

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The	)	Case No. 23-438-EL-AIS
Cleveland Electric Illuminating	)	
Company for Authority to Issue, Sell, or	)	
Enter into Debt Transactions	)	

Applicant, The Cleveland Electric Illuminating Company (the “Company”) hereby submits this Application, pursuant to O.R.C. §4905.40, and respectfully represents:

1. The Company, an Ohio corporation, is a “public utility” as defined in O.R.C. §4905.02 and is subject to the jurisdiction of the Public Utilities Commission of Ohio (the “Commission”). The Company is primarily engaged in the distribution of electric energy for sale to consumers within the State of Ohio.

2. The Company has authorized capital stock as set forth in Exhibit A filed herewith, incorporated herein and made a part hereof, the number of shares of which are outstanding as of recent date is also set forth in Exhibit A.

3. The Company has issued and there is outstanding as of a recent date evidence of indebtedness maturing more than twelve months after its date of issuance in the aggregate principal amount set forth in Exhibit A, duly authorized by order of the Commission.

4. The Company proposes, subject to the authorization of the Commission, to issue new bonds, notes and other evidence of indebtedness on a secured or unsecured basis and maturing more than twelve months after their date of issuance in an amount not to exceed \$300 million in the aggregate (the “New Debt”). The New Debt may be issued in one or more issuances, and each issuance is expected to be issued in one or more series of the Company’s first mortgage bonds, unsecured notes or debentures. The New Debt will be issued within twelve months of Commission approval. The purpose of the New Debt as requested in this Application is to enable the Company

to (i) refinance existing indebtedness, including amounts outstanding under the FirstEnergy Regulated Utility Money Pool and under the Company's revolving credit agreement, (ii) fund capital expenditures, (iii) fund general corporate purposes permitted by law, and (iv) any combination of the above.

5. On December 13, 2023, the Commission authorized the Company to issue, renew or assume liability on notes and other evidences of indebtedness maturing not more than twelve months after the date of such issuance, renewal or assumption of liability (collectively, "Short-Term Notes") for regulated utility purposes including: current maturities of existing obligations, retirement of securities through open market purchases, redemption of securities through applicable redemption provisions, loans to the FirstEnergy Regulated Utility Money Pool, working capital and for general corporate purposes, in aggregate principal amounts at any one time outstanding not to exceed \$500 million through December 31, 2024 (the "December 2023 Order").<sup>1</sup> The authorization to issue the New Debt requested in this Application is in addition to the Company's existing authorization to issue Short-Term Notes pursuant to the December 2023 Order.

6. On August 9, 2023, the Commission authorized the Company to issue promissory notes or debentures in an aggregate amount not to exceed \$125 million (collectively, "Long-Term Notes") with the long-term notes to enable the Company to: (i) refinance existing indebtedness, including amounts outstanding under the FirstEnergy Regulated Utility Money Pool and under the Company's revolving credit agreement, (ii) fund capital expenditures, (iii) fund general corporate purposes, and (iv) any combination of the above (the "August 2023 Order").<sup>2</sup> The New Debt is intended to supersede and replace the \$125 million of existing long-term debt authorization from the August 2023 Order.

7. The New Debt is proposed to be offered through negotiated private placements.

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<sup>1</sup> Case No. 23-957-EL-AIS (12/13/2023) Finding and Order.

<sup>2</sup> Case No. 23-438-EL-AIS, et al. (4/8/2023) Finding and Order.

Each series of such New Debt will mature in not less than one or more than 41 years from the date of issuance. The Company proposes that the Commission authorize the issuance of the New Debt based on the financial parameters (including financial terms and underwriting fees, discounts and commissions) set forth in Exhibit E so as to assure that the terms of the New Debt are within reasonable limits. The Company proposes to consummate the sale of the New Debt, in one or more issuances, as market conditions appear to be appropriate, or as the need arises, after the Commission's approval thereof but not later than twelve months after Commission approval.

