reports from each as Exhibit RAF-3.

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EXHIBITS

OF

RANDY A. FUTRAL

ON BEHALF OF
THE OHIO ENERGY GROUP

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

October 2023

EXHIBIT___(RAF-1)

RESUME OF RANDY A. FUTRAL – DIRECTOR OF CONSULTING

EDUCATION

Mississippi State University, BBS in Business Administration
Accounting

EXPERIENCE

J. Kennedy and Associates, Inc. **2003 - Present**
Director of Consulting

Responsible for utility revenue requirements analysis, affiliate transaction auditing and analysis, fuel adjustment clause auditing and research involving tax and public reporting matters. Clients served include the Georgia Public Service Commission Staff, the Louisiana Public Service Commission ("LPSC") and its Staff, the Florida Office of Public Counsel ("OPC"), the Office of the Attorney General of the Commonwealth of Kentucky ("KY AG"), the South Carolina Office of Regulatory Staff ("ORS"), the Houston Council for Health and Education, the Gulf Coast Coalition of Cities, the Alliance for Valley Healthcare, the Ohio Energy Group, Inc., the Kentucky Industrial Utility Customers ("KIUC"), the Municipalities of Alda, Grand Island, Kearney and North Platte, Nebraska, the City of Clinton, and the Wisconsin Industrial Energy Group, Inc.

Direct and Responsive Testimonies filed on behalf of Louisiana Public Service Commission or its Staff:
LPSC Docket No. U-23327 Southwestern Electric Power Company, Revenue Requirement Review, October 2004.
LPSC Docket No. U-21453, U-20925, U-22092 Entergy Gulf States, Inc., Jurisdictional Separation Plan, March 2006.
LPSC Docket No. U-25116 Entergy Louisiana, Inc., 2002-2004 Audit of Fuel Adjustment Clause, April 2006.
LPSC Docket No. U-23327 Southwestern Electric Power Company, Revenue Requirement Review, July 2006.
LPSC Docket No. U-21453, U-20925, U-22092 Entergy Gulf States, Inc., Jurisdictional Separation Plan, August 2006.
FERC Docket No. ER07-682 Entergy Services, Inc., Company's Section 205 Changes to Rough Production Cost Equalization Computation, November 2007.
FERC Docket No. ER07-956 Entergy Services, Inc., Company's 2007 Filing to be in Compliance with FERC Opinions' 480and 480-A, March 2008.

