

Metropolitan Edison Company  
 Normalization Adjustment No. 11  
 \$000

Computation of Federal & State Income Taxes - Normalized

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	PTC Calculated Taxes (3)	Universal Service Calculated Taxes (4)	Energy Efficiency Calculated Taxes (5)	Smart Meter Rider Calculated Taxes (6)	DSS Calculated Taxes (7)	Solar Calculated Taxes (8)	NUG Charge Calculated Taxes (9)	Storm Rider Calculated Taxes (10)	CEC Rider Calculated Taxes (11)
1	Total operating revenue	\$ 769,405	\$ 264,502	\$ 400,758	\$ 28,882	\$ 29,531	\$ 7,831	\$ 26,795	\$ 2,651	\$ 8,194	\$ -	\$ 261
2	Less: Total O & M Expense	547,893	96,167	380,800	24,409	21,093	7,570	16,042	1,522	\$ -	\$ -	\$ 290
3	Depreciation - accrual	56,488	56,359	-	-	-	129	-	-	-	-	-
4	Average net salvage	12,528	12,528	-	-	-	-	-	-	-	-	-
5	Amortization	33,847	11,795	(2,118)	3,164	6,659	(377)	6,232	938	7,573	-	(19)
6	Taxes other than income taxes	49,227	20,663	22,492	1,749	1,779	443	1,305	156	621	-	20
7	Total deductions	\$ 699,984	\$ 197,513	\$ 401,175	\$ 29,321	\$ 29,531	\$ 7,765	\$ 23,579	\$ 2,615	\$ 8,194	\$ -	\$ 291
8	Net operating income before income taxes	\$ 69,422	\$ 66,989	\$ (416)	\$ (440)	\$ -	\$ 66	\$ 3,216	\$ 36	\$ -	\$ -	\$ (30)
9	Less: Interest Charges (A)	34,799	34,754	-	-	-	45	-	-	-	-	-
10	Net income before income taxes	\$ 34,623	\$ 32,235	\$ (416)	\$ (440)	\$ -	\$ 21	\$ 3,216	\$ 36	\$ -	\$ -	\$ (30)
Adjustments to taxable income:												
11	Book Average net salvage	12,528	12,528	-	-	-	-	-	-	-	-	-
12	Adj. of book depreciation to tax basis (B)	\$ 2,344	\$ 2,850	\$ -	\$ -	\$ -	\$ (506)	\$ -	\$ -	\$ -	\$ -	\$ -
13	Tax cost of removal/salvage	(5,087)	(5,087)	-	-	-	-	-	-	-	-	-
14	Adjust cash pension	21,891	21,891	-	-	-	-	-	-	-	-	-
15	Net adjustment	31,677	32,183	-	-	-	(506)	-	-	-	-	-
16	Income subject to state income tax	66,299	64,418	(416)	(440)	-	(485)	3,216	36	-	-	(30)
17	State income tax @ 9.99%	\$ 6,623	\$ 6,435	\$ (42)	\$ (44)	\$ -	\$ (48)	\$ 321	\$ 4	\$ -	\$ -	\$ (3)
18	Taxes as budgeted	5,701	5,701	-	-	-	-	-	-	-	-	-
19	Adjustment to state income tax	\$ 922	\$ 734	\$ (42)	\$ (44)	\$ -	\$ (48)	\$ 321	\$ 4	\$ -	\$ -	\$ (3)
20	Income subject to federal income tax	\$ 59,676	\$ 57,983	\$ (375)	\$ (396)	\$ -	\$ (436)	\$ 2,895	\$ 32	\$ -	\$ -	\$ (27)
21	Federal income tax @ 35%	\$ 20,887	\$ 20,294	\$ (131)	\$ (139)	\$ -	\$ (153)	\$ 1,013	\$ 11	\$ -	\$ -	\$ (9)
22	Taxes as budgeted	28,956	28,956	-	-	-	-	-	-	-	-	-
23	Adjustment to federal income tax	\$ (8,069)	\$ (8,662)	\$ (131)	\$ (139)	\$ -	\$ (153)	\$ 1,013	\$ 11	\$ -	\$ -	\$ (9)
(A) Computation of Interest charges												
	Total rate base	\$ 1,335,350	\$ 1,333,627	\$ -	\$ -	\$ -	\$ 1,723	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt ratio	50.04%	50.04%	50.04%	50.04%	50.04%	50.04%	50.04%	50.04%	50.04%	50.04%	50.04%
	Cost of debt	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%
	Interest expense	\$ 34,799	\$ 34,754	\$ -	\$ -	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ -	\$ -
(B) Adjustment of book depreciation to tax basis:												
	Tax depreciation	54,144	53,509	-	-	-	635	-	-	-	-	-
	Book depreciation	56,488	56,359	-	-	-	129	-	-	-	-	-
	Depreciation adjustment	(2,344)	(2,850)	-	-	-	506	-	-	-	-	-

Metropolitan Edison Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

Computation of Federal & State Income Taxes - Normalized

To (1) split the tax depreciation into cost of removal, smart meter, and distribution components, and (2) calculate the jurisdictional allocation.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Tax depreciation expense per books	\$ 76,048		
2	Cost of removal / salvage	6,547	77.70%	5,087
3	Smart meter tax depreciation	<u>635</u>	100.00%	635
4	Distribution tax deprecation	\$ 68,866	77.70%	<u>53,509</u>
5	Total tax depreciation			<u>\$ 54,144</u>

Metropolitan Edison Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u>	<u>State</u>
		(1)	(2)
1	Deferred taxes per books, 12 months ended 3/31/2014	\$ (59,116)	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, page 19)	13,618	-
3	Jurisdictional allocation factor	<u>77.70%</u>	<u>77.70%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	10,581	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>69,697</u>	<u>-</u>
6	Deferred tax expense per books for the 12 months ended 3/31/2014, as adjusted	<u>\$ 10,581</u>	<u>\$ -</u>

Metropolitan Edison Company  
Normalization Adjustment No. 13  
\$000

Adjustment of Investment Tax Credit

This adjustment is to eliminate the non-jurisdictional portion of investment tax credit adjustments.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Investment tax credit adjustments per books, 12 months ended 3/31/2014		\$ (397)
2	Jurisdictional allocation factor	77.70%	
3	Jurisdictional investment tax credit (Line 1 x Line 2)	<u>\$ (308)</u>	
4	Adjustment to investment tax credit expense (Line 3 - Line 1)		<u>89</u>
5	Adjustment to investment tax credit expense per books for the 12 months ended 3/31/2014, as adjusted		<u>\$ (308)</u>

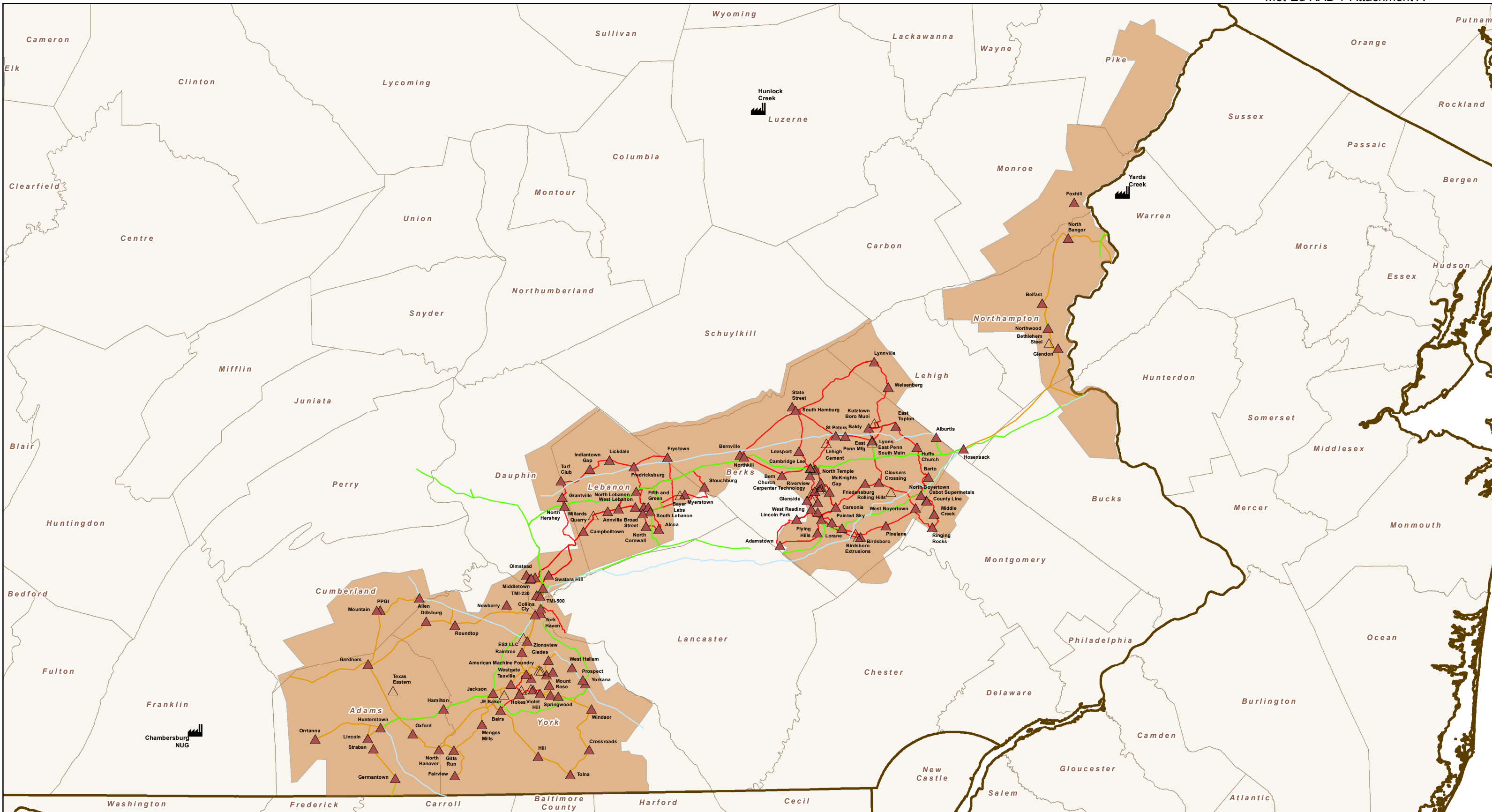
METROPOLITAN EDISON COMPANY

FILING REQUIREMENT I-B-3:

“Provide an overall system map, including and labeling all generating plants, transmission substations—indicate voltage, transmission system lines—indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.”

RESPONSE:

See Met-Ed Exhibit RAD-7 Attachment A.



- Generation
- FE Owned Substation
- Customer Owned Substation
- Met-Ed
- 69 kV
- 115 kV
- 138 kV
- 230 kV
- 500 kV

# Met-Ed Transmission System



Contains Privileged and Confidential Information and/or Critical Infrastructure Information  
Do Not Release Pursuant to 18 C.F.R. § 388.12

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-A-1:

“Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.”

RESPONSE:

See Met-Ed Exhibit RAD-1 for the fully projected future test year.

See Met-Ed Exhibit RAD-3 for the future test year.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-A-2:

“If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.”

RESPONSE:

See Met-Ed Exhibit RAD-5 for the historical test year.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-A-3:

“When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa.C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:

- (a) The total cost of the generating unit
- (b) The following costs:
  - (1) The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
  - (2) The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like. .
  - (3) Manual labor. .
  - (4) Direct and indirect costs of architect/engineering services. .
  - (5) Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
  - (6) Distributed costs.
- (c) A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa.C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
- (d) Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa.C.S. § 515(a).”

RESPONSE:

Not applicable.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-B-1:

“If a claim is made for plant held for future use, supply the following:

- a. A description of the plant or land site and its cost and any accumulated depreciation.
- b. The expected date of use for each item claimed.
- c. An explanation as to why it is necessary to acquire each item in advance of its date of use.
- d. The data when each item was acquired.
- e. The date when each item was placed in plant held for future use.”

RESPONSE:

There is no rate base claim being made in this proceeding for plant held for future use.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-B-2:

“If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue-producing and nonrevenue producing amounts, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated in service dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.”

RESPONSE:

Met-Ed is not making any rate base claim for construction work in progress.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-B-3:

“If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.”

RESPONSE:

METROPOLITAN EDISON COMPANY

13 Month Book Balance of Materials and Supplies

<u>Line</u>	<u>Month</u>	<u>Amount</u>
<u>No.</u>		
		<i>(in thousands)</i>
1	April 1, 2013	\$ 13,926,128
2	April 30, 2013	13,653,200
3	May 31, 2013	14,667,989
4	June 30, 2013	15,853,993
5	July 31, 2013	15,953,474
6	August 31, 2013	15,927,057
7	September 30, 2013	15,557,251
8	October 31, 2013	15,623,111
9	November 30, 2013	15,240,945
10	December 31, 2013	13,458,084
11	January 31, 2014	13,682,065
12	February 28, 2014	14,092,822
13	March 31, 2014	14,493,114
14	13 Period Average	\$ 14,779,172

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-B-4:

“If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the cash working capital requirement. If not provided in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.”

RESPONSE:

See the Direct Testimony of Patricia Larkin, Met-Ed/Penelec/Penn Power/West Penn Statement No. 6.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-B-6:

“Explain in detail by statement or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.”

RESPONSE:

The supporting schedules included in Met-Ed Exhibit RAD-1 explain the appropriateness of various items claimed in the rate base. Items not explained in supporting schedules to Met-Ed Exhibit RAD-1, or not mentioned in other responses to filing requirements are explained below:

1. Customer Deposits

Customer deposits are deducted from the rate base as they represent a source of non-investor supplied capital. Appropriate interest on such deposits has been included as a normalizing adjustment to the income statement.

2. Customer Advances for Construction

In accordance with the practice followed in prior rate filings and accepted by Commission Orders, the Company reduces rate base by the amount of customer advances for construction at the end of the test year.

3. Operating Reserves

The Company has adopted a partial self-insurance concept for general and automotive liability insurance, property insurance and a long-term disability plan. The Company has also established an operating reserve for the purpose of providing a pension fund in addition to the normal funded plan. These operating reserves, net of applicable deferred taxes, reduce the Company's total rate base claim.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-C-1:

“Prepare a Statement of Income including:

- (a) The book, or budgeted, statement for the test year.
- (b) Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
- (c) The income statement under present rates after adjustment.
- (d) The adjustment for the revenue requested.
- (e) The income statement under requested rates after adjustment.
- (f) Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.”

RESPONSE:

Fully Projected Future Test Year

(a – f): See Met-Ed Exhibit RAD-2. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Met-Ed Witness Kevin M. Siedt, Met-Ed Statement No. 4 and Met-Ed Exhibit KMS-1 Attachment A which accompanies his Direct Testimony.

Future Test Year

(a – f) See Met-Ed Exhibit RAD-4. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Met-Ed Witness Kevin M. Siedt, Met-Ed Statement No. 4 and Met-Ed Exhibit KMS-1, Attachment B which accompanies his Direct Testimony.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-C-2:

“If the schedule provided in Filing Requirement II-C-1 is based upon budgeted data for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.”

FILING REQUIREMENT II-C-1:

“Prepare a Statement of Income including:

- (a) The book, or budgeted, statement for the test year.
- (b) Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
- (c) The income statement under present rates after adjustment.
- (d) The adjustment for the revenue requested.
- (e) The income statement under requested rates after adjustment.
- (f) Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.”

RESPONSE:

(a – f): See Met-Ed Exhibit RAD-6. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Met-Ed Witness Kevin M. Siedt, Met-Ed Statement No. 4 and Met-Ed Exhibit KMS-1, Attachment C which accompanies his Direct Testimony.

**Metropolitan Edison Company  
Comparative Income Statements**

<u>FERC Account</u>	<u>Twelve Months Ending</u>		<u>Increase/ (Decrease)</u>
	<u>April 30, 2016</u>	<u>March 31, 2015</u>	
<b>Operating Revenues</b>			
<b>Electric Service Revenues</b>			
440 Residential sales	\$ 487,124	\$ 495,246	\$ (8,122)
442 Commercial sales	112,883	123,810	(10,927)
442 Industrial sales	51,258	50,866	392
444 Public street and highway lighting	5,410	5,141	269
445 Other sales to public authorities	-	-	-
447 Sale for resale	12,678	21,076	(8,398)
Total electric service revenues	<u>\$ 669,354</u>	<u>\$ 696,139</u>	<u>\$ (26,785)</u>
<b>Other Electric Revenue</b>			
450 Forfeited discounts	\$ 3,229	\$ 3,229	\$ -
451 Miscellaneous service revenues	1,903	1,903	-
454 Rent from electric property	19,477	19,477	-
456 Other electric revenues	47,656	47,885	(228)
Total other electric revenues	<u>\$ 72,265</u>	<u>\$ 72,494</u>	<u>\$ (228)</u>
Total operating revenues	<u>\$ 741,619</u>	<u>\$ 768,633</u>	<u>\$ (27,014)</u>
<b>Operating Expenses</b>			
401-2 Operation and maintenance expense			
Power production expenses	\$ 275,734	\$ 320,216	\$ (44,483)
Transmission expenses	21,154	21,730	(577)
Regional market expenses	54	50	4
Distribution expenses	37,980	33,837	4,143
Customer accounts expense	23,271	25,286	(2,015)
Customer service & information expense	40,696	44,185	(3,488)
Sales expenses	25	24	1
Administrative & general expenses	41,116	37,806	3,310
Subtotal	<u>\$ 440,030</u>	<u>\$ 483,134</u>	<u>\$ (43,104)</u>
403 Depreciation expense	\$ 59,721	\$ 56,892	\$ 2,829
404-5 Amortization and depletion of utility plant	4,710	2,681	2,029
406 Amortization and utility plant acq. adjustment	-	-	-
407 Amortization of property losses	-	-	-
407.3 Regulatory debits	22,920	24,410	(1,490)
407.4 Regulatory credits	15,407	(11,449)	26,856
408.1 Taxes other than income taxes	45,795	46,882	(1,086)
411.1 Accretion expense	49	62	(13)
411.8 Gains from disposition allowance	-	-	-
Total operating expenses before federal and state income taxes	<u>\$ 588,632</u>	<u>\$ 602,611</u>	<u>\$ (13,980)</u>
Net operating income before income taxes	<u>\$ 152,987</u>	<u>\$ 166,021</u>	<u>\$ (13,034)</u>
<b>Income taxes</b>			
409.1 Income taxes-federal	\$ 39,423	\$ 25,303	\$ 14,121
409.1 Income taxes-state	-	-	-
410.1 Provision for deferred income taxes	49,263	67,085	(17,822)
411.1 Income taxes deferred in prior years-cr.	(42,966)	(39,764)	(3,202)
411.4 Investment tax credit adjustments-net	(364)	(364)	-
Total income taxes	<u>\$ 45,356</u>	<u>\$ 52,260</u>	<u>\$ (6,903)</u>
Net operating income	<u>\$ 107,631</u>	<u>\$ 113,762</u>	<u>\$ (6,131)</u>

**Metropolitan Edison Company  
Comparative Income Statements**

<u>FERC Account</u>	<u>Twelve Months Ending</u>		<u>Increase/ (Decrease)</u>
	<u>April 30, 2016</u>	<u>March 31, 2015</u>	
<b>Other income</b>			
415-16 Revenues from merchandising, jobbing and contract work	\$ 2,808	\$ 3,681	\$ (872)
417 Revenues from non-utility operations	-	-	-
417.1 Expenses from non-utility operations	-	-	-
418 Nonoperating rental income	(17)	(17)	-
418.1 Equity in earnings of subsidiary companies	-	-	-
419 Interest and dividend income	1,647	98	1,549
419.1 Allowance for funds used during construction	1,343	1,852	(509)
421 Miscellaneous non-operating income	1,740	1,740	0
421.1 Gain on disposition of property	-	-	-
Total other income	<u>\$ 7,522</u>	<u>\$ 7,354</u>	<u>\$ 168</u>
Gross income	<u>\$ 115,153</u>	<u>\$ 121,115</u>	<u>\$ (5,963)</u>
<b>Other Income Deductions</b>			
421.2 Loss on disposition of property	\$ -	\$ -	\$ -
425 Miscellaneous amortization	-	-	-
426 Other income deductions	146	146	0
Total other income deductions	<u>\$ 146</u>	<u>\$ 146</u>	<u>\$ 0</u>
<b>Taxes Applicable to Other Income and Deductions</b>			
408.2 Taxes other than income taxes	\$ -	\$ -	\$ -
409.2 Income taxes - federal	-	-	-
409.2 Income taxes - state	-	-	-
410.2 Provision for deferred income taxes	-	-	-
411.2 Provision for deferred income taxes-cr.	-	-	-
Total taxes on other income and deductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Interest Charges</b>			
427 Interest on long term debt	\$ 51,862	\$ 40,717	\$ 11,145
428 Amortization of debt discount and expense	911	700	210
428.1 Amortization of loss on reacquired debt	247	544	(297)
429 Amortization of premium on debt credit	-	-	-
429.1 Amortization of gain on reacquired debt	(144)	(144)	-
430 Interest on debt to associated companies	8	1,036	(1,028)
431 Other interest expense	3,859	4,152	(293)
432 Allowance for borrowed funds used during construction - credit	(892)	(1,229)	338
Total interest charges	<u>\$ 55,852</u>	<u>\$ 45,776</u>	<u>\$ 10,076</u>
Income before extraordinary items	<u>\$ 59,155</u>	<u>\$ 75,194</u>	<u>\$ (16,039)</u>
<b>Extraordinary Items &amp; Related Taxes</b>			
434 Extraordinary income	\$ -	\$ -	\$ -
435 Extraordinary deductions	-	-	-
409.3 Income taxes - Federal & other	-	-	-
Extraordinary items after taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net income	<u>\$ 59,155</u>	<u>\$ 75,194</u>	<u>\$ (16,039)</u>

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-1

“Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period.

Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis for ratably allocating the budgeted data into the account categories as follows:

**OPERATING REVENUES**

	Electric Revenues:
	Residential Sales
	Commercial Sales
400	Industrial Sales
	Public Street & Highway
	Lighting Sales
	Sales for Resale
	Total Other Electric Revenues
	Other Electric Revenues:
	Late Payment Charges
	Miscellaneous Service Revenues
	Rent from Electric Property
	Other Electric Revenues
	Total Other Electric Revenues
	Total Operating Revenues

**OPERATING EXPENSES**

	Operation and Maintenance Expenses
	Power Production Expenses:
	Fuel
401-2	Net Interchange
	Deferred Energy Costs
	Other
	Transmission Expenses
	Distribution Expenses
	Customer Service & Informational Expense
	Sales Expenses

Administrative and General Expenses  
Total Operation & Maintenance Expenses

403 Depreciation Expenses  
Amortization of Net Salvage  
Nuclear Decommissioning Expense

407 Amortization of Property Losses  
Taxes Other Than Income Taxes

408 Total Operating Expenses Prior To  
Federal & State Income Taxes

**OPERATING EXPENSES**

Operating Income Prior To Federal and State Income Taxes

**FEDERAL AND STATE INCOME TAXES**

409 Federal Income Taxes  
State Income Taxes

409 Deferred Federal Income Taxes  
Deferred State Income Taxes  
Investment Tax Credit Adjustments

411 Deferrals  
Amortization—Credit  
Other Income Tax Credits & Charges  
Total Federal and State Income Taxes  
Operating Income After Federal and State Income Taxes

**OTHER INCOME AND DEDUCTIONS**

**OTHER INCOME**

415-18 Non-utility Operating Income

419 Interest and Dividend Income

419 Allowance for Other Funds Used During Construction

421 Gain on Disposition of Property

421 Other Miscellaneous Non-operating Income  
Total Other Income

**OTHER INCOME DEDUCTIONS**

421 Loss on Disposition of Property

425 Miscellaneous Amortization  
Miscellaneous

426 Total Other Income Deductions

**TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS**

408 Taxes Other Than Income Taxes

409 Federal Income Tax

409 State Income Tax  
Total Taxes Applicable to Other Income and Deductions  
Income Before Interest Charges

***INTEREST CHARGES***

427 Interest on Long-Term Debt  
428 Amortization of Debt Discount and Expense  
429 Amortization of Premium on Debt  
431 Other Interest Expense  
432 Allowance for Borrowed Funds Used During Construction—Credit  
Net Interest Charges  
Income Before Extraordinary Items  
Extraordinary Items After Taxes  
Net Income “

RESPONSE:

See Exhibit RAD-18 Attachment A which provides the requested comparative operating statements. Set forth below are explanations of the causes of major variances.

**OPERATING REVENUES**

Residential Sales (Variation (\$8,122))

The variance is due primarily to decreases of \$16.2 million in the Hourly Pricing Service revenue and \$1.5 million in the NUG Rider Energy charge offset by increases of \$7.2 million in the Universal Service Charge and \$1.6 million in the Smart Meter Technology revenues.

Commercial Sales (Variation (\$10,927))

The variance is due primarily to decreases of \$11.7 million in the Hourly Pricing Service revenue and \$0.9 million in the NUG Rider Energy charge offset by increases of \$1.0 million in the Smart Meter Technology revenues.

Sales for Resale (Variation (\$8,398))

The variance is due primarily to an \$8.0 million decrease to PJM Spot market energy revenues.

**OPERATING EXPENSES**

Operation and Maintenance expense Account 401-2 (Variance (\$43,104))

The variance is primarily due to decreases of \$44.5 million in purchased power, and \$3.5 million in customer assistance expenses. These decreases were partially offset by increases of \$4.1 million in distribution expenses, and \$3.3 million in administrative & general expenses.

Account 403 Depreciation expense (Variance \$2,829)

The variance is due primarily to a \$2.8 million increase in depreciation on assets offset by \$0.1 million decrease in depreciation cost of removal.

Account 404-5 Amortization and depletion of utility plant (Variance \$2,029)

The variance is due primarily to a \$2.0 million increase in amortization and depletion on assets.

Account 407.3 Regulatory debits (Variance (\$1,490))

This variance is due primarily to a \$3.8 million decrease in the NUG deferral offset partly by a \$1.3 increase in the DSSR deferral and a \$1.0 increase in the 2006 PJM Transmission deferral.

Account 407.4 Regulatory credits (Variance \$26,856)

This variance is due primarily to increases of \$13.8 million in the Price to Compare deferral, \$10.6 million in the Universal Service deferral, \$1.7 million in the Energy Efficiency deferral, and \$1.5 million in the Smart Meter deferral.

Account 408.1 Taxes other than income taxes (Variance (\$1,086))

This variance is due primarily to a decrease of \$1.2 million in the PA gross receipts tax.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-2:

“Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.”

RESPONSE:

See Met-Ed Exhibit RAD-19 Attachment A.

**Metropolitan Edison Company**

Line No.	Adj. No.	Support Schedule No.	Description	Operating Revenues (1)	Operating Expenses (2)	Taxes Other Than Income Taxes (3)	Operating Income Before Income Taxes (4)	State Income Tax (5)	Federal Income Tax (6)	Income Available for Return (7)=(4)-(5)-(6)
1			As budgeted (Exhibit RAD-2, Page 1, col. 1)	\$ 741,619	\$ 545,899	\$ 42,733	\$ 152,987	\$ -	\$ 45,356	\$ 107,631
<b>Normalizations and Adjustments</b>										
<b>Operating Revenues</b>										
2	1		Base Operating Revenues	25			25	2	8	15
3	2		State Tax Surcharge Revenues	-			-	-	-	-
4			<b>Other Operating Revenues</b>							
5	3		Eliminate non-jurisdictional transmission revenues	(55,404)			(55,404)	(5,535)	(17,454)	(32,415)
<b>Operating Expenses</b>										
<b>Distribution</b>										
6	4	1	Distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		263		(263)	(26)	(83)	(154)
7	4	1	Service company distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		66		(66)	(7)	(21)	(39)
8	4		Eliminate non-jurisdictional transmission expense		(9,140)		9,140	913	2,879	5,347
9	4		Amortization of gain or loss on reacquired debt		81		(81)	(8)	(26)	(47)
<b>Customer Accounts</b>										
10	5		Customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		92		(92)	(9)	(29)	(54)
11	5		Service company customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		99		(99)	(10)	(31)	(58)
12	5	1	Increased O&M costs associated with increased number of customers in normalized revenue levels		10		(10)	(1)	(3)	(6)
13	5	2	Interest on customer deposits		1,256		(1,256)	(125)	(396)	(735)
<b>Customer Service</b>										
14	6		Customer service payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		44		(44)	(4)	(14)	(26)
<b>Administrative &amp; General Expenses</b>										
15	7		A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		76		(76)	(8)	(24)	(44)
16	7		Service company A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		148		(148)	(15)	(47)	(87)
17	7	1	Adjust OPEB expense to service cost level		2,814		(2,814)	(281)	(887)	(1,646)
18	7	2	Adjust Pension Expense to ten year cash level		14,046		(14,046)	(1,403)	(4,425)	(8,218)
19	7	3	Adjust employee benefit costs		305		(305)	(30)	(96)	(178)
20	7		Adjustment to remove non-jurisdictional A&G expense		(2,660)		2,660	266	838	1,556
21	7		Rate Case expenses normalized over 2 years		(502)		502	50	158	294
22	7		Increase in O&M costs for accelerated (3 day) switching for customers moving to a new supplier		311		(311)	(31)	(98)	(182)
23	7		Less legacy meters from budget		(330)		330	33	104	193
<b>Depreciation Expense</b>										
24	8		Adjustment for average remaining life accrual for jurisdictional plant		(7,041)		7,041	703	2,218	4,119
25	8		Adjustment of cost of removal/salvage expenses to a jurisdictional five year average		8,020		(8,020)	(801)	(2,527)	(4,692)
26	8	1	Adjustment for amortization of legacy meters		10,759		(10,759)	(1,075)	(3,389)	(6,295)
<b>Amortization</b>										
27	9		Adjustment for storms		21,655		(21,655)	(2,163)	(6,822)	(12,670)
28	9		Remove rate case expenses from budget		750		(750)	(75)	(236)	(439)
29	9		Remove legacy meters from budget		330		(330)	(33)	(104)	(193)
30	9		Remove accretion expense		(49)		49	5	15	29
<b>Taxes Other than Income</b>										
31	10		Eliminate non-jurisdictional payroll taxes			(490)	490	49	154	287
32	10		Eliminate other non-jurisdictional taxes			(503)	503	50	158	294
33	10		Adjustment for gross receipts tax at normalized revenue level			13	(13)	(1)	(4)	(8)
34	10	1	Adjustment for payroll taxes on normalized payroll			40	(40)	(4)	(13)	(23)

Line No.	Adj. No.	Support Schedule No.	Description	Operating Revenues (1)	Operating Expenses (2)	Taxes Other Than Income Taxes (3)	Operating Income Before Income Taxes (4)	State Income Tax (5)	Federal Income Tax (6)	Income Available for Return (7)=(4)-(5)-(6)
<b><u>Federal &amp; State Income Taxes</u></b>										
<b><u>Income Taxes</u></b>										
35	11		Current federal & state income taxes				-	15,679	10,020	(25,698)
36	12		Deferred federal & state income taxes				-		(2,699)	2,699
37	13		Amortization of ITC	-	-	-	-	-	81	(81)
38			Total adjustments (Exhibit RAD-2, Page 1, col. 2)	\$ (55,379)	\$ 41,403	\$ (940)	\$ (95,842)	\$ 6,104	\$ (22,792)	\$ (79,154)
39			Budget as Adjusted (Exhibit RAD-2, Page 1, col. 3)	\$ 686,240	\$ 587,302	\$ 41,793	\$ 57,145	\$ 6,104	\$ 22,564	\$ 28,477
40			Adjustments to achieve required return - Total PaPUC Jurisdictional	152,643	-	9,006	143,637	14,349	45,251	84,038

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-3:

“List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, nonyearly maintenance programs, and the like.”

RESPONSE:

The test year ending 4/30/16 does not include any non-recurring or extraordinary expenses.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-4:

“As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.”

RESPONSE:

There are no extraordinary property losses.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-5:

“Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written off in each of the last 3 calendar years.”

RESPONSE:

The future estimate of uncollectible accounts is based on a historically determined average of net write-offs to sales for each utility company. For the Uncollectible Customer Reserve, the regulated utility companies at FirstEnergy determine a 3-year rolling average of net write-offs to sales (36 months of net write-offs/ 36 months of sales). This percentage is then multiplied by the latest 6 months of sales to arrive at a reserve.

Beginning in 2013, the Uncollectible Customer Reserve includes a reserve for the Purchase of Receivables program (POR). This is determined by using a percentage of Non- POR Uncollectible Customer Reserve to Non- POR Customer Receivable Arrears (Uncollectible Customer Receivable Reserve/Non-Current Customer Receivable Arrears). This percentage is then multiplied by the POR Non-Current Customer Receivable Arrears to arrive at a reserve.

The Utility may record additional uncollectible customer reserve amounts as deemed necessary to fairly value Accounts Receivable.

The accruals, net write-offs and balance in FERC Account No. 144.1 Accumulated Reserve for Uncollectible Accounts for the last three calendar years are as follows:

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	<b>Balance, January 1, 2011</b>	\$ (3,867,730)
2	Accruals	\$ (11,522,378)
3	Write-offs (Net)	<u>\$ 12,374,770</u>
4	<b>Balance, December 31, 2011</b>	\$ (3,015,338)
5	Accruals	\$ (12,841,208)
6	Write-offs (Net)	<u>\$ 12,833,226</u>
7	<b>Balance, December 31, 2012</b>	\$ (3,023,320)
8	Accruals	\$ (14,333,240)
9	Write-offs (Net)	<u>\$ 10,315,484</u>
10	<b>Balance, December 31, 2013</b>	<u>\$ (7,041,076)</u>

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-6:

“Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.”

RESPONSE:

The claim in the current rate case proceeding for rate case expenses, shown on Met-Ed Exhibit RAD-2 page 18, is based on the following total estimated expenses proposed to be amortized for ratemaking purposes over two years:

	<u>Amount</u> (\$000)
Legal Expenses	\$ 275
Expert Witnesses	33
Other	<u>187</u>
Total	\$ 495

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-7:

“Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories:

- (a) Miscellaneous general expenses, including account 930.
- (b) Outside service expenses.
- (c) Regulatory commission expenses.
- (d) Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim - provide explanation of types and purposes of such advertising.
- (e) Research and development expenses – provide a listing of major projects.
- (f) Charitable and civic contributions, by recipient and amount.

Explain major variances between the test year expenses and those expenses for the prior 12-month period.”

RESPONSE:

- (a) – (d) See Page 2 of 3
- (e) – (f) See Page 3 of 3

Line No.	Description	12 Months Ending		
		April 30 2016	March 31 2015	March 31 2014
				<i>(in thousands)</i>
<b><u>Acct 913 - Advertising &amp; 930 - Miscellaneous General Expense</u></b>				
Institutional or Goodwill Advertising Expenses (913 & 930.1)				
1	Goodwill Advertising	\$ 35	\$ 34	\$ 24
2	Print Advertising	-	-	65
3	Radio Advertising	-	-	8
2	Total Institutional or Goodwill Advertising	<u>\$ 35</u>	<u>\$ 34</u>	<u>\$ 97</u>
Misc. General Expenses (930.2)				
3	Bank Fees	\$ 209	\$ 209	\$ 174
4	Misc Regulatory Expenses	192	242	236
5	Corporate Dues - Trade	133	133	116
6	Financing Admin Fees	123	123	195
7	Corporate Dues - Civic	39	39	27
8	Association Fees and Dues	3	3	4
9	Licenses, Permits & Regulation	-	-	7
10	FENOC - Benefits	-	-	6
11	FENOC - Tax	-	-	3
12	Other Miscellaneous Expenses	-	-	11
13	Total Miscellaneous General Expenses	<u>\$ 698</u>	<u>\$ 748</u>	<u>\$ 778</u>
14	1Accounts 913 & 930	<u>\$ 733</u>	<u>\$ 782</u>	<u>\$ 876</u>

**Account 923 - Outside Services Employed**

1	Outside Contractors	\$ 19,232	\$ 22,987	\$ 17,732 (A)
2	FE Service Co. Assessments	16,146	15,840	14,831
3	FENOC	7	7	42
4	West Penn	2	2	1
5	Penelec	1	1	1
6	Total Account 923	<u>\$ 35,388</u>	<u>\$ 38,837</u>	<u>\$ 32,607</u>

(A) The variance in Outside Contractors expense is due primarily to fluctuations in Smart Meter and Energy Efficiency programs.

**Account 928 - Regulatory Commission Expenses**

1	Regulatory Commission Expense	\$ 2,632	\$ 2,469	\$ 2,460
2	Total Account 928	<u>\$ 2,632</u>	<u>\$ 2,469</u>	<u>\$ 2,460</u>

Line No.	Description of Project	12 Months Ending		
		April 30 2016	March 31 2015	March 31 2014
		<i>(in thousands)</i>		
1	<b><u>Research and Development Expenditures</u></b>	\$ 145	\$ 141	\$ 218 (B)

(B) For the year ended March 31, 2014, R&D expenses represents actual amounts included in the income statement. Future amounts are projected expenditures which will settle to either capital or expense depending on the nature of the project.

**Acct. 426.1 -- Donations**

Organizations

1	Property Donations	\$ 117	\$ 117	\$ 108
2	Civic Donations	19	19	29
4	Total charitable and civic contributions	<u>\$ 136</u>	<u>\$ 136</u>	<u>\$ 137</u>

Metropolitan Edison Company  
Charges by Affiliates  
 (000's)

Line No.	Description	Twelve Months Ending April 30, 2016			Twelve Months Ending March 31, 2015			Twelve Months Ending March 31, 2014		
		Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total
1	Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161	213	\$ 374
2	Transmission	967	1,186	2,153	933	1,153	2,086	971	628	1,600
3	Distribution	2,623	1,395	4,018	2,479	1,372	3,852	3,517	2,293	5,810
4	Customer Accounting and Information	3,941	3,405	7,346	3,917	3,419	7,336	4,963	3,592	3,480
5	Administrative and General	5,904	11,531	17,435	6,509	10,179	16,689	6,054	6,533	17,661
6	Total	<u>\$13,435</u>	<u>\$ 17,516</u>	<u>\$ 30,951</u>	<u>\$13,839</u>	<u>\$ 16,124</u>	<u>\$ 29,963</u>	<u>\$ 15,666</u>	<u>\$ 13,260</u>	<u>\$ 28,925</u>

\* Labor is direct payroll only; excludes payroll overhead

\*\* OTL includes payroll overhead

**Service Company Agreement-Utility [Execution Copy]**

**SERVICE AGREEMENT**

This Service Agreement ("Agreement") is entered into as of the 25th day of February, 2011, by and between each of the associate companies listed on the signature page hereto (each a "Client Company"), and FirstEnergy Service Company, an Ohio corporation ("Service Company").

WHEREAS, Service Company is a direct wholly-owned subsidiary of FirstEnergy Corp., a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act");

WHEREAS, Service Company has been formed for the purpose of providing administrative, management and other services to FirstEnergy Corp. and its associate companies, including Client Company (together, the "Client Companies"); and

WHEREAS, Client Company believes that it is in its interest to enter into an arrangement whereby Client Company may agree to purchase such administrative, management and other services from Service Company as Client Company may choose at cost as determined in accordance with this Agreement and the Act;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. DESCRIPTION OF SERVICES.

Service Company agrees to provide certain administrative, management or other services (the "Services") to Client Company similar to those supplied to other Client Companies of Service Company. Such services are and will be provided to Client Company only at the request of Client Company. Exhibit A hereto lists and describes all of the Services that are available from Service Company.

2. PERSONNEL.

In order to provide the Services, Service Company will employ executive officers, accountants, financial advisers, technical advisers, attorneys and other persons with the necessary qualifications. If necessary, Service Company may also arrange for the services of nonaffiliated experts, consultants and attorneys in connection with the performance of any of the Services provided under this Agreement.

3. COMPENSATION AND ALLOCATION.

As and to the extent required by law, Service Company provides and will provide such services at fully allocated cost, determined in accordance with the Act. Exhibit A hereof contains rules for determining and allocating such costs.

4. TERMINATION AND MODIFICATION.

Either party to this Agreement may terminate this Agreement by providing 60 days written notice of such termination to the other party. This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of the Act or with any rule, regulation or order of the Federal Regulatory Energy Commission (the "Commission") adopted before or after the making of this Agreement. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

5. SERVICE REQUESTS.

Client Company and Service Company will prepare a Service Request on or before September 30<sup>th</sup> of each year listing Services to be provided to Client Company by Service Company and any special arrangements related to the provision of such Services for the coming year, based on Services provided during the preceding year. Client Company and Service Company may supplement the Service Request during the year to reflect any additional or special Services that Client Company wishes to obtain from Service Company, and the arrangements relating thereto.

6. BILLING AND PAYMENT.

Unless otherwise set forth in a Service Request, payment for Services provided by Service Company shall be by making remittance of the amount billed or by making appropriate accounting entries on the books of Client Company and Service Company. Billing will be made on a monthly basis, with the bill to be rendered as soon as practicable after the close of the month, and remittance or accounting entries completed within 30 days of billing. Any amount remaining unpaid after 30 days following receipt of the bill shall bear interest thereon from the due date of the bill until payment at a rate equal to the prime rate on the due date.

7. NOTICE.

Where written notice is required by this Agreement, all notices, consents, certificates, or other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To Client Company: c/o President  
76 South Main St.  
Akron, Ohio 44308

To Service Company: c/o Vice President and Controller  
76 South Main Street  
Akron, Ohio 44308

8. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to its conflict of laws provisions.

9. MODIFICATION.

No amendment, change or modification to this Agreement shall be valid, unless made in writing and signed by both parties hereto.

10. ENTIRE AGREEMENT.

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and canceled in their entirety and are of no further force and effect, except to the extent transactions thereunder have taken place prior to such effective date in which case such agreements will govern the terms of such transactions.

11. WAIVER.

No waiver by either party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

12. ASSIGNMENT.

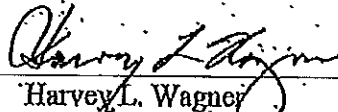
This Agreement shall inure to the benefit and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or either party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

13: SEVERABILITY.

If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

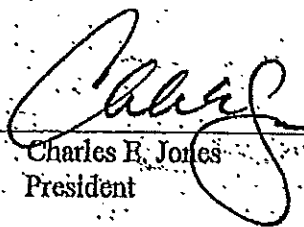
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed effective as of the 25th day of February, 2011. This Agreement supercedes any previous agreement between the Service Company and the Client Companies.