8. The New Debt will be issued pursuant to one or more note purchase agreements. In addition, the New Debt will be issued under (i) that certain Mortgage and Deed of Trust Indenture dated as of July 1, 1940, from the Company to The Bank of New York Mellon Trust Company N.A., as successor trustee, (ii) that certain Indenture dated as of December 1, 2003, from the Company to The Bank of New York Mellon Trust Company N.A., as successor trustee, or (iii) one or more indentures between the Company and a trustee selected by the Company. The financing terms and underwriting, placement or arrangement fees and commissions of the New Debt will be within the parameters described in Exhibit E. The New Debt may also contain provisions limiting or restricting the incurrence of secured debt by the Company or may contain provisions subordinating the rights of holders of such New Debt to payment thereunder to outstanding senior indebtedness of the Company (including, but not limited to, in connection with offerings of preferred securities by subsidiary trusts or other entities supported by subordinated notes). Any series of New Debt may be issued with the benefit of letters of credit, bond insurance or other similar forms of credit enhancement issued by banks, bond insurance firms or other appropriate financial institutions. Additionally, to the extent it appears desirable, the Company may issue New Debt on a secured basis with the collateral being provided through the simultaneous issuance of new first mortgage

bonds as security for the repayment of the New Debt; in such case, payments under the New Debt would be credited against amounts due on the applicable first mortgage bonds and vice versa. If any New Debt is secured by first mortgage bonds, such bonds shall be considered authorized for issuance under any order granted pursuant to this Application but will not be counted in determining the aggregate principal amount of New Debt that the Company has authority to issue under such order (the Company's financial statements would recognize only the New Debt, as outstanding), provided that the related New Debt secured thereby is authorized and so counted under such order.

9. The Company hereby undertakes, upon the granting of the authority herein requested, to keep the Commission advised of each issuance of New Debt by providing the Staff with such documents and other information as the Staff may request and will submit a report following each such issuance showing that the financial terms of such issuance do not exceed the parameters with respect thereto that were approved by the Commission.

10. The Company incorporates herein by reference the following exhibits:

**Exhibit A** Balance sheets of the Company at December 31, 2023, actual and pro forma.

**Exhibit B** Statement of income of the Company for the twelve months ended December 31, 2023, actual and pro forma.

**Exhibit C** Schedule of Preferred Stock, Preference Stock and Long-Term Debt of the Company at December 31, 2023.

**Exhibit D** Cash requirements of the Company for 2022 (actual), 2023 (actual) 2024 (estimated) and 2025 (estimated).

**Exhibit E** Financing parameters for the New Debt.

WHEREFORE, the Company respectfully requests, consistent with the Application and Exhibits filed herein, that an order be issued by the Commission without hearing as follows:


1) That the Commission approves the Company's Application to issue and sell or otherwise

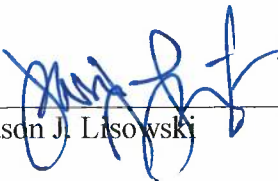
incur, from time to time by means of negotiated private placements or otherwise, up to \$300 million principal amount of New Debt (exclusive of any other debt permitted to be issued without authorization by the Commission) consistent with the provisions set forth in this Application at the best terms reasonably obtainable by the Company, provided that in all cases such terms are within the parameters described in Exhibit E;

- 2) That the Commission finds that the amount of New Debt (or any proceeds thereof) is just and reasonable and provided further that such amount is exclusive of any short-term financing the Company may incur during said period with the Commission's approval;
- 3) That the Commission finds that the purpose to which at least a portion of the New Debt (or any proceeds thereof) shall be applied is reasonably required by the Company to meet its present and prospective public utility obligations;
- 4) That the Commission grants such other relief as it may deem proper; and
- 5) That due to the time sensitive nature of this request, that the Commission issue such order approving this Application on or before June 26, 2024.