FERC Docket No. ER08-51 Entergy Services, Inc., LPSC Section 206 Filing Related to Spindletop Regulatory Asset in Rough Production Cost Equalization Computation, November 2008.
FERC Docket No. ER08-1056 Entergy Services, Inc., Company's 2008 Filing to be in Compliance with FERC Opinions' 480and 480-A, January 2009.
LPSC Docket No. U-31066 Dixie Electric Membership Corporation, Company's Application to Implement a Storm Recovery Rate Rider, September 2009.
LPSC Docket No. U-30893 Dixie Electric Membership Corporation, Company's Application to Implement a Formula Rate Plan, September 2009.
FERC Docket No. EL09-61 (Phase I) Entergy Services, Inc., LPSC Complaint Regarding Single Operating Company Opportunity Sales, April 2010.
LPSC Docket No. U-31066 Dixie Electric Membership Corporation, Company's Application to Implement a Storm Recovery Rate Rider, May 2010.
FERC Docket No. EL10-55 Entergy Services, Inc.
LPSC Complaint Regarding Depreciation Rates, September 2010.
LPSC Docket No. U-23327, Subdocket E Southwestern Electric Power Company, 2003-2004 Fuel Audit, September 2010.
LPSC Docket No. U-23327, Subdocket F Southwestern Electric Power Company, 2009 Test Year Formula Rate Plan Filing, October 2010.
LPSC Docket No. U-23327, Subdocket C Southwestern Electric Power Company, 2007 Test Year Formula Rate Plan Filing, February 2011.
LPSC Docket No. U-23327, Subdocket D Southwestern Electric Power Company, 2008 Test Year Formula Rate Plan Filing, February 2011.
FERC Docket No. ER10-2001 Entergy Arkansas, Inc., Company's 2010 Filing to Request Approval of Changed Depreciation Rates, March 2011.
FERC Docket No. ER11-2161 Entergy Texas, Inc., Company's 2010 Filing to Request Approval of Changed Depreciation Rates, July 2011.
LPSC Docket No. U-31835 South Louisiana Electric Cooperative Association, Company's Application to Implement a Formula Rate Plan and Initial Revenue Adjustment, August 2011.
FERC Docket No. ER12-1384 Entergy Services, Inc., Company's Section 205 Fling Related to Little Gypsy 3 Cancellation Costs, September 2012.
LPSC Docket No. U-32315 Claiborne Electric Cooperative, Inc.'s Application to Implement a Formula Rate Plan and Initial Revenue Adjustment, September 2012.
FERC Docket No. ER10-1350 Entergy Services, Inc., Company's 2010 Filing to be in Compliance with FERC Opinions' 480 and 480-A, January 2014.
FERC Docket No. EL-01-88-015 Entergy Services, Inc., Company's 2005 Remand Filing to be in Compliance with FERC Opinions' 480 and 480-A, March 2016.
LPSC Docket No. U-33984 Claiborne Electric Cooperative, Inc., Formula Rate Plan Extension, October 2016.
FERC Docket No. EL09-61(Phase III) Entergy Services, Inc., LPSC Complaint Regarding Single Operating Company Opportunity Sales, November 2016.
LPSC Docket No. U-33323 Entergy Louisiana LLC, 2010-2013 Fuel Audit, July 2019.

LPSC Docket No. U-33324 Entergy Gulf States Louisiana LLC, 2010-2013 Fuel Audit, July 2019.
LPSC Docket No. U-35441 Southwestern Electric Power Company, Rate Case, July 2021 Direct, October 2021 Surrebuttal.

Direct Testimony filed on behalf of the Florida OPC:
FPSC Docket Nos. 20200241-EI, 202100178-EI, and 202100179-EI Florida Power and Light Company and Gulf Power Company, Storm Cost Audit, May 2022.

Direct Testimony filed on behalf of the KY AG:
KPSC Case No. 2022-00372 Duke Energy Kentucky, Inc. (Electric Division), Rate Case, March 2023.

Direct Testimony filed on behalf of the KY AG and the City of Clinton:
KPSC Case No. 2022-00147 Water Service Corporation of Kentucky, Rate Case, October 2022.

Direct Testimony filed on behalf of the KY AG and KIUC:
KPSC Case No. 2022-00263 Kentucky Power Company, Fuel Adjustment Clause – Six-Month Review, December 2022.

Direct Testimony filed on behalf of the South Carolina ORS:
SCPSC Docket No. 2022-256-E Duke Energy Progress, LLC, Cost Recovery for 8 Named Storms Since 2014, January 2023.

Telscape International, Inc.	**1997 - 2003**
Corporate Controller	**1999 - 2003**
Assistant Controller	**1997 - 1999**

Complete responsibility and accountability for the accounting and financial functions of a $160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Reported directly to CFO and managed a staff of eleven.

- Managed the day to day processes required to produce timely and accurate financial statements, including general ledger, account reconciliations, AP, AR, fixed assets, payroll, treasury, tax, internal and external reporting.

- Worked with attorneys and auditors on mergers and acquisitions including due diligence, audits, tax and integrating the accounting functions of eleven acquisitions.

- Grew the accounting department from four to eleven employees while developing and implementing company policies and procedures.

- Instituted capital investment policy and accounts payable management for twenty-one separate entities and twenty-four bank accounts to facilitate effective use of cash flow.

- Created capital and operating budgeting and variance analysis package for five separate business lines.