FirstEnergy Service Company

By:   
Harvey L. Wagner  
Vice President & Controller

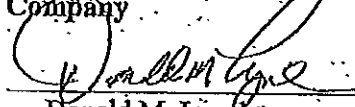
Client Companies:

Ohio Edison Company  
The Cleveland Electric Illuminating  
Company  
The Toledo Edison Company  
Pennsylvania Power Company  
American Transmission Systems,  
Incorporated  
Pennsylvania Electric Company  
Waverly Electric Power & Light  
Company  
Metropolitan Edison Company  
Monongahela Power Company  
The Potomac Edison Company  
West Penn Power Company  
PATH - Allegheny Land Acquisition  
Company  
PATH Allegheny Maryland  
Transmission Company, LLC  
PATH Allegheny Transmission  
Company, LLC  
PATH Allegheny Virginia  
Transmission Corporation  
AYE Series, Potomac-Appalachian Transmission  
Highline, LLC  
Trans-Allegheny Interstate Line  
Company

By:   
Charles R. Jones  
President

**Jersey Central Power & Light  
Company**

By:



Donald M. Lynch  
President

**EXHIBIT A**  
**DESCRIPTION OF SERVICES AND ALLOCATION METHODOLOGY**

1. **Description Of Services**

**Overview**

This Exhibit provides a description of all services provided by Service Company departments and the cost allocation methodologies to be used in connection therewith. All products and services are subject to Service Level Standards as negotiated between the Service Company department and Client Company. Each Client Company is classified as either a "Utility Subsidiary" or a "Non-Utility Subsidiary".

2. **Cost Allocation Methodology**

**Overview**

The costs of services provided by Service Company will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method. The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully allocated cost of providing the product or service. The costs of product and services provided by the ServeCo that cannot be charged directly to the Subsidiary receiving the product or service will be allocated among the associate companies by utilizing one of the methods described below that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. The allocation methods used by Service Company are as follows:

a. "Multiple Factor - All" - For the Indirect Costs for products or services benefiting the entire FirstEnergy system, FirstEnergy and all Subsidiaries will bear a fair and equitable portion of such costs. FirstEnergy will bear 5% of these Indirect Costs. The remaining Indirect Costs will be 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 will then occur. Among the Utility Subsidiaries, allocations will be based upon the "Multiple Factor - Utility" method. Among the Non-Utility Subsidiaries, allocations will be based upon the "Multiple Factor - Non-Utility" method.

b. "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 will be charged a portion of the Indirect Costs based on the sum of the weighted averages of the following factors:

1. Gross transmission and/or distribution plant.
2. Operating and maintenance expense excluding purchase power and fuel costs.

3. Transmission and/or distribution revenues, excluding transactions with affiliates

These three (3) factors have been determined to be the most appropriate for the Utility Subsidiaries in the FirstEnergy system. Each factor will be weighted equally so that no one facet of the electric utility operations inordinately influences the distribution of Indirect Costs.

c. "Multiple Factor - Non-Utility" - For the Indirect Costs for products or services solely benefiting the Non-Utility Subsidiaries, each Non-Utility Subsidiary so benefiting receiving the product or service will be charged a proportion of the Indirect Costs based upon the total assets of each Non-Utility Subsidiary, including the generating assets under operating leases from the Utility Subsidiaries.

d. "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 will then occur. Among the Utility Subsidiaries, allocations will be based upon the "Multiple Factor-Utility." Among the Non-Utility Subsidiaries, allocations will be based upon "Multiple Factor - Non-Utility"

e. "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.

f. "Number of Customers Ratio" - For costs of products and services driven by the number of Utility customers, the allocation method that will be used will be the number of Utility customers for the respective Utility Subsidiary receiving the product or service divided by the total number of utility customers.

g. "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 that will be used will be the number of shopping customers for the respective Utility Subsidiary receiving the product or service divided by the total number of shopping customers.

- h. **"Number of Participating Employees - General"** - For costs of products and services driven by all participating employees within the FirstEnergy system, the allocation method that will be used will be the number of participating employees for the respective Subsidiary receiving the product or service divided by the total number of participating employees.
- i. **"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.
- j. **"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.
- k. **"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.
- l. **"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.
- m. **"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.
- n. **"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 our new automated system.
- o. **"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.

p. "Number of Intel Servers" - Number of Intel servers utilized by a Subsidiary receiving the product or service divided by the total number of Intel servers utilized by the FirstEnergy system.

q. "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.

r. "Server Support Composite" - The average ratio of unix gigabytes, SAP gigabytes and Intel number of servers for a Subsidiary receiving the service.

3. Descriptions of Products and Services

**CALL CENTER**

Product or Service	Product / Service Description	Indirect Allocation Methods
Field All Inbound Regulated Calls	Field calls related to billing, credit, new service, service order completion, outages, and other miscellaneous activities.	Multiple Factor -- Utility and Non-Utility
Field All Inbound Unregulated Calls	Field calls related to billing, credit, new service, service order completion, outages, and other miscellaneous activities.	Multiple Factor -- Utility and Non-Utility

**CUSTOMER SERVICE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Supplier Services	Provide customer services support to electric generation suppliers, administer and maintain Electronic Data Interface (EDI) functions and invoice suppliers.	Number of Shopping Customers Ratio
Regulatory Interface and Process Improvement: Supplier	Liaison to ensure Customer Choice requirements and develop and execute plans to improve supplier services processes.	Number of Shopping Customers Ratio
Market Support Generation (MSG) Administration	Administer and support MSG supplier functions.	Number of Shopping Customers Ratio
Regulatory Interface and Process Improvement: Regulatory	Respond to regulatory complaints from customers and develop and execute plans to improve regulatory compliance processes.	Number of Customers Ratio
Compliance	Work with regions to communicate and ensure regulatory requirements.	Multiple Factor -- Utility
Power Billing	Provide billing functions for large commercial/industrial contract customers.	Number of Customers Ratio
Revenue Reporting	Perform and manage revenue reporting functions.	Number of Customers Ratio
Billing Exception Processing	Process billing exceptions.	Number of Customers Ratio
Remittance Processing	Process customer payments and deposit funds.	Number of Payments Ratio
Human Services	Coordinate and administer the various social services programs.	Number of Customers Ratio

Arrears Management/ Outsourcing Services Incorporated (OSI) Administration	Coordinate and perform arrears, credit and bankruptcy functions. Manage outside collections agencies' performance and OSI credit activities.	Number of Customers Ratio
Revenue Protection Administration	Perform revenue reporting and compliance functions.	Number of Customers Ratio
Metrics and Budget/ Customer Satisfaction Measurement	Manage Customer Services and Call Center Departments' budgets and measure performance and customer satisfaction results.	Number of Customers Ratio
Policy/Procedures Development and Documentation	Develop, document and communicate Customer Services policies and procedures.	Number of Customers Ratio
Bill Administration/ Forms Administration	Design standardized customer bills, envelopes, and forms.	Number of Customers Ratio
Meter Reading Support	Coordinate Meter Reading schedules and routing activities.	Number of Customers Ratio
Customer Information System (CIS) Control	Operate and maintain CIS.	Number of Customers Ratio

**ECONOMIC DEVELOPMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Economic Development Services	Foster economic development to encourage capital investment in FirstEnergy's service areas.	Multiple Factor - Utility

**TRANSMISSION & DISTRIBUTION TECHNICAL SERVICES**

Product or Service	Product / Service Description	Indirect Allocation Methods
Forestry	Provide forestry services.	Multiple Factor - Utility
Distribution Reliability and Asset Records	Services include Joint User contracts, public works coordination, reliability reporting to regions and Public Utility Commissions, mutual assistance coordination, PowerOn support, cable locate ticket screening and tariff support.	Multiple Factor - Utility

Design Standards	Services include line material and construction standards, distribution line and underground maintenance practices and support, new business process support, and service practices.	Multiple Factor – Utility
Substation Services Support	Services include Substation maintenance plan coordination, practices and support, mobile substation administration and planning, and environmental compliance support.	Multiple Factor – Utility
Equipment Repair/Testing Services	Services include the maintenance, installation, maintenance, testing and repair of utility equipment.	Multiple Factor – Utility
Fleet Services	Develop fleet strategy, and perform fleet maintenance practices and support.	Multiple Factor – Utility
Financial Services	Identify revenue enhancements and cost reductions.	Multiple Factor – Utility
Substation Design and Transmission-Line Maintenance Support	Perform substation and transmission line design and project management and transmission line and substation design and material standards, right-of-way and survey services, transmission line maintenance plan coordination, practices and support, FAA activity coordination.	Multiple Factor – Utility
Planning and Protection	Perform planning and protection support for subtransmission system and overall radial system capacity planning overview, and interconnection coordination for distributed technology applications on distribution system.	Multiple Factor – Utility
Capital Budget and Equipment Support	Capital budget development and support, and major equipment specifications and procurement/repair activities for major equipment.	Multiple Factor – Utility

**WORKFORCE DEVELOPMENT**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Transmission and Distribution Skills Training	Develop and facilitate technical and safety training for workers associated with distribution activities, including line, substation, meter, fleet, warehouse, field engineering, and dispatch. Provide support through equipment evaluation, training analyses, job assessments, and project coordination.	Number of Participating Employees – General
Customer Service Skills Training	Develop and facilitate skills training for customer service groups.	Multiple Factor – Utility
External Learning Opportunities Through the Power Systems Institute	Develop educational partnerships with colleges to offer two-year degrees in electric utility technology.	Multiple Factor – Utility

**ADMINISTRATIVE SERVICES**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Provide Administrative Support Services	Provides services in production printing, document imaging, graphic services, food services, corporate mailroom and corporate courier.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*
Provide Records Management Services	Provides services in records storage, records retrieval, records retention, records planning and engineering records.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*
Provide Business Services	Provides services in convenience copiers, fax machines, pagers, printers, and business information center.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*

\* For services rendered only to the utilities.

**EXECUTIVE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Executive Management	Consultation and services in management and administration of all aspects of the business.	Multiple Factor – All

**COMMUNICATIONS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Public Relations	Provides services in media relations, financial communications, annual reports, executive presentation, public relations counsel, corporate writing, internet support and special projects.	Multiple Factor – All
Employee Communications	Provides services with update, retirees, satellite broadcast, human resource-related communications and special projects.	Number of Participating Employees – Utility and Non-Utility
Production	Provides services related to display, photography, Corporate ID, video and employee merchandise.	Multiple Factor – All
Sponsorship	Provides services related to sports marketing, university support and special projects.	Multiple Factor – All
Non-Utility Advertising	Provides services related to broadcast/print, collateral, direct mail, internet/intranet, display/merchandise, yellow/white pages, production/agency support and special projects.	Multiple Factor – Non-Utility
Utility Advertising	Provides services related to TV, radio, print, outdoors, Internet/Intranet, special projects, production, agency support and creative media placement.	Multiple Factor – Utility
Utility Bill Inserts	Provides services developing regulated bill service to Ohio, Pennsylvania and New Jersey.	Multiple Factor – Utility
Utility : Yellow / White Pages	Provides services with regulated yellow/white pages.	Multiple Factor – Utility
Utility: Research	Provides research services.	Multiple Factor – Utility
Ohio Consumer Education	Provides services related to Ohio Consumer Education statewide and locally.	Multiple Factor – Utility
Ohio Deregulation Education	Provides service related to Deregulation Education.	Multiple Factor – Utility

**CORPORATE AFFAIRS AND COMMUNITY INVOLVEMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Corporate Affairs Activities	Provide administrative support through oversight of the business practices and planning and implementation of staff, senior management and related meetings. Serves as community liaison.	Multiple Factor -- Utility
Direct Community Involvement Initiatives	Provides direction in employee volunteerism, supports viable community partnerships and educational initiatives.	Multiple Factor -- Utility
Energy Efficiency Programs	Directing and coordinating Ohio Weatherization and Energy Efficiency Programs for Low Income Customers.	Multiple Factor -- Utility
Community Initiatives Consulting Services	Consults to regional operations and other business units and client managers for the various community programs.	Multiple Factor -- Utility
Contributions Management	Directs, coordinates, monitors, and manages contributions.	Multiple Factor -- Utility

**CORPORATE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Investor Services	Stock administration, perform recordkeeping, transfer agent, registrar, paying agent, reinvestment plan administration and other services for shareholders.	None (All Direct Charge to Holding Co.)
Board of Directors Support	Support and administration of Board of Directors meetings and director compensation.	None (All Direct Charge to Holding Co.)
Annual Meeting Coordination	Coordinate the Annual Meeting of Shareholders, including the preparation and mailing of proxy materials and annual reports and the tabulation of proxies.	None (All Direct Charge to Holding Co.)
Indenture Compliance	Administer the company's indentures	Multiple Factor -- Utility

**HUMAN RESOURCES**

Product or Service	Product / Service Description	Indirect Allocation Methods
Manage Employee Executive Compensation and Benefits	Provide management and supervision for employee and executive compensation and benefits.	Number of Participating Employees – General
Manage Workers Compensation and Disability Management	Provide management and supervision for workers compensation and disability programs.	Number of Participating Employees – General
Provide and Coordinate Human Resources Training	Design, prepare and conduct training.	Number of Participating Employees – General
Provide Employment Services	Provide staffing, relocation and employment expertise.	Number of Participating Employees – General
Provide HRIS Services	Provide and maintain Human Resources information.	Number of Participating Employees – General
Provide Diversity Management Services	Manage Affirmative Action programs, provide EEO/AA consulting services, and respond to charges.	Number of Participating Employees – General
Manage/ Administer Medical Services and Wellness Programs	Establish compliance, develop, implement, and administer medical and wellness programs.	Number of Participating Employees – General

**INDUSTRIAL RELATIONS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Labor Contract Negotiations	Provide contract negotiation services for all labor agreements.	Number of Participating Employees – General
Provide Labor Consulting Services	Provide labor consulting services.	Number of Participating Employees – General
Manage/Administer Safety Programs	Develop, implement and administer occupational safety programs.	Number of Participating Employees – General

**REAL ESTATE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Facilities Management	Management and maintenance of office facilities.	Multiple Factor – All or Multiple Factor Utility*
Facilities Planning and Project Management	Manage office design services, furniture, project management and other capital improvements.	Multiple Factor – All or Multiple Factor Utility*
Management of Real Estate Assets	Support internal and external inquiries regarding the acquisition, divestiture and management of real estate assets	Multiple Factor – All or Multiple Factor Utility*
Manage/Administer Security Programs	Administer physical security, special investigations, security audits, security consultation and contract guard services.	Multiple Factor – All or Multiple Factor Utility*

\* For services rendered only to the utilities.

**FIRSTENERGY TECHNOLOGIES**

Product or Service	Product / Service Description	Indirect Allocation Methods
Strategic Technologies	Develop, support and implement EPRI programs, industry initiatives, research and development programs, collaboratives and activities with universities, labs and the Department of Energy.	Multiple Factor – Utility
New Technology Assessment	Perform assessment activities for strategic technology pilots, technology assessments, marketing tests, customer pilots and due diligence reviews.	Multiple Factor – Utility and Non-Utility
Technical Application and Product Innovation	Develop, analyze and support strategic alliances, joint ventures, strategic startups, direct investments and Portfolio initiatives.	Multiple Factor – Utility and Non-Utility
New Technology and Product Market Deployment	Develop, support and implement the following initiatives: tailored solutions with existing products, commercial packages, operational efficiencies and business area solutions.	Multiple Factor – Utility and Non-Utility
Demand Response Initiatives	Provide support for corporate demand response initiatives.	Multiple Factor – Utility and Non-Utility
Renewable Energy Program and Strategy	Provide support for various corporate and regulatory initiatives to develop and implement renewable energy programs and products.	Multiple Factor – Utility

Regulated Programs and Services	Develop, support and implement programs and strategies to meet corporate initiatives and regulatory mandates and commitments related to Comprehensive Resource Assessment(CRA), customer end-use technology, distributed generation and load management.	Multiple Factor – Utility
Project Implementation Management Services	Develop and implement end-use and distributed generation technology-based products and services.	Multiple Factor – Utility and Non-Utility

**TECHNOLOGY & SUPPORT SERVICES**

Product or Service	Product/ Service Description	Indirect Allocation Methods
Provide Network Services	Provide Internal Network Services.	Multiple Factor – Utility and Non-Utility
Maintain wireless cell sites and fiber optics network	Maintain internal wireless cell sites and fiber optic network; provide engineering, procurement, and installation services.	Multiple Factor – Utility and Non-Utility

**INFORMATION TECHNOLOGY**

Product or Service	Product / Service Description	Indirect Allocation Methods
Application Development	Create new or enhance existing applications; including analysis design coding, testing; system integration, and implementation, as well as any required technical writing or project manual development.	Directly Billed
Development Supervision and Tool Support	Supervision of application development employees and the support of development software tools.	Application Development Ratio
Server Support (Unix, SAP)	Create and support the network and server infrastructure to accommodate unix and SAP client server applications.	Gigabytes Used Ratio
Client Server Storage Support	Support of storage requirements for all server applications.	Server Support Composite Ratio
Server Support (Intel)	Create and support the network and server infrastructure to accommodate windows and NT client server applications.	Number of Intel Servers Ratio
Mainframe Processing and Storage Support	Execute mainframe applications, including an appropriate portion of support, started tasks, mainframe backups and microfiche services.	Gigabytes Used Ratio

Desktop Support	Help desk email and end-user tools, remote access, repair services, and general workstation support.	Number of Computer Workstations Ratio
Network Services	Includes voice, data, EMS and radio access.	Direct Charge Ratio
Inserting Services	Provide document bursting, inserting and mailing.	Number of Billing Inserts Ratio
Printing Services	Provide mainframe and client server printing services at the data center.	Daily Print Volume Ratio
Technical Consulting	Provide consulting support to departments and end-users to enable them to leverage their IT capabilities. Provide advice and consultation regarding desktop setups and configurations.	Directly Billed
Training	Provide IT training.	Multiple Factor -- Utility and Non-Utility
Business Application Support	Support business application related software licenses and / or hardware maintenance provided by an outside vendor.	Directly Billed
Data Security	Disaster recovery and data security services.	Multiple Factor -- Utility and Non-Utility
Project Management Office	Oversee technology projects through benefit.	Multiple Factor -- Utility and Non-Utility
Provide Telecommunication Services	Provide telecommunication services and equipment.	Direct Charge Ratio
Portal Support	Support the infrastructure to accommodate internet and intranet application access.	Multiple Factor -- Utility and Non-Utility

**PERFORMANCE PLANNING**

Product or Service	Product / Service Description	Indirect Allocation Methods
Performance Planning Services	Develop, support and execute performance planning services.	Multiple Factor -- All

**SUPPLY CHAIN**

Product or Service	Product / Service Description	Indirect Allocation Methods
Strategic Planning, Demand management and Procurement Projects	Provide assistance in materials and services planning (demand management) and performs special procurement projects.	Multiple Factor – Utility and Non-Utility
Goods and services procurement	Procure material, equipment and contractor services. Establish, manage and administer programs, which allow internal customers to obtain goods without having to process the need through Procurement. Develop specifications, construction standards, schedules, and bills of materials.	Multiple Factor – Utility and Non-Utility
Materials Management Support	Maintain the computerized purchasing and materials management systems, and material related modules; maintain and/or modify select management reports. Analyze Supply Chain processes and measure performance. Monitor and forecast demand to ensure a continuous supply of materials.	Multiple Factor – Utility and Non-Utility
Investment Recovery Projects	Develop and implement plans for disposition of surplus assets.	Multiple Factor – Utility and Non-Utility
Process, Refurbish and Sell Materials	Perform recovery processing, investment recovery processing, refurbishing and selling materials.	Multiple Factor – Utility and Non-Utility
Provide Warehousing Services - Non-nuclear	Receive and place material into stock, insure quality requirements are met at receipt, maintain inventory counts, and update information systems. Fill customer requests for material from stock.	Multiple Factor – Utility and Non-Utility
Provide Warehousing Services - Nuclear	Receive and place material into stock, insure quality requirements are met at receipt, maintain inventory counts, and update information systems. Fill customer requests for material from stock.	None (All direct charged)
Warehousing Space Charge	Provide warehousing space to internal customers.	Multiple Factor – Utility and Non-Utility

**CONTROLLERS**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Accounting Research	Provide accounting research and consulting to ensure compliance with existing and proposed financial reporting, and regulatory accounting requirements.	Multiple Factor - All
Accounts Payable	Nonpayroll corporate disbursement services including account distribution to the general ledger. Resolve problems associated with invoice processing and maintain the accounts payable system.	Multiple Factor - All
Billing Services	Prepare non-retail electric billings.	Multiple Factor Utility
Infrastructure and Corporate Reporting, Accounting and Budgeting	Prepare Corporate Sustaining reports, subsidiary accounting and corporate budgeting, which includes reporting and support of the ledger, property records and SAP system.	Multiple Factor - All
Due Diligence	Assist value centers to determine whether proposed business acquisitions/combinations and similar transactions are desirable from a financial perspective; extensive review/analysis following preliminary review and firm intent to proceed with transaction through commitment and closing phases.	None (All direct charged)
Value Center Accounting and Budgeting	Maintain the property accounting system and provide value center accounting such as management reporting.	Multiple Factor -- Utility and Non-Utility
Property Record Maintenance	Maintain corporate continuing property records.	Multiple Factor -- Utility and Non-Utility or Multiple Factor Utility*
Tax Consulting and Research	Conduct tax research and tax consulting to assure compliance with statutes, while evaluating alternative tax strategies within the constraints of regulations that provide additional shareholder value to the company. In addition, provide tax consulting advice to the value centers on tax compliance and reporting issues, which includes business "start-up" support to organizations requiring assistance.	Multiple Factor -- All

\* For services rendered only to the utilities.

<b>Tax Compliance</b>	Prepare and process all schedules and information associated with corporate and subsidiary tax returns, audits, and tax litigation, assuring compliance with tax regulations and statutes.	Multiple Factor – All or Multiple Factor Utility*
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\* For services rendered only to the utilities.