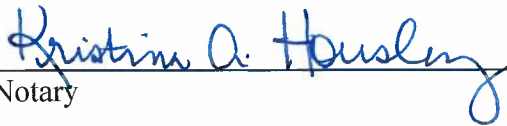
STATE OF OHIO            )  
                                          ) ss.:  
SUMMIT COUNTY            )

Steven R. Staub and Jason J. Lisowski, depose and say that they are Vice President and Treasurer and Vice President and Controller, respectively, of The Cleveland Electric Illuminating Company, Applicant in the above matter, and that they have read and are fully acquainted and familiar with the contents of the foregoing Application and that the statements therein are true as they verily believe.

  
\_\_\_\_\_  
Steven R. Staub

  
\_\_\_\_\_  
Jason J. Lisowski

Subscribed and sworn to before  
me this 20<sup>th</sup> day of April 2024

  
\_\_\_\_\_  
Notary



**KRISTINA A. HOUSLEY**  
NOTARY PUBLIC • STATE OF OHIO  
My Commission Expires Mar. 24, 2027

  
\_\_\_\_\_  
Attorney for Applicant

By: Steven R. Staub

Steven R. Staub  
Vice President and Treasurer

By: Jason J. Lisowski

Jason J. Lisowski  
Vice President and Controller

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
(Unaudited)  
Corporate Balance Sheet  
As of December 31, 2023  
(In millions)

<u>ASSETS</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
<b>UTILITY PLANT:</b>			
In service	\$ 3,882	\$ -	\$ 3,882
Less - Accumulated provision for depreciation	1,563	-	1,563
	<u>2,319</u>	<u>-</u>	<u>2,319</u>
 Construction work in progress	 60	 -	 60
	<u>2,379</u>	<u>-</u>	<u>2,379</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	-	-	-
Restricted cash	5	-	5
Receivables-			
Customer, net of allowance for uncollectible accounts	105	-	105
Affiliated companies	56	-	56
Other	15	-	15
Notes receivable from affiliated companies	-	-	-
Prepaid taxes and other	12	-	12
	<u>193</u>	<u>-</u>	<u>193</u>
<b>DEFERRED CHARGES AND OTHER ASSETS</b>			
Goodwill	1,689	-	1,689
Property Taxes	151	-	151
Other	32	-	32
	<u>1,872</u>	<u>-</u>	<u>1,872</u>
	<u>\$ 4,444</u>	<u>\$ -</u>	<u>\$ 4,444</u>



CLEVELAND ELECTRIC ILLUMINATING COMPANY  
(Unaudited)  
Corporate Balance Sheet  
As of December 31, 2023  
(In millions)

<u>CAPITALIZATION AND LIABILITIES</u>	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing*</u>	<u>Pro Forma</u>
<b>CAPITALIZATION:</b>			
Common stockholder's equity-			
Common stock, without par value, authorized 105,000,000 shares - 67,930,743 shares outstanding	\$ 1,262	-	\$ 1,262
Accumulated other comprehensive loss	(3)	-	(3)
Retained earnings	426	(1)	425
Total common stockholder's equity	1,685	(1)	1,684
Long-term debt and other long-term obligations	1,103	297	1,400
	<u>2,788</u>	<u>296</u>	<u>3,084</u>
<b>CURRENT LIABILITIES:</b>			
Currently payable long-term debt	305	(300)	5
Short-term borrowings - affiliated companies	173	4	177
Accounts payable-			
Affiliated companies	50	-	50
Other	13	-	13
Accrued taxes	148	-	148
Accrued interest	14	-	14
Collateral	1	-	1
Other current liabilities	52	-	52
	<u>756</u>	<u>(296)</u>	<u>460</u>
<b>NONCURRENT LIABILITIES:</b>			
Accumulated deferred income taxes	334	-	334
Retirement benefits	91	-	91
Regulatory liabilities	96	-	96
Property Taxes	151	-	151
Other	228	-	228
	<u>900</u>	<u>-</u>	<u>900</u>
	<u>\$ 4,444</u>	<u>\$ -</u>	<u>\$ 4,444</u>

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
Pro Forma Journal Entries  
Current Filing  
(In millions)

	<u>Debit</u>	<u>Credit</u>
<b>Current Liabilities:</b>		
Currently payable long-term debt	\$ 300	
Short-term borrowings - affiliated companies		\$ 3
<b>Capitalization:</b>		
Unamortized Debt Expense	\$ 3	
Long-Term Debt		\$ 300

To record the proposed issuances of \$300,000,000, principal amount of long-term debt with an interest rate of 5.75% and related debt issuance costs and decrease to currently liabilities.