- Developed the consolidations and inter-company billings process across all entities including six in Latin and Central America.

- Worked with CFO to develop financial models and business plans in raising over $240 million over a three-year period through private preferred placements, debenture offerings and asset based credit facilities.

- Responsible for relationship management with external auditors, attorneys, and the banking community while reviewing and approving all SEC filings, including quarterly and annual reports, proxies and informational filings.

- Developed line cost accounting for revenues and carrier invoices saving thousands monthly and providing the justification for invoice reductions.

Comcast Communications, Inc.	**1988 - 1997**
Regional Controller	**1993 - 1997**
Regional Assistant Controller	**1991 - 1992**
Regional Senior Financial Analyst	**1988 - 1991**

Complete responsibility and accountability for the accounting functions of a $2.1 billion regional division of the world's third largest cable television provider serving approximately 490,000 subscribers. Reported to the Regional VP of Finance and managed a staff of twelve.

- Managed the day to day processes required to produce timely and accurate financial statements, including general ledger, account reconciliations, AP, AR, fixed assets and internal reporting.

- Controlled extensive budgeting, forecasting, and variance reporting for eighteen separate entities covering eight states, training employees and management throughout the region.

- Performed due diligence related to the acquisition of seven cable system entities and coordinated the integration of all accounting functions with the corporate office.

- Instituted all FCC informational and rate increase filings throughout the region based on the Cable Act of 1992.

- Responsible for the coordination of all subscriber reporting, sales and property tax filings, franchise fee and copyright filings.

- Grew the accounting department from seven to thirteen before its move to Atlanta, restaffing ninety percent of the department after the move.

- Directed all efforts throughout the region to implement Oracle as the new financial package and a new Access database for the budgeting and forecasting processes.

Storer Cable Communications, Inc **1987 - 1988**
Senior Accountant for Operations

Responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above. Reported to the Area VP and General Manager and managed three employees.

- Implemented new Lotus based model for budgeting and forecasting, training all management on its use.

- Transitioned financial statement preparation from the regional office level to this area office.

- Managed the day to day processes required to produce timely and accurate financial statements for six separate entities including general ledger, AP, AR, fixed assets, subscriber reporting and other internal reporting.

- Developed and maintained tracking mechanism to track progress of cable plant rebuild and the associated competitor overbuild in the area's largest cable system.

Tracey-Luckey Pecan & Storage, Inc. **1986 - 1987**
Senior Accountant

Responsibility for the accounting, budgeting, and office management for a divisional office of this pecan production, processing, and storage entity annually grossing approximately $22 million. Financial statements were produced for three entities. Reported directly to the president of the division and managed three employees.

Tarpley & Underwood, CPA's **1984 - 1986**
Staff Accountant

Responsibility for the completion of monthly and quarterly client write-up for twenty-three small businesses for this regional CPA firm that is now one of the top twenty-five firms in Atlanta. Performed all payroll tax, sales tax, property tax, and income tax filings for these and other clients as well as approximately eighty individual returns per year. Reported directly to both partners with dotted line responsibility to all managers.

EXHIBIT___(RAF-2)

S&P Capital IQ PRO

Ohio Edison Company | Financial Highlights

(MI KEY: 4014480; SPCIQ KEY: 844756)

Source: SNL Financial
Period Category: Custom
Period Type: Custom
Reporting Basis: Custom
Sort Order: Custom
Currency: Reported Currency
Magnitude: Thousands (K)

SNL FINANCIAL	2022 FY
	Current/Restated
Fiscal Period Ended	12/31/2022
Period Restated?	No
Restatement Date	NA
Accounting Principle	U.S. GAAP
Financials Reported Currency Code	USD

Balance Sheet Highlights ($000)

Current Assets	447,000
Net PP&E	3,456,000
Total Assets	4,136,000
Non-current Long-term Debt	1,290,000
Total Equity	1,242,000
Total Capitalization, at Book Value	2,547,000

Income Statement Highlights ($000)