**CREDIT MANAGEMENT**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Credit Analysis and Supporting Functions	Provide detailed written credit analysis issuing recommendations on counterparty creditworthiness and assigning credit limits.	Multiple Factor – Utility and Non-Utility
Credit Policies and Procedures	Develop and support credit policies and procedures for managing credit risk. Implement and support standardized credit approval processes.	Multiple Factor – Utility and Non-Utility
Credit Management Information System	Develop and support credit management reports and calculate credit exposure on a corporate wide basis.	Multiple Factor - All

**ENTERPRISE RISK MANAGEMENT**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
General Risk Management	Develop and maintain an enterprise risk management system.	Multiple Factor - All

**INSURANCE SERVICES**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Insurance Policies	Manage and support insurance policies for all the business units.	Multiple Factor – Utility and Non-Utility
Loss Control Services	Manage and support property inspections to prevent losses.	Multiple Factor – Utility and Non-Utility
Surety Bonds	Manage and support Surety Bonds.	Multiple Factor – Utility and Non-Utility
Risk Transfer and Risk Mitigation Services	Manage and support risk transfer and risk mitigation services.	Multiple Factor – Utility and Non-Utility
Ancillary Coverages	Manage and support ancillary coverages.	None (All direct charged)

**INTERNAL AUDIT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Audit Services	Perform the following internal audit services based on risk levels and / or requests: financial, performance analysis, safeguarding of assets, computer-related and fraud investigations.	Multiple Factor - All or Multiple Factor - Utility*

**INVESTMENT MANAGEMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Qualified and Non-qualified Pension and Savings Plan	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Number of Participating Employees - Utility and Non-Utility
FirstEnergy Foundation	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - All
Voluntary Employee Benefit Association (VEBA) Trust	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Number of Participating Employees - Utility and Non-Utility
Nuclear Decommissioning	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	None (All direct charged)
Non-Utility Generator Trust	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - Non-Utility
Spent Nuclear Fuel	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	None (All direct charged)
Low-Income Housing Tax Credit Partnership	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - All

**INVESTOR RELATIONS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Investor Information	Compile and communicate information to investors.	Multiple Factor - Utility* or Direct Charge to Holding Co.
Investor Education	Target and educate potential investors to promote FirstEnergy's valuation characteristics and business strategy.	None (All Direct Charge to Holding Co.)

\* For services rendered only to the utilities.

Regulations Compliance	Ensure compliance with SEC Fair Disclosure regulations.	Multiple Factor - All
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FirstEnergy Management Education	Provide education to management of business concerns and valuation issues of analyst/investors	Multiple Factor – All
FirstEnergy Employee Education	Actively promote understanding of financial and investor relations' issues.	Multiple Factor – All

**RATES AND REGULATORY AFFAIRS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Regulatory Activities and Consulting	Manage regulatory activities and interfaces, including tariff development and interpretation. Monitor and participate in regulatory affairs at the local, state and federal levels.	Multiple Factor – Utility
Customer Pricing and Contracting	Develop pricing programs for regulated electric service for retail and wholesale customers; including "unbundled" costs and prices for generation, transmission and distribution service and support justification to regulators. Provide support in developing pricing for special-purpose customer programs and non-regulated energy services (e.g. prepayment, economic development, interruptible load, conjunctive-billing electric service programs).	Multiple Factor – Utility
Billing Support	Provide assistance calculating customer (external and internal) invoices and operate and maintain systems to render, collect and account for these invoices.	Multiple Factor – Utility
Sales and Load Forecasting	Develop short-term and long-term sales forecast, peak load projections and customer counts	Multiple Factor – Utility and Non-Utility

**TREASURY**

Product or Service	Product / Service Description	Indirect Allocation Methods
Capital Structure Management and Administration	Perform all activities related to acquiring capital and establish and administer funding, legal documentation, and record-keeping activities associated with finance programs	Multiple Factor – All
Corporate Funds Management	Plan, manage, and operate the corporate "cash-flow-cycle."	Multiple Factor – All
Corporate Forecasting	Provide regulatory support, strategy support, financial modeling and forecasting, financial and economic analysis and development of annual corporate KPI target.	Multiple Factor – All

Capital Project Evaluation and Support	Provide analytical support in the areas of financing, profitability, capital structure and cash flow.	Multiple Factor – Utility and Non-Utility
Investor Relations Activities	Provide institutional and retail security holder, buy and sell-side analysts, rating agencies, and other key members of the financial community with qualitative and quantitative information.	Multiple Factor – All

**BUSINESS DEVELOPMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Mergers and Acquisitions Support	Support, evaluate and assist in the management of merger, asset acquisition and asset disposition activities.	None (All direct charged)
Internal Consulting	Perform strategic analysis/business fit, and economic analysis. Provide integration and transitional management services as needed.	None (All direct charged)

**GOVERNMENTAL AFFAIRS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Federal Governmental Affairs Support	Activities associated with developing and maintaining relationships with federal government institutions; includes lobbying, and other support activities.	None (All direct charged)
State Governmental Affairs Support	Activities associated with developing and maintaining relationships with state government institutions; includes lobbying, and other support activities.	None (All direct charged)

**LEGAL**

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Governmental Affairs Support	Activities associated with developing and maintaining relationships with government institutions; includes lobbying, litigation, and other support activities.	None (All direct charged)
Nuclear Legal Consultation and Case Management	Provide legal advice for federal and state nuclear matters.	None (All direct charged)
Human Resources Legal Consultation & Case Management	Provide legal advice for human resource matters (including workers compensation, union negotiations, arbitrations, class action lawsuits, etc.).	Multiple Factor – Utility and Non-Utility

Product or Service	Product / Service Description	Indirect Allocation Methods
Employee Benefits Legal Consultation & Case Management	Provide legal advice for employee benefits matters (including health and welfare benefits, tax-qualified and non-tax qualified benefit plans and programs, pension administration, etc.).	Number of Participating Employees – Utility and Non-Utility
Tax Legal Consultation & Case Management	Provide legal advice for tax matters including federal, state & local tax matters (land tax, sales & use tax, IRS, etc.).	Multiple Factor – All
Bankruptcy Legal Consultation & Case Management	Provide legal advice for bankruptcy matters.	Multiple Factor – Utility and Non-Utility
International Legal Consultation & Case Management	Provide legal advice for international matters – contract negotiations, sale/lease agreements.	None (All direct charged)
Non-Utility Legal Consultation & Case Management	Provide legal advice on federal and state matters to Non-Utility Subsidiaries.	Multiple Factor – Non-Utilities
Regulatory Legal Consultation & Case Management	Provide legal advice for federal and state regulatory matters.	Multiple Factor – Utility
Environmental Legal Consultation & Case Management	Provide legal advice for environmental matters (other than PCB – related matters) - federal (EPA) and state (EPA), regulatory/legislative compliance issues.	None (All direct charged)
PCB Environmental Legal Consultation & Case Management	Provide legal advice for PCB-related matters - federal (EPA) and state (EPA), regulatory/legislative compliance issues.	Multiple Factor – Utility
Real Estate Legal Consultation & Case Management	Provide legal advice for real estate matters.	Multiple Factor – Utility and Non-Utility
Corporate Legal Consultation & Case Management	Provide legal advice for general corporate and transactional matters (including SEC filings, Board of Directors matters, PUHCA, Financings, Securities Matters, Intellectual Property, Technology, General Counsel matters, etc.).	Multiple Factor – All
Claims Legal Consultation & Case Management	Provide legal advice for Claims matters.	Multiple Factor – All

**CLAIMS**

Product or Service	Product / Service Description	Indirect Allocation Methods
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Process Receivable Claims	Provide management, supervision, and performance of tasks associated with the resolution and chargeback of receivable claims.	Multiple Factor - All
Provide Corporate Support	Claims support in evaluating claims, and procuring appropriate external/internal legal resources.	Multiple Factor - All

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-8:

“Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances between the charges for the test year and the corresponding charges for the prior 12-month period.”

RESPONSE:

See Met-Ed Exhibit RAD-25 Attachment A for a summary of charges budgeted to be billed to Met-Ed by First Energy Service Company for the twelve months ending April 30, 2016 and the 12 months ending March 31, 2015. Met-Ed Exhibit RAD-25 Attachment A also shows the charges billed to Met-Ed by First Energy Service Company for the twelve months ended March 31, 2014.

Also included is a copy of the Service Agreement between the operating subsidiary Metropolitan Edison Company and FirstEnergy Service Company (FE Service) outlining the services to be provided by FE Service and the basis on which charges are to be billed. See Met-Ed Exhibit RAD-25 Attachment B.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-9:

“Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.”

RESPONSE:

Metropolitan Edison Company  
 Social and Service Organization Memberships Paid  
 (000's)

Line No.	Organization	12 Months Ending		
		April 30, 2016 (1)	March 31, 2015 (2)	March 31, 2014 (3)
<b><u>Business Associations</u></b>				
<b><u>Account 930</u></b>				
1	Edison Electric Institute Chamber of Commerce, Economic Development, & Local Community	\$ 132	\$ 132	\$ 116
2	Organizations	40	40	27
3	Southeastern Electric Exchange Inc.			4
4	Other Business / Trade Organizations	3	3	
5	Total Account 930.20	<u>\$ 175</u>	<u>\$ 175</u>	<u>\$ 147</u>
<b><u>Account 923</u></b>				
6	Southeastern Electric Exchange Inc.	-	-	4
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>
<b><u>Account 426</u></b>				
7	Edison Electric Institute	31	31	33
		<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 33</u>
8	Total (line 5 + line 6 + line 7)	<u>\$ 206</u>	<u>\$ 206</u>	<u>\$ 184</u>

Metropolitan Edison Company (Met-Ed)  
Payroll and Employee Benefits  
(\$000)

Line No.	Description	12 Months Ending 4/30/2016			12 Months Ending 3/31/2015			12 Months Ending 3/31/2014		
		Full-Time Bargaining	Full-Time NonBargaining	Total	Full-Time Bargaining	Full-Time NonBargaining	Total	Full-Time Bargaining	Full-Time NonBargaining	Total
Number of Employees										
1	Average	467	164	631	469	165	634	491	162	653
2	Year-End	467	164	631	467	164	631	485	152	637
3	Straight Time Payroll	\$ 36,777	\$ 15,679	\$ 52,455	\$ 35,333	\$ 15,043	\$ 50,377	\$ 33,939	\$ 14,583	\$ 48,522
4	Overtime Payroll	5,432	774	6,206	5,987	780	6,767	10,068	1,691	11,759
5	Incentive Compensation	1,629	887	2,516	1,706	912	2,618	2,654	2,003	4,657
6	Total Payroll	<u>\$ 43,838</u>	<u>\$ 17,339</u>	<u>\$ 61,177</u>	<u>\$ 43,026</u>	<u>\$ 16,735</u>	<u>\$ 59,762</u>	<u>\$ 46,660</u>	<u>\$ 18,277</u>	<u>\$ 64,937</u>
Total Company Employee Benefits:										
7	Workers Compensation	\$ 317	\$ 111	\$ 428	\$ 317	\$ 111	\$ 428	\$ 310	\$ 109	\$ 419
8	Pension Costs	(3,303)	(1,160)	(4,463)	(3,833)	(1,348)	(5,181)	(9,172)	(3,221)	(12,392)
9	OPEB	(3,661)	(1,286)	(4,946)	(8,713)	(3,064)	(11,777)	(16,340)	(5,738)	(22,078)
10	Life Insurance	68	24	91	73	26	99	31	11	42
11	Medical/Dental Insurance	4,285	1,505	5,790	4,015	1,412	5,427	4,525	1,589	6,114
12	Executive Benefits	0	660	660	0	636	636	0	(406)	(406)
13	Restricted Stock	0	121	121	0	117	117	0	136	136
14	Savings Plan	2,090	734	2,824	1,657	583	2,240	979	344	1,323
15	Long Term Disability	119	42	161	119	42	161	43	15	57
16	Education Assistance	45	16	60	49	17	67	16	6	21
17	Employee Awards	5	2	7	5	2	7	0	0	0
18	Employee Assistance Program	9	3	12	9	3	12	9	3	12
19	Wellness Program	170	60	230	156	55	211	71	25	96
20	Relocation	0	322	322	0	351	351	0	790	790
21	Other	14	5	19	16	6	22	43	15	58
22	Total Employee Benefits	<u>\$ 158</u>	<u>\$ 1,159</u>	<u>\$ 1,317</u>	<u>\$ (6,129)</u>	<u>\$ (1,052)</u>	<u>\$ (7,181)</u>	<u>\$ (19,485)</u>	<u>\$ (6,323)</u>	<u>\$ (25,808)</u>

- (1) Employee Counts exclude Part-time and Temporary employees  
(2) Benefit costs allocated to Bargaining/NonBargaining based on average number of employees except for Executive Benefits, Restricted Stock and Relocation expenses (100% non-bargaining)

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-11:

“Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.”

RESPONSE:

<u>Line No.</u>	<u>Name of Lessor</u>	<u>Basic Detail of Lease</u>	<u>12 Months Ended April 30, 2016 (In thousands)</u>
1	GE Capital Commercial Inc. (successor-in-interest to BLC Corporation)	<u>Motor Vehicles &amp; Trailers</u> – Base term 36-120 months with fixed rate & maximum expected residual of 25% and unguaranteed residual of 13%. At end of base term, option for renewal exists for up to 24 months at 474 BPS plus federal 2 year swap rate. At end of renewal term, option to continue to rent for monthly fee equivalent of 1/12 of 1% of acquisition cost until unit is sold or returned to Lessor. <u>Other Equipment</u> – Base term of 36-120 months with a fixed rate & maximum expected residual of 20% with unguaranteed residual of 13%. At end of base term, option for renewal exists for up to 24 months at 474 BPS plus federal 2 year swap rate. At end of renewal term, option to continue to rent for monthly fee equivalent of 1/12 of 1% of acquisition cost until unit is sold or returned to Lessor.	\$955

2	RBS Asset Finance, Inc.	<u>Motor Vehicles &amp; Trailers</u> – Base term 60 months for light and medium duty vehicles, 96 months for heavy duty high use trouble trucks and 120 months for all other heavy duty vehicles & trailers with a \$1 buy out at end of term for all. <u>Other Equipment</u> – Base term 96 months for miscellaneous equipment like ATVs, sweeper/scrubbers, etc. and 120 months for construction equipment & forklifts with a \$1 buy out at end of term for all. Rates for both motor vehicles/trailers & other equipment leases are fixed based on 200 BPS plus Bloomberg Avg Life swap rate (2.5 years for 60 month term, 4 years for 96 month term and 5.5 years for 120 month term).	\$3,642
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METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-12:

“Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.”

RESPONSE:

A list of all internal audit reports performed by the Internal Audit Department from April 2012 through March 2014 appears on pages 3 through 6.

A list of all independent audits performed from April 2012 thru March 2014 appears on page 6.

The following is a list of major changes in accounting procedures adopted since the previous rate case:

1. In 2006, the Company adopted SFAS 158 (ASC 715), *Accounting for Defined Benefits*. This statement requires employers to recognize an asset or liability for the overfunded or underfunded status of their pension and other postretirement benefit plans (OPEB). For a pension plan, the asset or liability is the difference between the fair value of the plan's assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation. The Statement required employers to recognize all unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive income (AOCI), net of tax. Such amounts will be adjusted as they are subsequently recognized as components of net periodic benefit cost or income pursuant to the current recognition and amortization provisions.
2. In 2007, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes*, which provides guidance for accounting for uncertainty in income taxes in a company's financial statements in accordance with SFAS 109 (ASC 740), *Accounting for Income Taxes*. This interpretation prescribes a financial statement recognition threshold and measurement attribute for tax positions taken or

expected to be taken on a company's tax return. FIN 48 also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is to determine if it is more likely than not that a tax position will be sustained upon examination, based on the merits of the position, and should therefore be recognized. The second step is to measure a tax position that meets the more likely than not recognition threshold to determine the amount of income tax benefit to recognize in the financial statements.

FIN 48 also requires companies to recognize interest expense or income related to uncertain tax positions. That amount is computed by applying the applicable statutory interest rate to the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken on the tax return. The Company includes net interest and penalties in the provision for income taxes, consistent with its policy prior to implementing FIN 48.

3. In 2011, the Company changed its method of recognizing actuarial gains and losses for its defined benefit pension and OPEB plans. Previously, the Company recognized the net actuarial gains and losses as a component of AOCI and amortized the gains and losses into income over future periods.

The Company, with this accounting change, elected to immediately recognize the change in fair value of plan assets and actuarial gains and losses annually in the fourth quarter of each year. The Company retroactively applied immediate recognition of gains and losses for its defined benefit pension and OPEB plans to each year, from 1986 through 2010.

**Internal Audits Performed During – April through December 31, 2012**

**Compliance:**

1. Audit of the IBM Consulting Services' Pennsylvania "Smart Meter Implementation and Procurement" Plan Development as of February 10, 2012
2. Limited Scope Review of US Bank Travel Card as of July 27, 2012
3. Audit of Substation Safety/Security Inspection and Corrective Maintenance as of October 3, 2012
4. Review of Purchasing Card Usage – Severed Employees as of December 12, 2012
5. Audit of Met-Ed Energy Delivery Inspection & Maintenance Programs as of November 26, 2012
6. 2012 Corporate Compliance Program Update
7. Annual Review of the Code of Business Conduct as of November 26, 2012

**Operational:**

1. Audit of the Streetlight Repair Process as of May 2, 2012
2. Data Analysis of Wood Pole Inspection Results (Years 2007-2011) as of October 8, 2012
3. Audit of Rate Change and Rate Adjustment Processes Documentation as of September 17, 2012
4. Energy Efficiency Program Support (Memorandum)

**IT Related:**

1. Audit of IT Merger Project - Consolidate IT Security Policies (L01) as of March 16, 2012
2. Audit of IT Merger Project - Energy Delivery Meter and Transformer Testing Systems (B07.1) as of February 27, 2012
3. Audit of IT Merge Project - Energy Delivery Graphical Information System (B02.3) as of March 23, 2012
4. Audit of IT Merger Project - Energy Delivery Outage Management Ancillary (B01.2) as of April 13, 2012
5. Audit of IT Merger Project - Energy Delivery Internet Vegetation Management System (B06.1) as of May 7, 2012
6. Audit of IT Merger Project - Cascade (B02.1) as of May 11, 2012
7. Audit of IT Merger Project - Energy Delivery Meter Reading and Route Completion (B07.2) as of May 18, 2012
8. Audit of IT Merger Project - Energy Efficiency & Conservation/Demand Response Program Integration (C03.1) as of May 11, 2012
9. Audit of IT Merger Project - Energy Delivery Outage Management (B01.1) as of May 11, 2012
10. Audit of IT Merger Project - Consolidate Sensitive Customer Information Programs (L01) as of May 21, 2012
11. Audit of IT Merger Project - SAP Project Light-year as of May 14, 2012
12. Audit of IT Merger Project - Contact Center Technologies as of June 25, 2012
13. Audit of IT Merger Project - Energy Delivery Work Management System (B04.2) as of June 12, 2012
14. Audit of IT Merger Project - Rates/Load Forecasting System (B08.1) as of April 2, 2012

15. Audit of IT Merger Project - Consolidate eDiscovery and Record Retention Processes (L01.1) as of October 31, 2012

**Financial:**

1. Audit of the Pennsylvania Energy Efficiency Conservation Service Provider Invoice Validation Guidelines as of January 31, 2012
2. Audit of Hurricane Irene Actual Charges as of May 11, 2012
3. Audit of the October 2011 Snowstorm Actual Charges as of May 11, 2012
4. Reconciliation of Advanced Billing Platform System Data to Electric Distribution Company Data as of July 8, 2012
5. Audit of Regulated Metered But Unbilled Revenue as of September 27, 2012
6. Sarbanes-Oxley Annual Progress Report as of December 28, 2012
7. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2012
8. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2012
9. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2012
10. Sarbanes-Oxley Annual Progress Report as of December 28, 2012

**Internal Audits Performed During – January through December 31, 2013**

**Compliance:**

1. Audit of 2012 Occupational Safety & Health Administration (OSHA) Recordable Incident Rate as of January 15, 2013
2. Audit Pennsylvania Distribution Vegetation Maintenance Practices as of January 15, 2013 - Privileged and Confidential - Prepared at the Request of Counsel
3. Audit of FirstEnergy's Compliance With Section 114 of the Fair and Accurate Credit Transactions Act as of March 31, 2013
4. Audit of Contract Compliance of Osmose Utilities Services, Inc., as of September 24, 2013
5. Interim Report of the Pre-Implementation Audit of the State Code of Conduct Project as of December 6, 2013
6. 2013 Corporate Compliance Program Update
7. Annual Review of the Code of Business Conduct as of November 27, 2013

**Operational:**

1. Audit of Energy Delivery Joint Use Revenue as of October 26, 2012
2. Audit of the Implementation of Energy Delivery's Resources on-Demand Application as of November 4, 2013
3. Request for Guidance on Inflated Labor Rates for Diversified Services - Hurricane Sandy – Memorandum
4. Internal Auditing's Partnering Engagement in Documenting Regulated Settlements' Processes and High Risk Procedures

5. Internal Auditing Risk Assessment - Smart Meter Implementation Procurement (SMIP) Project

**IT Related:**

1. Interim Memorandum - Facilitation of the Control Design for the Office Productivity Transformation Project
2. Interim Report of the Pre-Implementation Audit of the Financial Transformation Project Budget, Forecast, and Planning System as of August 16, 2013
3. Audit of the Cascade Order Integration Project as of June 25, 2013
4. Office Productivity Transformation Testing and Pilot Project
5. Interim Report of the Pre-Implementation Audit of the Financial Transformation Project -  
New General Ledger Technology as of December 6, 2013
6. Interim Report of the Pre-Implementation Audit of the Financial Transformation Project -Business Objects Planning and Consolidation System as of December 6, 2013
7. PowerPlant Continuous Improvement Project

**Financial:**

1. Audit of FirstEnergy Utilities' Capital and Operation & Maintenance Expenses as of January 31, 2013
2. Audit of the PA Top 100 Hours Demand Response Program Invoicing Process as of February 13, 2013
3. Audit of Transmission Control Center Affiliate Rent Calculation as of July 12, 2013
4. Audit of the Smart Meter Tracking, Accounting and Cost Allocations Process as of November 7, 2013
5. Audit of the 2012 SOx 404 Assessment of Internal Controls as of December 31, 2012
6. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2013
7. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2013
8. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2013
9. Audit of the Purchasing Card Automated Reconciliation and Travel Expenses Implementation as of February 28, 2013
10. Vendor Payroll Tax Reconciliation Audit Review

**Internal Audits Performed During – January through March 31, 2014**

**Compliance:**

1. Audit of FirstEnergy Utilities Waste Management Practices as of November 7, 2013
2. Audit of FirstEnergy's Compliance to the Clean Air Act – Sulfur Hexafluoride Mandatory Emissions Tracking and Reporting as of January 21, 2014

**Operational:**

1. Audit of 2013 Occupational Safety & Health Administration (OSHA) Recordable Incident Rate as of January 10, 2014

**IT Related:**

1. IT Merger Support - EMS Auxiliary (F01.3)

**Financial:**

1. Revenew's Payment Recovery Audit for Accounts Payable – 2012
2. Sarbanes-Oxley Annual Progress Report as of December 31, 2013
3. Audit of Pennsylvania Storm Deferral Accounting as of January 14, 2014
4. Sarbanes-Oxley 404 Assessment of Internal Controls Over Financial Reporting as of December 31, 2013
5. Sarbanes-Oxley Annual Progress Report as of December 31, 2013

**Independent Audits Performed for the years ended December 31, 2012 and 2013**

PricewaterhouseCoopers LLP – Independent Registered Public Accounting Firm

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-13:

“Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.”