<b>Capitalization:</b>		
Retained Earnings	\$ 1	
<b>Current Liabilities:</b>		
Accrued Taxes	\$ -	
Short-term borrowings - affiliated companies		\$ 1

To record the annual effect on retained earnings and current liabilities resulting from the increase in interest requirements.

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
(Unaudited)  
Consolidated Statement of Income  
For the Twelve Months Ended December 31, 2023  
(In millions)

	<u>Actual</u>	<u>Effect of Proposed Transactions Current Filing</u>	<u>Pro Forma</u>
REVENUES			
Electric sales	\$ 1,107	\$ -	\$ 1,107
Excise and gross receipts tax collections	61	-	61
Total revenues	<u>1,168</u>	<u>-</u>	<u>1,168</u>
OPERATING EXPENSES			
Purchase power	295	-	295
Other operating expenses	471	-	471
Provision for depreciation	132	-	132
Deferral of regulatory assets, net	(58)	-	(58)
General taxes	209	(0)	209
Total operating expenses	<u>1,049</u>	<u>(0)</u>	<u>1,049</u>
OPERATING INCOME	<u>119</u>	<u>0</u>	<u>119</u>
OTHER INCOME/(EXPENSE):			
Miscellaneous income	4	-	4
Pension and OPEB mark-to-market adjustment	(16)	-	(16)
Interest expense	(83)	(1)	(84)
Capitalized financing costs	2	-	2
Total other expense	<u>(93)</u>	<u>(1)</u>	<u>(94)</u>
INCOME BEFORE INCOME TAXES	26	(1)	25
INCOME TAXES	<u>-</u>	<u>(0)</u>	<u>(0)</u>
NET INCOME	<u>\$ 26</u>	<u>\$ (1)</u>	<u>\$ 25</u>

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
Statement of Income  
For the Twelve Months Ended December 31, 2023  
Estimated Effect of Proposed Transactions  
Current Filing  
(In millions)

Interest on long-term debt*: Annual increase in interest requirements resulting from the proposed issuance of \$300,000,000 of long-term debt with an interest rate of 5.75%.	<u>\$1</u>
<b>Increase in interest expense due to proposed debt issuance</b>	<b>\$1</b>
Operating Income Taxes: Decrease in state and local income taxes at a rate of 1.9% on an increase in interest expense.	\$0
Decrease in Federal income tax at a rate of 20.6% on a net decrease of income before Federal income taxes of \$17,350,000.	<u>\$0</u>
<b>Decrease in operating and federal income tax due to proposed debt issuance</b>	<b>\$0</b>

\*Assumes proceeds from proposed issuance of \$300 million of long-term debt at an interest rate of 5.75% are used to repay CEI's \$300 million 5.5% notes maturing on 8/15/24.

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
(Unaudited)  
SCHEDULE OF PREFERRED STOCK,  
PREFERENCE STOCK AND LONG-TERM DEBT

PREFERRED STOCK:

The Company had no preferred stock outstanding as of December 31, 2023.

Series	Number of Shares		Redemption Price Per Share	Aggregate Redemption Amount	Outstanding
	Authorized	Outstanding			
No Par Value: Undesignated	4,000,000	--	--	--	--

PREFERENCE STOCK:

The Company had no preference stock outstanding at December 31, 2022.