Energy Operating Revenue	1,733,000
Operating Expense	1,463,000
Recurring EBITDA	466,000
Recurring EBIT	313,000
Net Income before Taxes	244,000
Net Income before Extra	197,000
Net Income	197,000
Reported Net Operating Income	270,000

Cash Flow Statement Highlights ($000)

Cash Flow from Operating Activities	306,000

The Toledo Edison Company | Financial Highlights

(MI KEY: 4057029; SPCIQ KEY: 3032459)

Source: SNL Financial
Period Category: Custom
Period Type: Custom
Reporting Basis: Custom
Sort Order: Custom
Currency: Reported Currency
Magnitude: Thousands (K)

SNL FINANCIAL	**2022 FY**
	Current/Restated
Fiscal Period Ended	12/31/2022
Period Restated?	No
Restatement Date	NA
Accounting Principle	U.S. GAAP
Financials Reported Currency Code	USD

Balance Sheet Highlights ($000)

Current Assets	143,000
Net PP&E	755,000
Total Assets	1,463,000
Non-current Long-term Debt	454,000
Total Equity	565,000
Total Capitalization, at Book Value	1,023,000

Income Statement Highlights ($000)

Energy Operating Revenue	466,000
Operating Expense	402,000
Recurring EBITDA	128,000
Recurring EBIT	81,000
Net Income before Taxes	56,000
Net Income before Extra	45,000
Net Income	45,000
Reported Net Operating Income	64,000

Cash Flow Statement Highlights ($000)

Cash Flow from Operating Activities	80,000

S&P Capital IQ PRO

The Cleveland Electric Illuminating Company | Financial Highlights

(MI KEY: 4056983; SPCIQ KEY: 3103730)

Source: SNL Financial
Period Category: Custom
Period Type: Custom
Reporting Basis: Custom
Sort Order: Custom
Currency: Reported Currency
Magnitude: Thousands (K)

SNL FINANCIAL	**2022 FY**
	Current/Restated
Fiscal Period Ended	12/31/2022
Period Restated?	No
Restatement Date	NA
Accounting Principle	U.S. GAAP
Financials Reported Currency Code	USD

Balance Sheet Highlights ($000)

Current Assets	210,000
Net PP&E	2,349,000
Total Assets	4,415,000
Non-current Long-term Debt	1,429,000
Total Equity	1,655,000
Total Capitalization, at Book Value	3,171,000

Income Statement Highlights ($000)

Energy Operating Revenue	1,071,000
Operating Expense	953,000
Recurring EBITDA	274,000
Recurring EBIT	146,000
Net Income before Taxes	71,000
Net Income before Extra	62,000
Net Income	62,000
Reported Net Operating Income	118,000

Cash Flow Statement Highlights ($000)

Cash Flow from Operating Activities	165,000

Ohio Edison Company | Fixed Income Profile

Credit Ratings

BBB

S&P Credit Ratings

Issuer Credit Rating (Foreign Currency LT)
11/8/2021

CreditWatch/Outlook: Positive
2/10/2023

Market Summary

Credit Default Swap (5 Years)

ENTITY NAME	SENIORITY	BID	OFFER	MID
Ohio Edison Co.	Senior Debt	93.92	128.33	111.13
USA	Senior Debt	45.47	49.67	47.57

Credit Ratings

BBB

S&P Credit Ratings

Issuer Credit Rating (Foreign Currency LT)
11/8/2021

CreditWatch/Outlook: Positive
2/10/2023

Debt Summary (Reported)

	2023FQ2
Total Debt	465,000

Credit Ratios (x)

	2023FQ2
Net Debt / EBITDA	4.15
Total Debt / EBITDA	4.15
Net Debt/(EBITDA-CAPEX)	11.63
Total Debt/(EBITDA-CAPEX)	11.63

The Cleveland Electric Illuminating Company | Fixed Income Profile

Credit Ratings

BBB

S&P Credit Ratings

Issuer Credit Rating (Foreign Currency LT)