RESPONSE:

See Met-Ed Exhibit RAD-30 Attachment A

**Metropolitan Edison Company**  
**Third Party Reimbursement, Cost of Removal and Salvage**

	Third Party Reimbursements (1)	Cost of Removal (2)	Salvage (3)	Net Salvage (4) = (2) + (3)
4/1/2009 thru 3/31/2010	(2,715,469)	17,818,561	(279,964)	17,538,597
4/1/2010 thru 3/31/2011	(2,572,758)	7,831,448	(730,293)	7,101,155
4/1/2011 thru 3/31/2012	(3,974,692)	17,901,617	(390,755)	17,510,862
4/1/2012 thru 3/31/2013	(5,356,002)	28,776,865	(529,057)	28,247,808
4/1/2013 thru 3/31/2014	(4,309,509)	10,625,421	(403,515)	10,221,906
4/1/2014 thru 3/31/2015	(6,676,242)	4,452,739	-	4,452,739
5/1/2015 thru 4/30/2016	(3,687,498)	4,509,478	-	4,509,478

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-14:

“State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest and allocation computations.”

RESPONSE:

Debt interest utilized in the normalized test year under present rates is \$36,822,000 as calculated in Met-Ed Exhibit RAD-2, Adjustment No. 11 page 27.

METROPOLTAN EDISON COMPANY

FILING REQUIREMENT II-D-15:

“Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:

- (a) Social Security.
- (b) Unemployment.
- (c) Capital stock.
- (d) Public utility
- (e) P.U.C. assessment.
- (f) Other property taxes.
- (g) Any other appropriate tax categories.”

RESPONSE:

See Met-Ed Exhibit RAD-32 Attachment A for a schedule of taxes other than income taxes showing per budget and pro forma at present rates for the future test year.

Metropolitan Edison Company  
 Summary of Taxes other than Income Taxes  
Twelve Months Ending April 30, 2016  
 (\$000)

Line No.	Description	Per Budget	Pro Forma Under Present Rates	
		Total Electric Operating (1)	Normalizing Adjustments (2)	As Adjusted (3)
	<u>Federal</u>			
1	Federal and State payroll taxes	\$ 4,694	\$ 490	\$ 4,204
	<u>State</u>			
2	Capital Stock	149	33	116
3	Gross Receipts	38,732	-	38,732
4	Public utility realty	1,976	441	1,535
5	Gross premiums	-	-	-
6	Use tax	113	-	113
	<u>Local</u>			
7	Real estate & other	131	29	102
8	TOTAL	\$ 45,795	\$ 993	\$ 44,802

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-16:

“Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.”

RESPONSE:

See Met-Ed Exhibit RAD-33 Attachment A.

Line No.	Description	In Thousands		
		Fully Future Test Year Ending 4/30/16 Per Budget (1)	Pro-Forma Test Year Under Existing Rates (2)	Pro-Forma Test Year Under Proposed Rates (3)
1	Balance after preferred stock dividends	\$ -		
	Net utility operating income:			
2	Exhibit RAD-2, page 1, line 23, column 13	\$59,277	\$ 29,730	
3	Exhibit RAD-2, page 3, line 23, column 33			\$ 113,767
	Add:			
4	Income Taxes-Federal	29,037	19,923	65,173
5	Income Taxes-State	10,182	6,318	20,667
6	Provision for Deferred Income Taxes	7,347	3,598	3,598
7	Provision for Deferred Income Taxes-Credit	(1,011)	-	-
8	Investment Tax Credit	(364)	(283)	(283)
9	Book Income Subject to Tax	\$ 104,468	\$ 59,286	\$ 202,922
	Adjustments:			
10	Book Depreciation	59,938	63,640	63,640
11	Tax Depreciation	(58,244)	(62,848)	(62,848)
12	Interest expense per Ratemaking	-	36,822	36,822
13	Business Meals	70		70
14	Life Insurance	(82)		(82)
15	NJ Min Tax	(2)		(2)
16	ESOP Dividend	(196)		(196)
17	Lobbying	31		31
18	Capitalized Interest-Avoided Costs in Excess of AFC	-		-
19	FAS 123R - Restricted Stock Units	-		-
20	FAS 143	-		-
21	Price to Compare Rider	7,483		7,483
22	ESOP Compensation Expense	-		-
23	Storm Damage & Other Deferrals	22,738		22,738
24	Deferrals / Amort SEIA			-
25	OPEBs	(2,549)		(2,549)
26	Tax Capitalized Interest	802		802
27	Reacquired Debt - Book Amortization of Loss	1,118		1,118
28	Casualty Loss	(17,909)		(17,909)
29	Section 263	(5,023)		(5,023)
30	T&D Repairs	(20,002)		(20,002)
31	AFUDC Equity	(1,343)		(1,343)
32	Capitalized Interest-Book AFC	(892)		(892)
33	PA PTC Deferral	7,483		7,483
34	Pension Accrual	(3,253)		(3,253)

Line No.	Description	In Thousands		
		Fully Future Test Year Ending 4/30/16 <u>Per Budget</u> (1)	Pro-Forma Test Year Under <u>Existing Rates</u> (2)	Pro-Forma Test Year Under <u>Proposed Rates</u> (3)
35	Research & Development - 174	(415)		(415)
36	Asset Retirement Obligation	49		49
37	Capital Lease Vehicle - Book Expense	745		745
38	Universal Service Program (incl interest)	6,265		6,265
39	Other Reg Assets / Liabilities	(5,979)		(5,979)
40	CIAC - Post 86	-		-
41	State Taxable Income before Tax Preferences	\$ 95,301 0	\$ 96,900	\$ 229,675
42	State Tax Preference Items	-	-	-
43	State Taxable Income	\$ 95,301	\$ 96,900	\$ 229,675
	State Income Tax:			
44	Current Year	10,182	9,680	22,945
45	Total State Tax	\$ 10,182	\$ 9,680	\$ 22,945
46	Less: State Tax Preference Items	-		-
47	Federal Taxable Income (Line 40-L42-L43)	\$ 85,119	\$ 87,220	\$ 206,730

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-17:

“Submit a schedule showing for the last 5 years the income tax refunds, plus interest - net of taxes, received from the Federal government due to prior years' claims.”

RESPONSE:

See Met-Ed Exhibit RAD-34 Attachment A.

**Metropolitan Edison Company  
 Income Tax Refunds Prior Year Claims**

( ) represents refunds

		<u>Tax Refunds</u>	<u>Interest Rec</u>	<u>0.414935 Tax On Interest</u>	<u>Net Interest</u>
<b>Received 2009</b>					
Claim for Refund					
	2001	(1,043,681.00)	(315,072.98)	130,734.81	(184,338.17)
<b>Received 2010</b>					
Interest Netting Claim					
	2001		(9,124.65)	3,786.14	(5,338.51)
NOL Carryback Claim	2009	(57,805,978.00)			
<b>Received 2011</b>					
Audit Settlement					
	2001	(484,798.00)	(155,231.00)	64,410.77	(90,820.23)
	2003	(3,223,577.00)	(810,659.00)	336,370.79	(474,288.21)
	2004	(1,281,749.00)	(724,754.00)	300,725.80	(424,028.20)
	2007	(1,628,952.00)	(97,283.00)	40,366.12	(56,916.88)
<b>Received 2012</b>					
NOL Carryback Claim	2011	(3,485,470.00)			
<b>Received 2013</b>					
None					
<b>Total</b>		(68,954,205.00)	(2,112,124.63)	876,394.43	(1,235,730.20)

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-18:

“Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.”

RESPONSE:

See Met-Ed Exhibit RAD-35 Attachment A.



Metropolitan Edison Company  
Accumulated Deferred Taxes  
 (\$000)

Line No.	Balance at 04/30/16		Balance at 03/31/15		Balance at 03/31/14		Balance at 12/31/13		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
66		(53)		(53)		(53)		(53)	
67	(55,465)		(55,308)		(55,304)		(55,049)		
68		(34)		(34)		(34)		(34)	
69		(97)		(97)		(97)		(97)	
70		(403)		(403)		(403)		(403)	
71		(452)		(452)		(452)		(452)	
72	(4,667)		(7,603)		(12,851)		(14,308)		
73		(5,576)		(5,576)		(6,016)		(6,163)	
74		(332)		(332)		(332)		(332)	
75		(5)		(5)		(5)		(5)	
76		(6)		(6)		(6)		(6)	
77	(21,324)		(21,324)		(21,324)		(21,324)		
78		648		222		(61)		(117)	
79	(11,582)		(11,582)		(11,582)		(11,582)		
80		(1,916)		(1,916)		(1,916)		(1,916)	
81		(2)		(2)		(2)		(2)	
82	(20,645)		(19,440)		(16,426)		(15,560)		
83		(359)		(359)		(359)		(359)	
84	(109,962)		(109,962)		(109,962)		(109,962)		
85	1,088		(2,259)		(2,643)		(1,550)		
86		(12)		(12)		(12)		(12)	
87		(494)		(494)		(494)		-	
88	(6,799)		(6,799)		(6,799)		(6,799)		
89		(233)		(233)		(233)		(233)	
90	1,666		(8,600)		(19,551)		(21,935)		
91		(38)		(32)		(30)		(30)	
92		(437)		(437)		(437)		(437)	
93		(344)		(344)		(344)		(344)	
	Total Account 281-283		(1,042,110)		(1,036,535)		(1,038,559)		(1,035,578)
	Total Deferred Taxes		(589,137)		(582,263)		(567,410)		(564,201)

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-19:

“Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.”

RESPONSE:

Met-Ed is not entitled to a Federal graduated tax rate. Met-Ed files as a member of a Consolidated group and its taxable income exceeds where graduated rates apply. Therefore, the Company uses a flat 35% Federal income tax rate in this filing.

FirstEnergy allocates its current federal consolidated income tax liability, pursuant to an agreement approved by the Securities and Exchange Commission, in accordance with the Energy Policy Act of 2005.

Members of the FirstEnergy consolidated group follow the allocation rules under the IRS Regulations under Code Section 1552. The consolidated group is treated as one taxpayer for federal income tax. Each member is required to compute its separate company taxable income. The members with positive taxable income (Paying Members) pay the consolidate tax liability based on an allocation of its separate company income. The aggregate of all amounts paid by Members of the consolidated, as a result of the excess of each Members' Separate Return Tax liability, (as determined under Section 1.1552-1(a)(2)(ii) of the IRS Regulations) over the amount allocated to such Member as its share of the Consolidated Tax Liability under Code Section 1552 (i.e., the Tax Benefit Amount) is paid by FirstEnergy to the other Members (the “Loss Members”) which had tax deductions, losses and credits to which such payments by the Paying Members are attributable. The apportionment of such payments among Loss Members is allocated among the group Members pursuant to IRS Regulations Section 1.1502-21(b).

However, the Tax Benefit Amount allocated to FirstEnergy and paid to FirstEnergy as a result of its being a Loss Member is limited to its Tax Benefit Amount determined by multiplying it total loss benefit amount by a fraction, the numerator of which is FirstEnergy's interest deduction attributable to Acquisition Indebtedness, and the denominator of which is the sum of all of FirstEnergy's deductions. The portion of FirstEnergy's Tax Benefit Amount which cannot be allocated and paid to FirstEnergy due to the operation of this limitation is reallocated to Paying Members of the Consolidated Group other than FirstEnergy in accordance with the method described in Sections 1.1502-33(d)(3) and 1.1552-1(a)(2) of the IRS Regulations.

The general effect of the method is to first allocate the consolidated tax liability among the Members of the Consolidated Group on the basis of the percentage of the total consolidated tax which the tax of such Member, if computed on a separate return basis would bear to the total amount of the taxes for all Members of the group so computed. Then the method allocates an additional amount (the "Tax Benefit Amount") to each Member up to, but not greater than, the excess, if any, of its Separate Return Tax liability, over the amount allocated to such Member in the previous sentence. The total of the Tax Benefit Amounts allocated to Members results in payments to the Members who had items of deduction, loss or credits to which such Tax Benefit Amount is attributable.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-20:

“Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.”

RESPONSE:

On property acquired from 1971 to 1980, the company utilizes the A.D.R. Tax Depreciation Method.

Under those regulations, when an asset is retired, the cost of dismantling, demolishing, or removing is deductible as a current year's expense.

In June, 1977, Metropolitan Edison Company filed with the Internal Revenue Service an application for a change in accounting for cost of removal on pre-1971 property to conform with treatment for book and regulatory purposes. The Internal Revenue Service's acceptance of this application was dated October 19, 1977.

On property acquired in 1981 and subsequent thereto, the company (in accordance with ACRS and MACRS regulations) elected to use Cost of Removal in the calculation of gain or loss on retirements of 1981 and subsequent property.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-21:

“Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.”

RESPONSE:

See Met-Ed Exhibit RAD-38 Attachment A for the Net Operating Loss (“NOL”) Carryforward schedule.

**Metropolitan Edison Company**  
**Net Operating Loss Carryforwards - Federal & State**  
**Cumulative Balance at 12-31-14**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<b>Federal NOL</b>	\$ 42,333,963	\$ 23,021,568	\$ -	\$ -	\$ 65,355,531
2014 Utilization	(23,272,040)				(23,272,040)
Balance	\$ 19,061,923	\$ 23,021,568	\$ -	\$ -	\$ 42,083,491
					-
<b>PA NOL</b>	\$ 112,898,985	\$ -	\$ -	\$ -	\$ 112,898,985
2012 Utilization	(3,000,000)	-	-	-	(3,000,000)
2013 Utilization	(30,055,692)	-	-	-	(30,055,692)
2014 Utilization	(27,713,701)				(27,713,701)
Balance	\$ 52,129,592	\$ -	\$ -	\$ -	\$ 52,129,592

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-22:

“State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative:

- (a) Set forth amount of construction claimed in this tax savings reduction, and explain the basis for this amount
- (b) Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
- (c) State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
- (d) Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.”

RESPONSE:

One of the revisions made to the Internal Revenue Code (IRC) by the Tax Reform Act of 1996 was the elimination of the current deduction for construction period interest. The IRC now requires construction period interest to be capitalized for tax purposes using an avoided cost methodology. This methodology results in a similar required capitalized interest amount for tax purposes than the debt component of AFUDC. Therefore, there are no current tax savings to eliminate.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-23:

“Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552-1 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member’s tax liability to the Federal government (if this interrogatory is not applicable, so state):

- (a) State what option has been chosen by the group.
- (b) Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
- (c) Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
- (d) Provide the most recent annual income tax return for the group.
- (e) Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
- (f) Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.”

RESPONSE:

- (a) The option used is Reg. §1.1552-1(a)(2) – the tax liability of the group is allocated based on the percentage of total tax computed on a separate basis for each member over the total amount of tax for all members of the group so computed.

- (b) See Met-Ed Exhibit RAD-40, Attachment A<sup>1</sup>, page 1, for the amount of the tax liability that has been allocated to each of the participating members in the Consolidated Federal income tax return for the most recent three years.
- (c) See Met-Ed Exhibit RAD-40, Attachment A, pages 7 – 39, for the payments and refunds made for the most recent filed returns for years 2010, 2011, and 2012 as computed on the basis of separate returns of members.
- (d) See Met-Ed Exhibit RAD-40, Attachment A, pages 2 – 6, for a copy of the U.S. Corporation Income Tax Return (Form 1120) as filed by FirstEnergy Corp. and Subsidiaries for the year 2012.
- (e) See Met-Ed Exhibit RAD-40, Attachment A, pages 2 - 39.
- (f) See Met-Ed Exhibit RAD-40, Attachment A, pages 2 - 39.

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<sup>1</sup> Attachment A to Met-Ed Exhibit RAD-40 is **Highly Confidential** and is being provided to the Commission in hard copy only.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-24:

“Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).

- (a) Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
- (b) State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
- (c) Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.”

RESPONSE:

- (a) See Met-Ed Exhibit RAD-41 Attachment A. No basis difference, however, there is a timing difference due to PA disallowance in year one of the 50% Federal Bonus Depreciation.
- (b) See Met-Ed Exhibit RAD-41 Attachment A. Tax depreciation for the future test year is based on all electric plant in service claimed as of 4/30/16 and the annual tax depreciation is based on the same plant.
- (c) See Met-Ed Exhibit RAD-41 Attachment B.

METROPOLITAN EDISON COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014

Provision:	Vintage Year	Deferral of Taxes		Total	Pro Forma Under Present Rates	
		State	Federal		Normalizing Adjustments	Total
	1970	-	-	-	-	-
	1971	-	-	-	-	-
	1972	-	994	994	-	994
	1973	-	1,216	1,216	-	1,216
	1974	-	3	3	-	3
	1975	-	324	324	-	324
	1976	-	323	323	-	323
	1977	-	151	151	-	151
	1978	-	2,989	2,989	-	2,989
	1979	-	608	608	-	608
	1980	-	524	524	-	524
	1981	-	1,653	1,653	-	1,653
	1982	-	3,387	3,387	-	3,387
	1983	-	5,118	5,118	-	5,118
	1984	-	6,706	6,706	-	6,706
	1985	-	3,113	3,113	-	3,113
	1986	-	7,071	7,071	-	7,071
	1987	-	5,857	5,857	-	5,857
	1988	-	19,107	19,107	-	19,107
	1989	-	11,953	11,953	-	11,953
	1990	-	11,401	11,401	-	11,401
	1991	-	70,803	70,803	-	70,803
	1992	-	8,259	8,259	-	8,259
	1993	-	33,436	33,436	-	33,436
	1994	-	348,509	348,509	-	348,509
	1995	-	556,863	556,863	-	556,863
	1996	-	334,362	334,362	-	334,362
	1997	-	455,081	455,081	-	455,081
	1998	-	627,400	627,400	-	627,400
	1999	-	356,328	356,328	-	356,328
	2000	-	430,603	430,603	-	430,603
	2001	-	446,242	446,242	-	446,242
	2001 30%	-	16,759	16,759	-	16,759
	2002	-	70,482	70,482	-	70,482
	2002 30%	-	128,483	128,483	-	128,483
	2003	-	3,305	3,305	-	3,305
	2003 30%	-	102,719	102,719	-	102,719
	2003 50%	-	25,796	25,796	-	25,796
	2004	-	(6,700)	(6,700)	-	(6,700)
	2004 30%	-	134,720	134,720	-	134,720
	2004 50%	-	27,184	27,184	-	27,184
	2005	-	363,392	363,392	-	363,392
	2006	-	795,398	795,398	-	795,398
	2007	-	810,669	810,669	-	810,669
	2008	-	297,955	297,955	-	297,955
	2008 50%	-	187,419	187,419	-	187,419
	2009	-	364,375	364,375	-	364,375
	2009 50%	-	595,660	595,660	-	595,660
	2010	-	(14,489)	(14,489)	-	(14,489)
	2010 100%	-	-	-	-	-
	2010 50%	-	261,521	261,521	-	261,521
	2011	-	235,878	235,878	-	235,878
	2011 100%	-	3,305	3,305	-	3,305
	2011 50%	-	134,883	134,883	-	134,883
	2012	-	161,593	161,593	-	161,593
	2012 50%	-	1,569,236	1,569,236	-	1,569,236
	2013	-	229,209	229,209	-	229,209
	2013 50%	-	11,587,892	11,587,892	-	11,587,892
	2014	-	2,141,004	2,141,004	-	2,141,004
Total Provision		-	23,978,032	23,978,032	-	23,978,032

METROPOLITAN EDISON COMPANY  
Summary of Deferred Income Taxes  
Based upon Electric Plant in Service April, 2013 - March, 2014