Series	Number of Shares		Redemption Price Per Share	Aggregate Redemption Amount	Involuntary Liquidation Value
	Authorized	Outstanding			
No Par Value: Undesignated	3,000,000	--	--	--	--

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
(Unaudited)  
SCHEDULE OF PREFERRED STOCK,  
PREFERENCE STOCK AND LONG-TERM DEBT (Continued)

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS:

Long-term debt outstanding at December 31, 2023 consists of the following:

	<u>(In Millions)</u>
Long term debt:	
5.500% First Mortgage Bonds Series due 2024	\$ 300
5.950% Senior Notes Series due 2036	\$ 300
3.500% Senior Notes Series due 2028	\$ 350
4.550% Senior Notes Series due 2030	\$ 300
3.230% Senior Notes Series due 2040	\$ 100
Subtotal	<u>\$ 1,350</u>
Phase-in Recovery Bonds (OE Funding LLC):	
3.450% Phase in Recovery Bond due 2034	\$ 61
Subtotal	<u>\$ 61</u>
Capital Lease obligations	\$ 4
Unamortized debt discounts	\$ (1)
Unamortized debt issuance costs	\$ (5)
Currently payable long-term debt	\$ (305)
Total long-term debt and other long-term obligations	<u>\$ 1,103</u>

## EXHIBIT D

CLEVELAND ELECTRIC ILLUMINATING COMPANY  
2022 to 2025  
Sources and Uses of Funds  
(\$ millions)

**SOURCES OF FUNDS**

	<u>Actual</u> <u>2022</u>	<u>Actual</u> <u>2023</u>	<u>Estimate</u> <u>2024</u>	<u>Estimate</u> <u>2025</u>
Debt Obligations	\$ -	\$ -	\$ 300	\$ -
Equity from the Parent	-	-	-	-
Retained Earnings	62	26	57	58
Non-cash Items				
Pension and OPEB mark-to-market adjustment	(11)	16	-	-
Prov for Depr & Amort	106	75	150	157
Prov for Deferred Taxes & ITC	18	2	(8)	(10)
	<u>\$ 175</u>	<u>\$ 119</u>	<u>\$ 499</u>	<u>\$ 205</u>

**DISPOSITION OF FUNDS**

Construction Expenditures	165	151	147	111
Long-term Redemptions	155	5	305	5
Common Dividends/Equity Repurchases	-	-	-	51
Short-term Debt/Cash	(77)	(96)	51	77
Working Capital and Other	(68)	59	(4)	(39)
	<u>\$ 175</u>	<u>\$ 119</u>	<u>\$ 499</u>	<u>\$ 205</u>

CLEVELAND ELECTRIC ILLUMINATING COMPANY

Financing Parameters

**Principal Amount:** Up to \$300,000,000

**Price to the Company:** The Company will receive proceeds equal to the offering price which shall not be less than 96 percent of the aggregate principal of the Notes inclusive of any Fees or Commissions indicated below.

**Fees or Commissions:** For each series or issue, any underwriting or sales commission or placement fee will not exceed 1.65% of the aggregate principal amount of such series.

**Interest Rate:** The interest rate applicable to the Notes will result in a yield to maturity of the holder thereof which does not exceed 350 basis points above the yield to maturity on United States Treasury Bonds of comparable maturity at the time of pricing or issuance, whichever is earlier.

**Maturity:** No more than 41 years from the date of issuance.

**Redemption Price and Other Terms:** For each issue, the optional redemption price will not exceed the greater of (i) 100% of the principal amount of the Notes or Bonds being redeemed and (ii) a make-whole price calculated by reference to the present value of then-remaining scheduled principal and interest payments discounted at a rate derived from the then-current yield on US Treasury securities of comparable maturity. Except to the extent specific limitations are imposed by the terms of the Notes or Bonds as negotiated with the underwriters or purchasers thereof, each series or issue will be redeemable as a whole or in part, at the option of the Company, at any time upon appropriate notice.



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

**Case No(s). 23-0438-EL-AIS**

Summary: Application for Authority to Issue, Sell, or Enter into Debt Transactions electronically filed by Ms. Christine E. Watchorn on behalf of The Cleveland Electric Illuminating Company.