11/8/2021

CreditWatch/Outlook: Positive

2/10/2023

Market Summary

Credit Default Swap (5 Years)

ENTITY NAME	SENIORITY	BID	OFFER	MID
The Cleveland Electric Illuminating Co.	Senior Debt	74.41	126.47	100.44
USA	Senior Debt	45.47	49.67	47.57

EXHIBIT___(RAF-3)

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
28 April 2023

Update

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RATINGS

Ohio Edison Company

Domicile	Akron, Ohio, United States
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Ohio Edison Company

Update to credit analysis

Summary

Ohio Edison Company's (Ohio Edison) credit profile reflects the low business risk of its electric distribution operations, a historically supportive but recently more uncertain regulatory environment in Ohio and an adequate but weakening financial profile. The utility is the largest Ohio based utility subsidiary of FirstEnergy Corp. (Ba1 positive). Ohio Edison subsidiary Pennsylvania Power Company (Penn Power, A3 stable) also benefits from a more supportive regulatory environment in Pennsylvania and strong financial metrics, which are offset by its small size.

We expect Ohio Edison's overall financial profile to remain appropriate for its current A3 credit rating although its metrics are much weaker than historical levels. Over the last three years, Ohio Edison's cash flow from operations before changes in working capital (CFO pre-WC) to debt averaged 29%, and we expect the ratio to be in the low 20% range over the next 2-3 years. This is partly due to customer refunds and prospective rate credits as a result of the regulatory settlement agreement FirstEnergy reached with interveners in Ohio.

Recent development

FirstEnergy has filed for approval to legally consolidate its four Pennsylvania utility subsidiaries, including Penn Power, into a single operating entity, which is expected to close by early 2024. The consolidated entity, currently named FirstEnergy Pennsylvania Electric Company (FE PA), will be FirstEnergy's only utility in Pennsylvania and will include all the distribution operations that are currently conducted by the Pennsylvania utilities. As the details, legal structure and financial metrics of the consolidated organization become clear over the next year, we will determine the impact on Penn Power's A3 credit rating, if any.

Rating methodology and scorecard factors

As a distribution utility that does not have generation, Ohio Edison is scored under the low business risk financial metric scorecard in our Regulated Electric and Gas Utilities methodology.

Exhibit 8
Methodology Scorecard Factors
Ohio Edison Company

Regulated Electric and Gas Utilities Industry [1][2]	Current FY 12/31/2022		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.4x	Aa	4x - 5x	A
b) CFO pre-WC / Debt (3 Year Avg)	28.5%	Aa	21% - 23%	A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	3.6%	Ba	11% - 12%	Baa
d) Debt / Capitalization (3 Year Avg)	41.6%	A	52% - 53%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned		A3		A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2022
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
20 September 2023

Update

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RATINGS

Toledo Edison Company

Domicile	Toledo, Ohio, United States
Long Term Rating	Baa2
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Toledo Edison Company

Update to credit analysis

Summary

Toledo Edison Company's (Toledo Edison) credit profile reflects its position as a low business risk electric distribution utility in Ohio with an adequate credit profile. Historically, we had viewed the regulatory environment in Ohio to be relatively supportive. In general, the Public Utilities Commission of Ohio (PUCO) provides a suite of supportive cost recovery mechanisms and a flexible, company specific regulatory framework for utilities in the state. However, a 2021 regulatory stipulation, which resulted in customer refunds and rate reductions through 2025, had an adverse impact on the company's key credit metrics. As a result, we expect the company's cash flow from operation before changes in working capital (CFO pre-WC) to debt ratio to be in the mid-teens through 2024.

Recent Developments

On 1 June 2023, the parent company FirstEnergy Corp.'s (FirstEnergy, Ba1 stable) newly appointed President and Chief Executive Officer (CEO) assumed his position. FirstEnergy had been operating with an interim President and CEO since its prior CEO separated from the company in September 2022.