Reversal	Vintage Year	Deferral of Taxes		Total	Pro Forma Under Present Rates	
		State	Federal		Normalizing Adjustments	Total
	1970	-	(4,636)	(4,636)		(4,636)
	1971	-	(15,968)	(15,968)		(15,968)
	1972	-	(13,356)	(13,356)		(13,356)
	1973	-	(15,151)	(15,151)		(15,151)
	1974	-	(16,365)	(16,365)		(16,365)
	1975	-	(7,345)	(7,345)		(7,345)
	1976	-	(71,384)	(71,384)		(71,384)
	1977	-	(14,748)	(14,748)		(14,748)
	1978	-	16,307	16,307		16,307
	1979	-	22,161	22,161		22,161
	1980	-	44,228	44,228		44,228
	1981	-	(94,410)	(94,410)		(94,410)
	1982	-	(100,051)	(100,051)		(100,051)
	1983	-	(170,282)	(170,282)		(170,282)
	1984	-	(162,105)	(162,105)		(162,105)
	1985	-	(247,619)	(247,619)		(247,619)
	1986	-	(275,896)	(275,896)		(275,896)
	1987	-	(275,958)	(275,958)		(275,958)
	1988	-	(292,748)	(292,748)		(292,748)
	1989	-	(331,844)	(331,844)		(331,844)
	1990	-	(347,057)	(347,057)		(347,057)
	1991	-	(371,036)	(371,036)		(371,036)
	1992	-	(372,071)	(372,071)		(372,071)
	1993	-	(277,084)	(277,084)		(277,084)
	1994	-	(328,666)	(328,666)		(328,666)
	1995	-	(445,490)	(445,490)		(445,490)
	1996	-	(282,369)	(282,369)		(282,369)
	1997	-	(360,251)	(360,251)		(360,251)
	1998	-	(439,378)	(439,378)		(439,378)
	1999	-	(270,252)	(270,252)		(270,252)
	2000	-	(333,594)	(333,594)		(333,594)
	2001	-	(324,223)	(324,223)		(324,223)
	2001 30%	-	(447)	(447)		(447)
	2002	-	(171,193)	(171,193)		(171,193)
	2002 30%	-	42,613	42,613		42,613
	2003	-	(169,789)	(169,789)		(169,789)
	2003 30%	-	35,419	35,419		35,419
	2003 50%	-	10,166	10,166		10,166
	2004	-	(271,769)	(271,769)		(271,769)
	2004 30%	-	(5,753)	(5,753)		(5,753)
	2004 50%	-	103,448	103,448		103,448
	2005	-	(60,873)	(60,873)		(60,873)
	2006	-	(529,054)	(529,054)		(529,054)
	2007	-	(756,360)	(756,360)		(756,360)
	2008	-	(346,644)	(346,644)		(346,644)
	2008 50%	-	(55,327)	(55,327)		(55,327)
	2009	-	(434,693)	(434,693)		(434,693)
	2009 50%	-	342,458	342,458		342,458
	2010	-	45,779	45,779		45,779
	2010 100%	-	(159,460)	(159,460)		(159,460)
	2010 50%	-	122,703	122,703		122,703
	2011	-	(1,018,618)	(1,018,618)		(1,018,618)
	2011 100%	-	(691,714)	(691,714)		(691,714)
	2011 50%	-	(11,896)	(11,896)		(11,896)
	2012	-	(100,801)	(100,801)		(100,801)
	2012 50%	-	(210,754)	(210,754)		(210,754)
	2013	-	30,949	30,949		30,949
	2013 50%	-	159,393	159,393		159,393
	2014	-	(78,714)	(78,714)		(78,714)
Total Reversal		-	(10,359,574)	(10,359,574)	-	(10,359,574)
Net Provision		-	13,618,458	13,618,458	-	13,618,458

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Provision						
1970	-	0%	35%	-	-	-
1971	-	0%	35%	-	-	-
1972	2,839	0%	35%	-	994	994
1973	3,474	0%	35%	-	1,216	1,216
1974	8	0%	35%	-	3	3
1975	926	0%	35%	-	324	324
1976	923	0%	35%	-	323	323
1977	431	0%	35%	-	151	151
1978	8,541	0%	35%	-	2,989	2,989
1979	1,738	0%	35%	-	608	608
1980	1,496	0%	35%	-	524	524
1981	4,625	0%	35%	-	1,619	1,619
1982	9,678	0%	35%	-	3,387	3,387
1983	14,624	0%	35%	-	5,118	5,118
1984	19,160	0%	35%	-	6,706	6,706
1985	8,894	0%	35%	-	3,113	3,113
1986	20,202	0%	35%	-	7,071	7,071
1987	16,133	0%	35%	-	5,646	5,646
1988	43,848	0%	35%	-	15,347	15,347
1989	33,205	0%	35%	-	11,622	11,622
1990	30,922	0%	35%	-	10,823	10,823
1991	197,360	0%	35%	-	69,076	69,076
1992	21,255	0%	35%	-	7,439	7,439
1993	84,370	0%	35%	-	29,530	29,530
1994	978,940	0%	35%	-	342,629	342,629
1995	1,496,098	0%	35%	-	523,634	523,634
1996	869,054	0%	35%	-	304,169	304,169
1997	1,232,880	0%	35%	-	431,508	431,508
1998	1,606,989	0%	35%	-	562,446	562,446
1999	909,832	0%	35%	-	318,441	318,441
2000	1,155,874	0%	35%	-	404,556	404,556
2001	1,194,770	0%	35%	-	418,169	418,169
2001 30%	45,291	0%	35%	-	15,852	15,852
2002	193,212	0%	35%	-	67,624	67,624
2002 30%	339,677	0%	35%	-	118,887	118,887
2003	7,924	0%	35%	-	2,774	2,774
2003 30%	176,771	0%	35%	-	61,870	61,870
2003 50%	62,376	0%	35%	-	21,832	21,832
2004	(17,422)	0%	35%	-	(6,098)	(6,098)
2004 30%	357,363	0%	35%	-	125,077	125,077
2004 50%	63,635	0%	35%	-	22,272	22,272
2005	907,656	0%	35%	-	317,680	317,680
2006	2,085,732	0%	35%	-	730,006	730,006
2007	2,104,433	0%	35%	-	736,552	736,552
2008	806,863	0%	35%	-	282,402	282,402
2008 50%	455,068	0%	35%	-	159,274	159,274
2009	1,008,045	0%	35%	-	352,816	352,816
2009 50%	1,531,603	0%	35%	-	536,061	536,061
2010	(42,279)	0%	35%	-	(14,798)	(14,798)
2010 100%	-	0%	35%	-	-	-
2010 50%	644,394	0%	35%	-	225,538	225,538
2011	631,979	0%	35%	-	221,193	221,193
2011 100%	9,442	0%	35%	-	3,305	3,305
2011 50%	344,570	0%	35%	-	120,599	120,599
2012	378,734	0%	35%	-	132,557	132,557
2012 50%	3,816,949	0%	35%	-	1,335,932	1,335,932
2013	571,085	0%	35%	-	199,880	199,880
2013 50%	32,882,828	0%	35%	-	11,508,990	11,508,990
2014	6,117,155	0%	35%	-	2,141,004	2,141,004
	65,452,172				22,908,260	22,908,260
<b>Provision Gains/Losses Page ( 6 )</b>					<b>\$1,069,737</b>	<b>\$1,069,737</b>
<b>Provision - Non - TMI</b>					<b>\$23,977,997</b>	<b>\$23,977,997</b>

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970	(9,688)	0%	48%	-	(4,636)	(4,636)
1971	(33,295)	0%	48%	-	(15,968)	(15,968)
1972	(27,856)	0%	48%	-	(13,356)	(13,356)
1973	(31,606)	0%	48%	-	(15,151)	(15,151)
1974	(34,145)	0%	48%	-	(16,365)	(16,365)
1975	(15,333)	0%	48%	-	(7,345)	(7,345)
1976	(148,772)	0%	48%	-	(71,384)	(71,384)
1977	(30,802)	0%	48%	-	(14,748)	(14,748)
1978	(13,643)	0%	48%	-	(6,501)	(6,501)
1979	(8,624)	0%	46%	-	(3,947)	(3,947)
1980	(21,780)	0%	46%	-	(9,992)	(9,992)
1981	(228,628)	0%	42%	-	(95,638)	(95,638)
1982	(247,484)	0%	41%	-	(100,275)	(100,275)
1983	(429,729)	0%	40%	-	(171,095)	(171,095)
1984	(418,085)	0%	39%	-	(162,492)	(162,492)
1985	(651,290)	0%	38%	-	(248,428)	(248,428)
1986	(752,780)	0%	37%	-	(276,187)	(276,187)
1987	(798,131)	0%	35%	-	(278,125)	(278,125)
1988	(834,692)	0%	35%	-	(292,748)	(292,748)
1989	(955,653)	0%	35%	-	(331,843)	(331,843)
1990	(1,001,168)	0%	35%	-	(347,057)	(347,057)
1991	(1,064,866)	0%	35%	-	(371,036)	(371,036)
1992	(1,062,239)	0%	35%	-	(371,749)	(371,749)
1993	(791,668)	0%	35%	-	(277,084)	(277,084)
1994	(939,046)	0%	35%	-	(328,666)	(328,666)
1995	(1,272,828)	0%	35%	-	(445,490)	(445,490)
1996	(806,769)	0%	35%	-	(282,369)	(282,369)
1997	(1,029,288)	0%	35%	-	(360,251)	(360,251)
1998	(1,255,366)	0%	35%	-	(439,378)	(439,378)
1999	(772,148)	0%	35%	-	(270,252)	(270,252)
2000	(953,126)	0%	35%	-	(333,594)	(333,594)
2001	(926,352)	0%	35%	-	(324,223)	(324,223)
2001 30%	(1,277)	0%	35%	-	(447)	(447)
2002	(489,124)	0%	35%	-	(171,193)	(171,193)
2002 30%	121,750	0%	35%	-	42,613	42,613
2003	(485,111)	0%	35%	-	(169,789)	(169,789)
2003 30%	101,198	0%	35%	-	35,419	35,419
2003 50%	29,047	0%	35%	-	10,166	10,166
2004	(776,482)	0%	35%	-	(271,769)	(271,769)
2004 30%	(16,437)	0%	35%	-	(5,753)	(5,753)
2004 50%	295,566	0%	35%	-	103,448	103,448
2005	(173,923)	0%	35%	-	(60,873)	(60,873)
2006	(1,511,584)	0%	35%	-	(529,054)	(529,054)
2007	(2,161,030)	0%	35%	-	(756,360)	(756,360)
2008	(990,412)	0%	35%	-	(346,644)	(346,644)
2008 50%	(158,077)	0%	35%	-	(55,327)	(55,327)
2009	(1,241,979)	0%	35%	-	(434,693)	(434,693)
2009 50%	978,451	0%	35%	-	342,458	342,458
2010	130,796	0%	35%	-	45,779	45,779
2010 100%	(455,600)	0%	35%	-	(159,460)	(159,460)
2010 50%	350,579	0%	35%	-	122,703	122,703
2011	(2,910,337)	0%	35%	-	(1,018,618)	(1,018,618)
2011 100%	(1,976,325)	0%	35%	-	(691,714)	(691,714)
2011 50%	(33,989)	0%	35%	-	(11,896)	(11,896)
2012	(288,003)	0%	35%	-	(100,801)	(100,801)
2012 50%	(602,155)	0%	35%	-	(210,754)	(210,754)
2013	88,425	0%	35%	-	30,949	30,949
2013 50%	455,408	0%	35%	-	159,393	159,393
2014	(224,897)	0%	35%	-	(78,714)	(78,714)
<b>Reversal Non-TMI</b>	<b>(29,512,402)</b>				<b>(10,468,308)</b>	<b>(10,468,308)</b>
<b>Total Net Provison - Non-TMI</b>					<b>13,509,689</b>	<b>13,509,689</b>

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2013 - March, 2014  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State 6 = 3 x 4	Federal 7 = 3 x 5	Total 8 = 6+7
	1	2	3	4	5			
Provision - 4/13-3/14								
1987	317,244	316,641	602	0%	35%	-	211	211
1988	263,933	253,188	10,745	0%	35%	-	3,761	3,761
1989	357,749	356,803	946	0%	35%	-	331	331
1990	893,880	892,229	1,652	0%	35%	-	578	578
1991	398,725	393,792	4,933	0%	35%	-	1,726	1,726
1992	336,196	333,854	2,342	0%	35%	-	820	820
1993	449,618	438,456	11,162	0%	35%	-	3,907	3,907
1994	335,669	318,868	16,800	0%	35%	-	5,880	5,880
1995	1,060,613	965,673	94,940	0%	35%	-	33,229	33,229
1996	721,828	635,561	86,267	0%	35%	-	30,193	30,193
1997	413,505	346,155	67,350	0%	35%	-	23,573	23,573
1998	899,997	714,414	185,583	0%	35%	-	64,954	64,954
1999	420,800	312,553	108,247	0%	35%	-	37,887	37,887
2000	258,751	184,330	74,421	0%	35%	-	26,047	26,047
2001	233,836	153,629	80,207	0%	35%	-	28,072	28,072
2001 30%	7,609	5,017	2,592	0%	35%	-	907	907
2002	24,205	16,041	8,164	0%	35%	-	2,857	2,857
2002 30%	70,722	43,303	27,418	0%	35%	-	9,596	9,596
2003	3,240	1,722	1,518	0%	35%	-	531	531
2003 30%	269,391	152,678	116,712	0%	35%	-	40,849	40,849
2003 50%	26,390	15,064	11,326	0%	35%	-	3,964	3,964
2004	(831)	888	(1,719)	0%	35%	-	(602)	(602)
2004 30%	59,850	32,300	27,550	0%	35%	-	9,643	9,643
2004 50%	29,922	15,889	14,034	0%	35%	-	4,912	4,912
2005	249,780	119,173	130,607	0%	35%	-	45,712	45,712
2006	328,810	141,976	186,834	0%	35%	-	65,392	65,392
2007	351,003	139,239	211,764	0%	35%	-	74,117	74,117
2008	69,404	24,967	44,437	0%	35%	-	15,553	15,553
2008 50%	124,233	43,819	80,414	0%	35%	-	28,145	28,145
2009	81,761	48,734	33,027	0%	35%	-	11,559	11,559
2009 50%	243,575	73,291	170,284	0%	35%	-	59,599	59,599
2010	2,208	1,326	881	0%	35%	-	308	308
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	170,232	67,424	102,808	0%	35%	-	35,983	35,983
2011	51,287	9,330	41,957	0%	35%	-	14,685	14,685
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	93,202	52,392	40,810	0%	35%	-	14,283	14,283
2012	89,609	6,648	82,961	0%	35%	-	29,036	29,036
2012 50%	722,465	55,881	666,583	0%	35%	-	233,304	233,304
2013	85,276	1,479	83,797	0%	35%	-	29,329	29,329
2013 50%	229,163	3,729	225,434	0%	35%	-	78,902	78,902
Provision - Non-TMI (gains/losses)							<u>1,069,737</u>	<u>1,069,737</u>

METROPOLITAN EDISON COMPANY  
 Computation of Deferred Income Taxes - TMI #2  
Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Provision				
1978	-	-	-	-
1979	-	-	-	-
1980	-	-	-	-
1981	99	-	35	35
1982	-	-	-	-
1983	-	-	-	-
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	-	-	-
1989	-	-	-	-
1992	-	-	-	-
	99	-	35	35

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Reversal				
1978	47,517	-	22,808	22,808
1979	56,758	-	26,109	26,109
1980	117,870	-	54,220	54,220
1981	(3)	-	1,228	1,228
1982	-	-	224	224
1983	-	-	813	813
1984	-	-	387	387
1985	-	-	809	809
1986	-	-	291	291
1987	-	-	2,168	2,168
1988	-	-	(1)	(1)
1989	-	-	(1)	(1)
1992	-	-	(322)	(322)
	222,142	-	108,734	108,734

METROPOLITAN EDISON COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
	State	Federal	Total	Normalizing Adjustments	Total
Provision: 1970	-	-	-	-	-
1971	-	-	-	-	-
1972	-	745	745	-	745
1973	-	1,309	1,309	-	1,309
1974	-	2	2	-	2
1975	-	293	293	-	293
1976	-	291	291	-	291
1977	-	161	161	-	161
1978	-	3,239	3,239	-	3,239
1979	-	657	657	-	657
1980	-	567	567	-	567
1981	-	1,376	1,376	-	1,376
1982	-	1,669	1,669	-	1,669
1983	-	2,164	2,164	-	2,164
1984	-	2,304	2,304	-	2,304
1985	-	2,698	2,698	-	2,698
1986	-	3,187	3,187	-	3,187
1987	-	10,734	10,734	-	10,734
1988	-	19,751	19,751	-	19,751
1989	-	19,635	19,635	-	19,635
1990	-	20,718	20,718	-	20,718
1991	-	111,593	111,593	-	111,593
1992	-	17,367	17,367	-	17,367
1993	-	12,286	12,286	-	12,286
1994	-	124,974	124,974	-	124,974
1995	-	452,679	452,679	-	452,679
1996	-	337,405	337,405	-	337,405
1997	-	535,769	535,769	-	535,769
1998	-	658,098	658,098	-	658,098
1999	-	381,272	381,272	-	381,272
2000	-	513,426	513,426	-	513,426
2001	-	539,087	539,087	-	539,087
2001 30%	-	24,269	24,269	-	24,269
2002	-	87,032	87,032	-	87,032
2002 30%	-	176,487	176,487	-	176,487
2003	-	5,172	5,172	-	5,172
2003 30%	-	97,205	97,205	-	97,205
2003 50%	-	62,415	62,415	-	62,415
2004	-	(9,913)	(9,913)	-	(9,913)
2004 30%	-	198,213	198,213	-	198,213
2004 50%	-	60,765	60,765	-	60,765
2005	-	462,623	462,623	-	462,623
2006	-	944,154	944,154	-	944,154
2007	-	878,976	878,976	-	878,976
2008	-	325,382	325,382	-	325,382
2008 50%	-	264,184	264,184	-	264,184
2009	-	358,251	358,251	-	358,251
2009 50%	-	697,076	697,076	-	697,076
2010	-	(35,423)	(35,423)	-	(35,423)
2010 100%	-	-	-	-	-
2010 50%	-	325,477	325,477	-	325,477
2011	-	366,972	366,972	-	366,972
2011 100%	-	-	-	-	-
2011 50%	-	45,722	45,722	-	45,722
2012	-	136,217	136,217	-	136,217
2012 50%	-	1,134,495	1,134,495	-	1,134,495
2013	-	384,597	384,597	-	384,597
2013 50%	-	641,658	641,658	-	641,658
2014	-	7,620,876	7,620,876	-	7,620,876
2015	-	3,711,808	3,711,808	-	3,711,808
Total Provision	-	22,740,145	22,740,145	-	22,740,145

METROPOLITAN EDISON COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
	State	Federal	Total	Normalizing Adjustments	Total
Reversal					
1970	-	(4,853)	(4,853)		(4,853)
1971	-	(16,071)	(16,071)		(16,071)
1972	-	(13,689)	(13,689)		(13,689)
1973	-	(15,539)	(15,539)		(15,539)
1974	-	(16,915)	(16,915)		(16,915)
1975	-	(7,464)	(7,464)		(7,464)
1976	-	(71,662)	(71,662)		(71,662)
1977	-	(14,979)	(14,979)		(14,979)
1978	-	16,252	16,252		16,252
1979	-	22,160	22,160		22,160
1980	-	44,274	44,274		44,274
1981	-	(82,271)	(82,271)		(82,271)
1982	-	(89,611)	(89,611)		(89,611)
1983	-	(147,188)	(147,188)		(147,188)
1984	-	(145,200)	(145,200)		(145,200)
1985	-	(215,727)	(215,727)		(215,727)
1986	-	(241,138)	(241,138)		(241,138)
1987	-	(245,412)	(245,412)		(245,412)
1988	-	(253,339)	(253,339)		(253,339)
1989	-	(292,662)	(292,662)		(292,662)
1990	-	(335,497)	(335,497)		(335,497)
1991	-	(327,227)	(327,227)		(327,227)
1992	-	(322,355)	(322,355)		(322,355)
1993	-	(317,478)	(317,478)		(317,478)
1994	-	(256,920)	(256,920)		(256,920)
1995	-	(405,394)	(405,394)		(405,394)
1996	-	(300,725)	(300,725)		(300,725)
1997	-	(383,294)	(383,294)		(383,294)
1998	-	(463,536)	(463,536)		(463,536)
1999	-	(290,122)	(290,122)		(290,122)
2000	-	(356,402)	(356,402)		(356,402)
2001	-	(345,526)	(345,526)		(345,526)
2001 30%	-	(451)	(451)		(451)
2002	-	(181,516)	(181,516)		(181,516)
2002 30%	-	47,482	47,482		47,482
2003	-	(181,535)	(181,535)		(181,535)
2003 30%	-	30,673	30,673		30,673
2003 50%	-	11,192	11,192		11,192
2004	-	(292,960)	(292,960)		(292,960)
2004 30%	-	(3,809)	(3,809)		(3,809)
2004 50%	-	109,301	109,301		109,301
2005	-	(20,084)	(20,084)		(20,084)
2006	-	(549,874)	(549,874)		(549,874)
2007	-	(730,277)	(730,277)		(730,277)
2008	-	(343,389)	(343,389)		(343,389)
2008 50%	-	(56,642)	(56,642)		(56,642)
2009	-	(430,221)	(430,221)		(430,221)
2009 50%	-	347,392	347,392		347,392
2010	-	53,969	53,969		53,969
2010 100%	-	(135,766)	(135,766)		(135,766)
2010 50%	-	59,335	59,335		59,335
2011	-	(1,023,862)	(1,023,862)		(1,023,862)
2011 100%	-	(600,376)	(600,376)		(600,376)
2011 50%	-	(48,495)	(48,495)		(48,495)
2012	-	(109,046)	(109,046)		(109,046)
2012 50%	-	(195,393)	(195,393)		(195,393)
2013	-	45,787	45,787		45,787
2013 50%	-	233,831	233,831		233,831
2014	-	(424,122)	(424,122)		(424,122)
2015	-	(52,315)	(52,315)		(52,315)
Total Reversal	-	(10,336,688)	(10,336,688)	-	(10,336,688)
Net Provision	-	12,403,457	12,403,457	-	12,403,457

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Provision						
1970	-	0%	35%	-	-	-
1971	-	0%	35%	-	-	-
1972	2,128	0%	35%	-	745	745
1973	3,741	0%	35%	-	1,309	1,309
1974	5	0%	35%	-	2	2
1975	836	0%	35%	-	293	293
1976	833	0%	35%	-	291	291
1977	460	0%	35%	-	161	161
1978	9,253	0%	35%	-	3,239	3,239
1979	1,878	0%	35%	-	657	657
1980	1,620	0%	35%	-	567	567
1981	3,822	0%	35%	-	1,338	1,338
1982	4,769	0%	35%	-	1,669	1,669
1983	6,183	0%	35%	-	2,164	2,164
1984	6,582	0%	35%	-	2,304	2,304
1985	7,710	0%	35%	-	2,698	2,698
1986	9,106	0%	35%	-	3,187	3,187
1987	28,225	0%	35%	-	9,879	9,879
1988	52,237	0%	35%	-	18,283	18,283
1989	52,272	0%	35%	-	18,295	18,295
1990	52,421	0%	35%	-	18,347	18,347
1991	298,884	0%	35%	-	104,609	104,609
1992	39,917	0%	35%	-	13,971	13,971
1993	5,598	0%	35%	-	1,959	1,959
1994	332,536	0%	35%	-	116,388	116,388
1995	1,271,677	0%	35%	-	445,087	445,087
1996	941,117	0%	35%	-	329,391	329,391
1997	1,495,439	0%	35%	-	523,404	523,404
1998	1,834,332	0%	35%	-	642,016	642,016
1999	1,058,754	0%	35%	-	370,564	370,564
2000	1,420,461	0%	35%	-	497,161	497,161
2001	1,481,935	0%	35%	-	518,677	518,677
2001 30%	65,984	0%	35%	-	23,095	23,095
2002	236,947	0%	35%	-	82,931	82,931
2002 30%	474,454	0%	35%	-	166,059	166,059
2003	8,953	0%	35%	-	3,133	3,133
2003 30%	259,746	0%	35%	-	90,911	90,911
2003 50%	162,008	0%	35%	-	56,703	56,703
2004	(20,853)	0%	35%	-	(7,299)	(7,299)
2004 30%	528,214	0%	35%	-	184,875	184,875
2004 50%	149,566	0%	35%	-	52,348	52,348
2005	1,176,219	0%	35%	-	411,677	411,677
2006	2,526,278	0%	35%	-	884,197	884,197
2007	2,338,924	0%	35%	-	818,623	818,623
2008	864,897	0%	35%	-	302,714	302,714
2008 50%	665,761	0%	35%	-	233,017	233,017
2009	962,706	0%	35%	-	336,947	336,947
2009 50%	1,786,413	0%	35%	-	625,245	625,245
2010	(102,643)	0%	35%	-	(35,925)	(35,925)
2010 100%	-	0%	35%	-	-	-
2010 50%	824,151	0%	35%	-	288,453	288,453
2011	1,004,758	0%	35%	-	351,665	351,665
2011 100%	-	0%	35%	-	-	-
2011 50%	119,173	0%	35%	-	41,710	41,710
2012	364,290	0%	35%	-	127,501	127,501
2012 50%	3,049,214	0%	35%	-	1,067,225	1,067,225
2013	1,028,742	0%	35%	-	360,060	360,060
2013 50%	1,684,396	0%	35%	-	589,539	589,539
2014	21,688,106	0%	35%	-	7,590,837	7,590,837
2015	10,605,166	0%	35%	-	3,711,808	3,711,808
	<u>62,876,298</u>				<u>22,006,704</u>	<u>22,006,704</u>
<b>Provision Gains/Losses Page ( 12 )</b>					<b>733,403</b>	<b>733,403</b>
<b>Provision - Non - TMI</b>					<b>22,740,107</b>	<b>22,740,107</b>

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Deferral of Taxes		Total
		State	Federal		Federal		
Reversal							
1970	(10,147)	0%	48%	-	(4,853)	(4,853)	
1971	(33,520)	0%	48%	-	(16,071)	(16,071)	
1972	(28,652)	0%	48%	-	(13,689)	(13,689)	
1973	(32,424)	0%	48%	-	(15,539)	(15,539)	
1974	(35,302)	0%	48%	-	(16,915)	(16,915)	
1975	(15,587)	0%	48%	-	(7,464)	(7,464)	
1976	(149,363)	0%	48%	-	(71,662)	(71,662)	
1977	(31,303)	0%	48%	-	(14,979)	(14,979)	
1978	(13,986)	0%	48%	-	(6,653)	(6,653)	
1979	(8,882)	0%	46%	-	(4,060)	(4,060)	
1980	(22,202)	0%	46%	-	(10,177)	(10,177)	
1981	(198,725)	0%	42%	-	(83,504)	(83,504)	
1982	(221,510)	0%	41%	-	(89,837)	(89,837)	
1983	(370,832)	0%	40%	-	(148,004)	(148,004)	
1984	(374,089)	0%	39%	-	(145,589)	(145,589)	
1985	(565,347)	0%	38%	-	(216,540)	(216,540)	
1986	(655,399)	0%	37%	-	(241,431)	(241,431)	
1987	(708,199)	0%	35%	-	(247,589)	(247,589)	
1988	(727,302)	0%	35%	-	(253,338)	(253,338)	
1989	(839,669)	0%	35%	-	(292,662)	(292,662)	
1990	(967,688)	0%	35%	-	(335,497)	(335,497)	
1991	(939,179)	0%	35%	-	(327,227)	(327,227)	
1992	(920,041)	0%	35%	-	(322,032)	(322,032)	
1993	(907,080)	0%	35%	-	(317,478)	(317,478)	
1994	(734,056)	0%	35%	-	(256,920)	(256,920)	
1995	(1,158,268)	0%	35%	-	(405,394)	(405,394)	
1996	(859,214)	0%	35%	-	(300,725)	(300,725)	
1997	(1,095,126)	0%	35%	-	(383,294)	(383,294)	
1998	(1,324,389)	0%	35%	-	(463,536)	(463,536)	
1999	(828,921)	0%	35%	-	(290,122)	(290,122)	
2000	(1,018,291)	0%	35%	-	(356,402)	(356,402)	
2001	(987,216)	0%	35%	-	(345,526)	(345,526)	
2001 30%	(1,287)	0%	35%	-	(451)	(451)	
2002	(518,617)	0%	35%	-	(181,516)	(181,516)	
2002 30%	135,662	0%	35%	-	47,482	47,482	
2003	(518,673)	0%	35%	-	(181,535)	(181,535)	
2003 30%	87,636	0%	35%	-	30,673	30,673	
2003 50%	31,977	0%	35%	-	11,192	11,192	
2004	(837,030)	0%	35%	-	(292,960)	(292,960)	
2004 30%	(10,883)	0%	35%	-	(3,809)	(3,809)	
2004 50%	312,288	0%	35%	-	109,301	109,301	
2005	(57,383)	0%	35%	-	(20,084)	(20,084)	
2006	(1,571,069)	0%	35%	-	(549,874)	(549,874)	
2007	(2,086,507)	0%	35%	-	(730,277)	(730,277)	
2008	(981,111)	0%	35%	-	(343,389)	(343,389)	
2008 50%	(161,835)	0%	35%	-	(56,642)	(56,642)	
2009	(1,229,202)	0%	35%	-	(430,221)	(430,221)	
2009 50%	992,547	0%	35%	-	347,392	347,392	
2010	154,197	0%	35%	-	53,969	53,969	
2010 100%	(387,902)	0%	35%	-	(135,766)	(135,766)	
2010 50%	169,528	0%	35%	-	59,335	59,335	
2011	(2,925,319)	0%	35%	-	(1,023,862)	(1,023,862)	
2011 100%	(1,715,360)	0%	35%	-	(600,376)	(600,376)	
2011 50%	(138,556)	0%	35%	-	(48,495)	(48,495)	
2012	(311,560)	0%	35%	-	(109,046)	(109,046)	
2012 50%	(558,267)	0%	35%	-	(195,393)	(195,393)	
2013	130,820	0%	35%	-	45,787	45,787	
2013 50%	668,087	0%	35%	-	233,831	233,831	
2014	(1,211,777)	0%	35%	-	(424,122)	(424,122)	
2015	(149,473)	0%	35%	-	(52,315)	(52,315)	
<b>Reversal Non-TMI</b>	<b>(29,470,979)</b>			<b>-</b>	<b>(10,445,884)</b>	<b>(10,445,884)</b>	
<b>Total Net Provison - Non-TMI</b>				<b>-</b>	<b>12,294,223</b>	<b>12,294,223</b>	

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2014 - April, 2015  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal	Total
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6+7
Provision - 4/14-4/15								
1987	181,423	178,979	2,445	0%	35%	-	856	856
1988	191,025	186,830	4,195	0%	35%	-	1,468	1,468
1989	223,391	219,562	3,829	0%	35%	-	1,340	1,340
1990	238,097	231,323	6,774	0%	35%	-	2,371	2,371
1991	308,466	288,514	19,952	0%	35%	-	6,983	6,983
1992	271,570	261,868	9,703	0%	35%	-	3,396	3,396
1993	274,339	244,833	29,505	0%	35%	-	10,327	10,327
1994	250,165	225,632	24,533	0%	35%	-	8,587	8,587
1995	241,924	220,233	21,692	0%	35%	-	7,592	7,592
1996	154,881	131,985	22,897	0%	35%	-	8,014	8,014
1997	224,494	189,165	35,329	0%	35%	-	12,365	12,365
1998	267,265	221,318	45,948	0%	35%	-	16,082	16,082
1999	143,528	112,934	30,594	0%	35%	-	10,708	10,708
2000	213,433	166,963	46,470	0%	35%	-	16,264	16,264
2001	203,435	145,121	58,314	0%	35%	-	20,410	20,410
2001 30%	11,251	7,895	3,356	0%	35%	-	1,175	1,175
2002	45,827	34,112	11,715	0%	35%	-	4,100	4,100
2002 30%	86,630	56,836	29,794	0%	35%	-	10,428	10,428
2003	12,637	6,814	5,823	0%	35%	-	2,038	2,038
2003 30%	72,238	54,254	17,984	0%	35%	-	6,294	6,294
2003 50%	41,962	25,641	16,321	0%	35%	-	5,712	5,712
2004	(4,365)	3,104	(7,469)	0%	35%	-	(2,614)	(2,614)
2004 30%	90,256	52,147	38,109	0%	35%	-	13,338	13,338
2004 50%	55,924	31,875	24,049	0%	35%	-	8,417	8,417
2005	301,965	156,404	145,561	0%	35%	-	50,946	50,946
2006	328,674	157,369	171,305	0%	35%	-	59,957	59,957
2007	336,091	163,654	172,436	0%	35%	-	60,353	60,353
2008	107,837	43,072	64,765	0%	35%	-	22,668	22,668
2008 50%	147,507	58,457	89,050	0%	35%	-	31,168	31,168
2009	98,122	37,253	60,869	0%	35%	-	21,304	21,304
2009 50%	320,398	115,166	205,232	0%	35%	-	71,831	71,831
2010	6,694	5,258	1,436	0%	35%	-	503	503
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	156,471	50,689	105,782	0%	35%	-	37,024	37,024
2011	54,577	10,845	43,732	0%	35%	-	15,306	15,306
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	21,842	10,381	11,461	0%	35%	-	4,011	4,011
2012	29,169	4,268	24,901	0%	35%	-	8,715	8,715
2012 50%	223,501	31,300	192,201	0%	35%	-	67,270	67,270
2013	77,816	7,711	70,105	0%	35%	-	24,537	24,537
2013 50%	168,444	19,532	148,912	0%	35%	-	52,119	52,119
2014	100,037	14,212	85,825	0%	35%	-	30,039	30,039
Provision - Non-TMI (gains/losses)							733,403	733,403

METROPOLITAN EDISON COMPANY  
 Computation of Deferred Income Taxes - TMI #2  
Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Provision				
1978	-	-	-	-
1979	-	-	-	-
1980	-	-	-	-
1981	108	-	38	38
1982	-	-	-	-
1983	-	-	-	-
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	-	-	-
1989	-	-	-	-
1992	-	-	-	-
	108	-	38	38

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Reversal				
1978	47,719	-	22,905	22,905
1979	56,999	-	26,220	26,220
1980	118,371	-	54,450	54,450
1981	(3)	-	1,233	1,233
1982	-	-	225	225
1983	-	-	817	817
1984	-	-	389	389
1985	-	-	813	813
1986	-	-	292	292
1987	-	-	2,177	2,177
1988	-	-	(1)	(1)
1989	-	-	(1)	(1)
1992	-	-	(324)	(324)
	223,086	-	109,196	109,196

METROPOLITAN EDISON COMPANY  
 Summary of Deferred Income Taxes  
Based upon Electric Plant in Service May, 2015 - April, 2016

Provision:	Vintage Year	Deferral of Taxes		Total
		State	Federal	
	1970	-	-	-
	1971	-	-	-
	1972	-	-	-
	1973	-	459	459
	1974	-	0	0
	1975	-	38	38
	1976	-	80	80
	1977	-	55	55
	1978	-	1,136	1,136
	1979	-	230	230
	1980	-	199	199
	1981	-	171	171
	1982	-	206	206
	1983	-	268	268
	1984	-	302	302
	1985	-	350	350
	1986	-	440	440
	1987	-	2,252	2,252
	1988	-	4,480	4,480
	1989	-	4,498	4,498
	1990	-	4,718	4,718
	1991	-	26,911	26,911
	1992	-	3,847	3,847
	1993	-	(200)	(200)
	1994	-	(568)	(568)
	1995	-	14,381	14,381
	1996	-	69,573	69,573
	1997	-	156,507	156,507
	1998	-	194,671	194,671
	1999	-	112,429	112,429
	2000	-	152,218	152,218
	2001	-	159,620	159,620
	2001 30%	-	6,093	6,093
	2002	-	26,783	26,783
	2002 30%	-	46,034	46,034
	2003	-	1,568	1,568
	2003 30%	-	26,020	26,020
	2003 50%	-	8,397	8,397
	2004	-	(3,326)	(3,326)
	2004 30%	-	48,681	48,681
	2004 50%	-	12,693	12,693
	2005	-	128,637	128,637
	2006	-	282,124	282,124
	2007	-	256,951	256,951
	2008	-	94,243	94,243
	2008 50%	-	36,844	36,844
	2009	-	107,970	107,970
	2009 50%	-	131,368	131,368
	2010	-	(6,253)	(6,253)
	2010 100%	-	-	-
	2010 50%	-	53,652	53,652
	2011	-	69,435	69,435
	2011 100%	-	-	-
	2011 50%	-	9,907	9,907
	2012	-	33,918	33,918
	2012 50%	-	238,042	238,042
	2013	-	102,234	102,234
	2013 50%	-	127,530	127,530
	2014	-	1,310,796	1,310,796
	2015	-	2,904,167	2,904,167
	2016	-	1,877,566	1,877,566
Total Provision		-	8,841,345	8,841,345

METROPOLITAN EDISON COMPANY  
Summary of Deferred Income Taxes  
Based upon Electric Plant in Service May, 2015 - April, 2016

Reversal	Vintage Year	Deferral of Taxes		Total
		State	Federal	
	1970	-	(1,797)	(1,797)
	1971	-	(6,201)	(6,201)
	1972	-	(5,540)	(5,540)
	1973	-	(5,932)	(5,932)
	1974	-	(6,307)	(6,307)
	1975	-	(2,939)	(2,939)
	1976	-	(27,094)	(27,094)
	1977	-	(5,680)	(5,680)
	1978	-	6,148	6,148
	1979	-	8,376	8,376
	1980	-	16,738	16,738
	1981	-	(37,034)	(37,034)
	1982	-	(40,260)	(40,260)
	1983	-	(66,768)	(66,768)
	1984	-	(64,795)	(64,795)
	1985	-	(98,292)	(98,292)
	1986	-	(108,896)	(108,896)
	1987	-	(110,694)	(110,694)
	1988	-	(113,404)	(113,404)
	1989	-	(131,748)	(131,748)
	1990	-	(151,549)	(151,549)
	1991	-	(148,229)	(148,229)
	1992	-	(146,362)	(146,362)
	1993	-	(146,582)	(146,582)
	1994	-	(135,448)	(135,448)
	1995	-	(104,984)	(104,984)
	1996	-	(91,467)	(91,467)
	1997	-	(138,071)	(138,071)
	1998	-	(168,603)	(168,603)
	1999	-	(103,278)	(103,278)
	2000	-	(126,940)	(126,940)
	2001	-	(123,454)	(123,454)
	2001 30%	-	(175)	(175)
	2002	-	(64,747)	(64,747)
	2002 30%	-	17,476	17,476
	2003	-	(64,688)	(64,688)
	2003 30%	-	10,106	10,106
	2003 50%	-	3,868	3,868
	2004	-	(103,351)	(103,351)
	2004 30%	-	(2,416)	(2,416)
	2004 50%	-	36,619	36,619
	2005	-	(16,229)	(16,229)
	2006	-	(194,785)	(194,785)
	2007	-	(231,514)	(231,514)
	2008	-	(116,315)	(116,315)
	2008 50%	-	(23,063)	(23,063)
	2009	-	(135,843)	(135,843)
	2009 50%	-	128,431	128,431
	2010	-	14,538	14,538
	2010 100%	-	(61,151)	(61,151)
	2010 50%	-	15,027	15,027
	2011	-	(393,293)	(393,293)
	2011 100%	-	(267,620)	(267,620)
	2011 50%	-	(41,994)	(41,994)
	2012	-	(43,799)	(43,799)
	2012 50%	-	(73,522)	(73,522)
	2013	-	13,645	13,645
	2013 50%	-	66,781	66,781
	2014	-	(197,903)	(197,903)
	2015	-	(82,441)	(82,441)
	2016	-	(16,191)	(16,191)
Total Reversal		-	(4,211,636)	(4,211,636)
Net Provision		-	4,629,710	4,629,710

METROPOLITAN EDISON COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 Based upon Electric Plant in Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Deferral of Taxes		Total
		State	Federal		Federal	Federal	
Provision							
1970	-	0%	35%	-	-	-	-
1971	-	0%	35%	-	-	-	-
1972	-	0%	35%	-	-	-	-
1973	1,310	0%	35%	-	459	459	459
1974	0	0%	35%	-	0	0	0
1975	109	0%	35%	-	38	38	38
1976	227	0%	35%	-	80	80	80
1977	158	0%	35%	-	55	55	55
1978	3,247	0%	35%	-	1,136	1,136	1,136
1979	657	0%	35%	-	230	230	230
1980	569	0%	35%	-	199	199	199
1981	463	0%	35%	-	162	162	162
1982	588	0%	35%	-	206	206	206
1983	765	0%	35%	-	268	268	268
1984	862	0%	35%	-	302	302	302
1985	1,001	0%	35%	-	350	350	350
1986	1,257	0%	35%	-	440	440	440
1987	5,705	0%	35%	-	1,997	1,997	1,997
1988	11,541	0%	35%	-	4,039	4,039	4,039
1989	11,721	0%	35%	-	4,102	4,102	4,102
1990	11,364	0%	35%	-	3,977	3,977	3,977
1991	71,021	0%	35%	-	24,857	24,857	24,857
1992	7,831	0%	35%	-	2,741	2,741	2,741
1993	(10,332)	0%	35%	-	(3,616)	(3,616)	(3,616)
1994	(9,199)	0%	35%	-	(3,220)	(3,220)	(3,220)
1995	35,853	0%	35%	-	12,549	12,549	12,549
1996	192,920	0%	35%	-	67,522	67,522	67,522
1997	438,449	0%	35%	-	153,457	153,457	153,457
1998	544,337	0%	35%	-	190,518	190,518	190,518
1999	313,108	0%	35%	-	109,588	109,588	109,588
2000	422,195	0%	35%	-	147,768	147,768	147,768
2001	439,512	0%	35%	-	153,829	153,829	153,829
2001 30%	16,461	0%	35%	-	5,761	5,761	5,761
2002	73,070	0%	35%	-	25,574	25,574	25,574
2002 30%	122,897	0%	35%	-	43,014	43,014	43,014
2003	2,670	0%	35%	-	935	935	935
2003 30%	69,036	0%	35%	-	24,162	24,162	24,162
2003 50%	19,176	0%	35%	-	6,711	6,711	6,711
2004	(6,900)	0%	35%	-	(2,415)	(2,415)	(2,415)
2004 30%	127,681	0%	35%	-	44,688	44,688	44,688
2004 50%	29,067	0%	35%	-	10,174	10,174	10,174
2005	323,204	0%	35%	-	113,121	113,121	113,121
2006	753,644	0%	35%	-	263,776	263,776	263,776
2007	681,107	0%	35%	-	238,388	238,388	238,388
2008	249,228	0%	35%	-	87,230	87,230	87,230
2008 50%	77,721	0%	35%	-	27,202	27,202	27,202
2009	289,835	0%	35%	-	101,442	101,442	101,442
2009 50%	312,154	0%	35%	-	109,254	109,254	109,254
2010	(17,999)	0%	35%	-	(6,300)	(6,300)	(6,300)
2010 100%	-	0%	35%	-	-	-	-
2010 50%	120,586	0%	35%	-	42,205	42,205	42,205
2011	184,631	0%	35%	-	64,621	64,621	64,621
2011 100%	-	0%	35%	-	-	-	-
2011 50%	24,876	0%	35%	-	8,707	8,707	8,707
2012	89,108	0%	35%	-	31,188	31,188	31,188
2012 50%	619,811	0%	35%	-	216,934	216,934	216,934
2013	270,374	0%	35%	-	94,631	94,631	94,631
2013 50%	319,073	0%	35%	-	111,676	111,676	111,676
2014	3,647,605	0%	35%	-	1,276,662	1,276,662	1,276,662
2015	8,265,759	0%	35%	-	2,893,016	2,893,016	2,893,016
2016	5,364,474	0%	35%	-	1,877,566	1,877,566	1,877,566
	24,525,590			-	8,583,957	8,583,957	8,583,957
<b>Provison Gains/Losses Page ( 18 )</b>				-	<b>257,380</b>	<b>257,380</b>	<b>257,380</b>
<b>Provision - Non -TMI</b>				-	<b>8,841,336</b>	<b>8,841,336</b>	<b>8,841,336</b>