On 5 April 2023, Toledo Edison and its affiliated Ohio utilities submitted an application with PUCO seeking an approval for its next multi-year rate plan called Electric Security Plan (ESP) V. The proposed plan will be for eight years beginning 1 June 2024 through 31 May 2032.

On 14 July 2022, Toledo Edison submitted an application with the PUCO for approval of the second phase of its distribution grid modernization plan (Grid Mod). In its proposal, Toledo Edison and its affiliated Ohio companies, Ohio Edison Company (Ohio Edison, A3 stable) and Cleveland Electric Illuminating Company (CEI, Baa3 stable), requested approximately $626 million of investments over a four year period. Hearings are scheduled to begin on 24 October 2023.

Rating Methodology and Scorecard Factors

As a distribution utility that does not have generation, Toledo Edison is scored under the low business risk financial metric grid in our Regulated Electric and Gas Utilities methodology.

Exhibit 8

Methodology Scorecard FactorsToledo Edison Company

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current LTM 6/30/2023		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Ba	Ba	Ba	Ba
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.8x	A	3.3x - 4.3x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	18.9%	Baa	14% - 15%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	10.8%	Baa	4% - 6%	Ba
d) Debt / Capitalization (3 Year Avg)	45.3%	A	43% - 48%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 06/30/2023(L);
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
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RATINGS

Cleveland Electric Illuminating Company (The)

Domicile	Akron, Ohio, United States
Long Term Rating	[illegible]
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Cleveland Electric Illuminating Company (The)

Update to credit analysis

Summary

The Cleveland Electric Illuminating Company's (CEI) credit profile reflects the low business risk of its electric distribution utility operations in Ohio. Historically, the Ohio regulatory environment had been supportive. However, CEI's 2021 regulatory stipulation had an adverse impact on the utility's key credit metrics despite mitigating some regulatory risk. As a result, CEI's cash flow from operations before changes in working capital (CFO pre-WC) to debt fell to the low teens and we expect it to remain in the 11%-12% range through 2024. Nevertheless, despite the credit negative stipulation, The Public Utilities Commission of Ohio (PUCO) provides a suite of supportive cost recovery mechanisms and a flexible, company specific regulatory framework for utilities in the state.

Recent Developments

On 1 June 2023, parent company FirstEnergy Corp.'s (FirstEnergy, Ba1 positive) newly appointed President and Chief Executive Officer (CEO) assumed his position. FirstEnergy had operated with an interim President and CEO since its prior CEO separated from the company in September 2022.

On 5 April 2023, CEI and its affiliated Ohio utilities filed an application with the PUCO seeking an approval for its next multiyear rate plan called Electric Security Plan (ESP) V. The proposed plan would be for eight years beginning 1 June 2024 through 31 May 2032.

On 14 July 2022, CEI submitted an application with PUCO for approval of the second phase of its distribution grid modernization plan (Grid Mod). In its proposal, CEI and its affiliated Ohio companies, Ohio Edison Company (Ohio Edison, A3 stable) and Toledo Edison Company (Toledo Edison, Baa2 stable), requested approximately $626 million of investment over four year period. Hearings are scheduled to begin on 24 October 2023.

Rating methodology and scorecard factors

As a distribution utility that does not have generation, CEI is scored under the low business risk financial metric grid in our Regulated Electric and Gas Utilities methodology.

Exhibit 8

Methodology Scorecard Factors

Cleveland Electric Illuminating Company (The)

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current LTM 6/30/2023		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.7x	Baa	3x - 4x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	12.5%	Baa	11% - 12%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	10.6%	Baa	9% - 11%	Baa
d) Debt / Capitalization (3 Year Avg)	46.2%	A	44% - 46%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		Baa3		Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 6/30/2023(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

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Summary: Testimony Ohio Energy Group (OEG) Direct Testimony and Exhibits of Randy A. Futral electronically filed by Mr. Michael L. Kurtz on behalf of Ohio Energy Group.