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970	(3,758)	0%	48%	-	(1,797)	(1,797)
1971	(12,936)	0%	48%	-	(6,201)	(6,201)
1972	(11,758)	0%	47%	-	(5,540)	(5,540)
1973	(12,379)	0%	48%	-	(5,932)	(5,932)
1974	(13,164)	0%	48%	-	(6,307)	(6,307)
1975	(6,156)	0%	48%	-	(2,939)	(2,939)
1976	(56,473)	0%	48%	-	(27,094)	(27,094)
1977	(11,873)	0%	48%	-	(5,680)	(5,680)
1978	(5,309)	0%	48%	-	(2,524)	(2,524)
1979	(3,396)	0%	46%	-	(1,551)	(1,551)
1980	(8,464)	0%	46%	-	(3,878)	(3,878)
1981	(89,712)	0%	42%	-	(37,501)	(37,501)
1982	(99,677)	0%	40%	-	(40,345)	(40,345)
1983	(168,538)	0%	40%	-	(67,077)	(67,077)
1984	(167,378)	0%	39%	-	(64,943)	(64,943)
1985	(259,020)	0%	38%	-	(98,599)	(98,599)
1986	(297,546)	0%	37%	-	(109,007)	(109,007)
1987	(319,571)	0%	35%	-	(111,519)	(111,519)
1988	(326,233)	0%	35%	-	(113,404)	(113,404)
1989	(378,646)	0%	35%	-	(131,747)	(131,747)
1990	(436,982)	0%	35%	-	(151,549)	(151,549)
1991	(425,403)	0%	35%	-	(148,229)	(148,229)
1992	(417,870)	0%	35%	-	(146,239)	(146,239)
1993	(418,805)	0%	35%	-	(146,582)	(146,582)
1994	(386,994)	0%	35%	-	(135,448)	(135,448)
1995	(299,955)	0%	35%	-	(104,984)	(104,984)
1996	(261,333)	0%	35%	-	(91,467)	(91,467)
1997	(394,489)	0%	35%	-	(138,071)	(138,071)
1998	(481,724)	0%	35%	-	(168,603)	(168,603)
1999	(295,081)	0%	35%	-	(103,278)	(103,278)
2000	(362,686)	0%	35%	-	(126,940)	(126,940)
2001	(352,725)	0%	35%	-	(123,454)	(123,454)
2001 30%	(500)	0%	35%	-	(175)	(175)
2002	(184,992)	0%	35%	-	(64,747)	(64,747)
2002 30%	49,931	0%	35%	-	17,476	17,476
2003	(184,822)	0%	35%	-	(64,688)	(64,688)
2003 30%	28,873	0%	35%	-	10,106	10,106
2003 50%	11,052	0%	35%	-	3,868	3,868
2004	(295,290)	0%	35%	-	(103,351)	(103,351)
2004 30%	(6,901)	0%	35%	-	(2,416)	(2,416)
2004 50%	104,624	0%	35%	-	36,619	36,619
2005	(46,369)	0%	35%	-	(16,229)	(16,229)
2006	(556,529)	0%	35%	-	(194,785)	(194,785)
2007	(661,468)	0%	35%	-	(231,514)	(231,514)
2008	(332,330)	0%	35%	-	(116,315)	(116,315)
2008 50%	(65,895)	0%	35%	-	(23,063)	(23,063)
2009	(388,122)	0%	35%	-	(135,843)	(135,843)
2009 50%	366,946	0%	35%	-	128,431	128,431
2010	41,536	0%	35%	-	14,538	14,538
2010 100%	(174,718)	0%	35%	-	(61,151)	(61,151)
2010 50%	42,935	0%	35%	-	15,027	15,027
2011	(1,123,693)	0%	35%	-	(393,293)	(393,293)
2011 100%	(764,627)	0%	35%	-	(267,620)	(267,620)
2011 50%	(119,982)	0%	35%	-	(41,994)	(41,994)
2012	(125,140)	0%	35%	-	(43,799)	(43,799)
2012 50%	(210,061)	0%	35%	-	(73,522)	(73,522)
2013	38,986	0%	35%	-	13,645	13,645
2013 50%	190,804	0%	35%	-	66,781	66,781
2014	(565,438)	0%	35%	-	(197,903)	(197,903)
2015	(235,546)	0%	35%	-	(82,441)	(82,441)
2016	(46,260)	0%	35%	-	(16,191)	(16,191)
<b>Reversal Non-TMI</b>	<b>(11,999,033)</b>				<b>(4,252,981)</b>	<b>(4,252,981)</b>
<b>Total Net Provison - Non-TMI</b>					<b>4,588,355</b>	<b>4,588,355</b>

METROPOLITAN EDISON COMPANY  
Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service May, 2015 - April, 2016  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		Total	
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal		
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6+7	
Provision - 5/15-4/16									
1987	61,111	60,381	731	0%	35%	-	256	256	
1988	64,346	63,088	1,257	0%	35%	-	440	440	
1989	75,248	74,118	1,130	0%	35%	-	396	396	
1990	80,202	78,085	2,117	0%	35%	-	741	741	
1991	103,905	98,037	5,868	0%	35%	-	2,054	2,054	
1992	91,477	88,317	3,160	0%	35%	-	1,106	1,106	
1993	92,410	82,647	9,762	0%	35%	-	3,417	3,417	
1994	84,267	76,691	7,576	0%	35%	-	2,652	2,652	
1995	81,491	76,257	5,234	0%	35%	-	1,832	1,832	
1996	52,171	46,312	5,859	0%	35%	-	2,050	2,050	
1997	75,620	66,904	8,715	0%	35%	-	3,050	3,050	
1998	90,027	78,161	11,866	0%	35%	-	4,153	4,153	
1999	48,347	40,228	8,119	0%	35%	-	2,841	2,841	
2000	71,894	59,181	12,713	0%	35%	-	4,449	4,449	
2001	68,526	51,981	16,545	0%	35%	-	5,791	5,791	
2001 30%	3,790	2,842	947	0%	35%	-	332	332	
2002	15,437	11,985	3,452	0%	35%	-	1,208	1,208	
2002 30%	29,181	20,553	8,628	0%	35%	-	3,020	3,020	
2003	4,257	2,446	1,811	0%	35%	-	634	634	
2003 30%	24,333	19,027	5,306	0%	35%	-	1,857	1,857	
2003 50%	14,135	9,319	4,816	0%	35%	-	1,686	1,686	
2004	(1,470)	1,132	(2,602)	0%	35%	-	(911)	(911)	
2004 30%	30,402	18,994	11,409	0%	35%	-	3,993	3,993	
2004 50%	18,838	11,639	7,198	0%	35%	-	2,519	2,519	
2005	101,715	57,385	44,330	0%	35%	-	15,515	15,515	
2006	110,712	58,289	52,423	0%	35%	-	18,348	18,348	
2007	113,210	60,172	53,039	0%	35%	-	18,564	18,564	
2008	36,324	16,285	20,039	0%	35%	-	7,014	7,014	
2008 50%	49,687	22,138	27,549	0%	35%	-	9,642	9,642	
2009	33,052	14,402	18,650	0%	35%	-	6,527	6,527	
2009 50%	107,925	44,741	63,184	0%	35%	-	22,114	22,114	
2010	2,255	2,122	133	0%	35%	-	46	46	
2010 100%	-	-	-	0%	35%	-	-	-	
2010 50%	52,706	20,000	32,707	0%	35%	-	11,447	11,447	
2011	18,384	4,630	13,754	0%	35%	-	4,814	4,814	
2011 100%	-	-	-	0%	35%	-	-	-	
2011 50%	7,358	3,929	3,429	0%	35%	-	1,200	1,200	
2012	9,826	2,026	7,800	0%	35%	-	2,730	2,730	
2012 50%	75,285	14,976	60,309	0%	35%	-	21,108	21,108	
2013	26,212	4,488	21,724	0%	35%	-	7,603	7,603	
2013 50%	56,739	11,441	45,298	0%	35%	-	15,854	15,854	
2014	119,456	21,928	97,528	0%	35%	-	34,135	34,135	
2015	37,138	5,277	31,861	0%	35%	-	11,151	11,151	
Provision - Non-TMI (gains/losses)								257,380	257,380

METROPOLITAN EDISON COMPANY  
 Computation of Deferred Income Taxes - TMI #2  
Based upon Electric Plant in Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Provision				
1978	-	-	-	-
1979	-	-	-	-
1980	-	-	-	-
1981	26	-	9	9
1982	-	-	-	-
1983	-	-	-	-
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	-	-	-
1989	-	-	-	-
1992	-	-	-	-
	26	-	9	9

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Reversal				
1978	18,068	-	22,814	8,673
1979	21,582	-	26,116	9,928
1980	44,819	-	54,235	20,617
1981	25	-	1,229	467
1982	-	-	224	85
1983	-	-	814	309
1984	-	-	387	147
1985	-	-	810	308
1986	-	-	291	111
1987	-	-	2,168	824
1988	-	-	(1)	(0)
1989	-	-	(1)	(0)
1992	-	-	(322)	(123)
	84,494	-	108,764	41,345

METROPOLITAN EDISON COMPANY  
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**POST 1969 VINTAGES**

	Per Power Tax	Pro Forma Under Present Rates Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 3/31/14	(460,362)		(460,362)
Balance per Budget 3/31/13	(447,575)		(447,575)
Liberalized Depreciation Activity - April, 2013 to March, 2014	<u>(12,787)</u>		<u>(12,787)</u>
Net Federal and State Provision	12,787		12,787
Less: Net State Provision (negative)	(1,279)		(1,279)
Net Federal Provision per Budget	14,066		14,066
Add: Federal Benefit (increase) of State	(448)		(448)
Net Federal - April, 2013 to March, 2014 Provision for Rates	<u>13,618</u>		<u>13,618</u>

**POST 1969 VINTAGES**

	Per Power Tax	Pro Forma Under Present Rates Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 4/30/15	(472,793)		(472,793)
Balance per Budget 3/31/14	(460,362)		(460,362)
Liberalized Depreciation Activity - April, 2014 to April, 2015	<u>(12,431)</u>		<u>(12,431)</u>
Net Federal and State Provision	12,431		12,431
Less: Net State Provision (negative)	43		43
Net Federal Provision per Budget	12,388		12,388
Add: Federal Benefit (increase) of State	15		15
Net Federal - April, 2014 to April, 2015 Provision for Rates	<u>12,403</u>		<u>12,403</u>

**POST 1969 VINTAGES**

	Per Power Tax	Pro Forma Under Present Rates Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 4/30/16	(477,639)		(477,639)
Balance per Budget 4/30/15	(472,793)		(472,793)
Liberalized Depreciation Activity - May, 2015 to April, 2016	<u>(4,846)</u>		<u>(4,846)</u>
Net Federal and State Provision	4,846		4,846
Less: Net State Provision (negative)	332		332
Net Federal Provision per Budget	4,514		4,514
Add: Federal Benefit (increase) of State	116		116
Net Federal - May, 2015 to April, 2016 Provision for Rates	<u>4,630</u>		<u>4,630</u>

**Reconciliation of the Deferred Tax Balance Shown on the Rate Base and  
 the Deferred Tax Balance on the Balance Sheet**

	<b>Met-Ed</b>
Balance Sheet (RAD-54) @ 3/31/13	542,609
Total APB11 Deferreds on Rollforward Schedule @ 3/31/13	<u>462,669</u>
Difference	79,940
<b>Reconciling Items:</b>	
State Deferreds	-
3/31/13 Rollforward Schedule didn't tie to SAP	-
FAS 109 Gross-Up	-
FAS 109	79,940
Total Reconciling Items	79,940
<hr/>	
Balance Sheet (RAD-54) @ 3/31/14	555,752
Adjustments needed for RAD-35	994
<b>Adjusted Balance Sheet (RAD-35) @3/31/14</b>	<u>556,746</u>
Total APB11 Deferreds on Rollforward Schedule @ 3/31/14	<u>478,696</u>
Difference	78,050
<b>Reconciling Items:</b>	
State Deferreds	-
State Offset Deferreds	-
FAS 109 Gross-Up	-
FAS 109	77,056
Smart Meters per RAD-35	310
Vegetation Management FERC Reclasses	<u>684</u>
Total Reconciling Items	78,050
<hr/>	
Balance Sheet (RAD-54) @ 3/31/15	552,220
Adjustments needed for RAD-35	17,014
<b>Adjusted Balance Sheet (RAD-35) @3/31/15</b>	<u>569,234</u>
Total APB11 Deferreds on Rollforward Schedule @ 4/30/15	<u>489,924</u>
Difference	79,310
<b>Reconciling Items:</b>	
State Deferreds	-
State Offset Deferreds	-
B/S one month behind Rollforward Schedule	(864)
Smart Meters per RAD-35	996
Deferred Tax Pro-Ration on Rollforward Schedule	640
FAS 109 Gross-Up	-
FAS 109	78,538
Total Reconciling Items	79,310

Balance Sheet (RAD-54) @ 4/30/16	552,440
Adjustments needed for RAD-35	38,087
<b>Adjusted Balance Sheet (RAD-35) @4/30/16</b>	<u>590,527</u>
Total APB11 Deferrals on Rollforward Schedule @ 4/30/16	<u>495,161</u>
Difference	95,366
<b>Reconciling Items:</b>	
State Deferrals	-
State Offset Deferrals	-
B/S one month behind Rollforward Schedule	864
Smart Meters per RAD-35	2,037
Deferred Tax Pro-Ration on Rollforward Schedule	6,748
FAS 109 Gross-Up	0
FAS 109	<u>85,717</u>
Total Reconciling Items	95,366

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-25:

“Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.”

RESPONSE:

Investment Tax Credit Balances, Provision and Amortization  
(\$000)

	<u>4% and 10%</u>
Balance 3/31/13	\$ 5,919
12 Months ended 3/31/14 Amortization	<u>(398)</u>
Balance 3/31/14	\$ 5,521
12 Months ending 3/31/15 Amortization	<u>(364)</u>
Balance 3/31/15	<u>\$ 5,157</u>
Amortization 1 month ending 4/30/15	(31)
Balance 4/30/15	\$ 5,126
12 Months ending 4/30/16 Amortization	<u>(364)</u>
Balance 4/30/16	<u>\$ 4,762</u>

Investment Tax Credit

Met-Ed is amortizing the deferred credit previously created by a ratable flow-through to income over the useful life of the property. On March 9, 1972, General Public Utilities Corporation (former parent company of respondent) filed with the District Director of Internal Revenue, Manhattan District, on behalf of its affiliated companies (Met-Ed being one of the affiliates), an election under paragraph (2) of Section 46(e) of the Internal Revenue Code of 1954, as amended, for allowance, with respect to public utility property, of the credit allowed by Section 38 of the Code. Such an election provides (a) to reduce the cost of service for ratemaking purposes or in its regulated books of account by no more than ratable portion of the credit allowable by Section 38, and (b) not to reduce the base to which its rate of return is applied for ratemaking purposes by any portion of the credit allowable by Section 38.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-26:

“Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.”

RESPONSE:

The appropriateness of claiming the various items included in the statement of operating income is explained in the supporting schedules to Met-Ed Exhibit RAD-2 and the testimony and exhibits of the Company's witnesses.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-D-27:

“If the utility’s operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income date have been adjusted to develop the jurisdictional test year claim.”

RESPONSE:

The Company does not maintain its books based on jurisdictional divisions. An allocation for PaPUC jurisdictional purposes will be supported by Met-Ed witness Hillary E. Stewart, Met-Ed Statement No. 5 through the cost of service study.

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT II-E-1:

“Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility’s budgeting process.”

RESPONSE:

The FirstEnergy budget guidelines details the items required for the preparation of the construction and operating budgets. See Met-Ed RAD-45 Attachment A for a review of the guidelines.

Beginning in 2014, FirstEnergy implemented a new budget and long-term planning application, UI Planner. See Met-Ed Exhibit RAD-45 Attachment B for an explanation of FirstEnergy’s budget process.

A copy of the budget utilized for the test year claim is contained in Met-Ed Exhibit RAD-18.

# **FirstEnergy**

## **2014 Budget Guidelines**



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## CHAPTER 1: INTRODUCTION

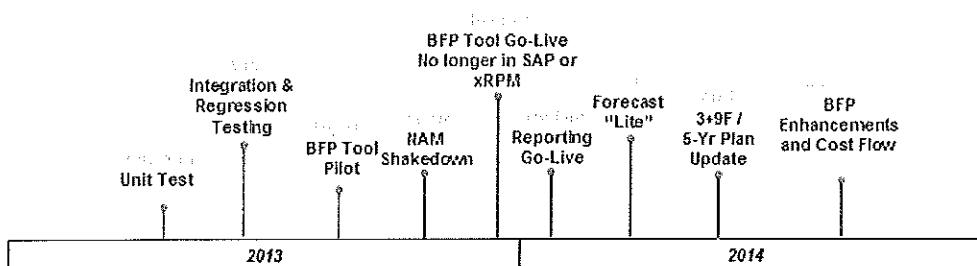
The integrated business planning process is critical to the success of FirstEnergy. A key component of this process is the annual budget which provides a method to quantify and report the current year's expectations and helps drive the enterprise toward achieving both short-term and long-term financial and operational objectives. The budget also helps facilitate the efficient usage of the Company's financial resources and allows us to measure actual performance against projections.

The guidelines in this booklet are intended to assist persons responsible for direct input of data into the SAP system as they prepare the 2014 annual budget. The 2014 budget should be based on your business unit's business plans and should align with Executive Council's expectations.

Business Unit Income Statements will be produced using the Profit Center Accounting module in SAP. Budget details will be developed and input using the various SAP cost collectors (i.e. cost centers, internal orders and WBSs). Through system mapping within SAP, these cost collectors are assigned to Profit Centers. Once data input is completed and the SAP system is closed, Business Unit Income Statements will be available for review. The Profit Center Hierarchy (PC0001B) serves as the source for the structure of Business Unit Income Statements). Earnings Driver reports which measure the impact and contribution of key items to the financial performance of each Business Unit will also be produced. Any questions concerning these statements should be directed to Mike Kreighbaum (825-2556) or Carrie Wokaty (825-6005).

**Please Note: For the 2014 Forecast and the 2014 Annual Budget we will follow the same process as last year in SAP. However, as part of the Financial Transformation project, we will be implementing the new Cost Accountability Model and begin doing our forecasting and budget inputs into a new financial tool, UIPlanner. Separate documentation and training for the tool will be provided through the FIT team. Below is a high level summary of the upcoming implementation timeline.**

### Path to Implementation



Resource/Activities	Date	Time Commitment
Training	August 20 – 22	~ 24 hours
BFP Pilot	Sept 2 – Oct 28	~ 10/week
Acct Model Shakedown	Sept 9 – Oct 28	~ 16/week
Train the Organization	November	~ 24 hours
Update End-User Queries	November - December	Varies
Assist with rollout	Dec - Jan	Varies

Note: 2014 budget documentation can be found in U:\Public\Budget Info\2014 Budget

## Overview For Budget Input

<b>Planning Must Be Done For The Following:</b>
➤ Gross Payroll (Dollars)
➤ Staffing Level (Headcount) – Coordinate with IBP-Business Services and Workforce Planning
➤ Other – Than – Labor (OTL)
➤ Activity Input Planning (Hours to Cost Centers, WBSs and Internal Orders)
<b>Versions</b>
<b>Annual Budget:</b>
➤ 2014 Budget detail planning will be <b>input</b> in Version 20
➤ 2014 Final Closed detail budget will be in Version 12 unless otherwise noted

## Calendar of Events

### The 2014 Forecast Schedule

<u>Activity</u>	<u>Completion Date</u>
➤ SAP 2014 V20 Opens	7/29/2013
➤ Complete Headcount & Gross Payroll	8/30/2013
➤ All Revenues & Expenses updated to calculate deferrals	9/6/2013
➤ Lock SAP V20 @ 5 p.m.	9/13/2013
➤ IBP/Gen Accounting process 2014 Budget V13	9/16 – 9/20/2013
➤ Business Units to begin validation of results	9/20/2013

Dates for the final budget will be announced after the forecast is completed.

### The 2014 Budget Schedule

<u>Activity: Business Units enter 2014 Detail Budgets</u>	<u>Completion Date</u>
➤ Gross Payroll Input Complete	TBD
➤ Headcount Input Complete	TBD
➤ HR Benefits Complete	TBD
➤ Revenues/Expenses Impacting Deferrals & Amortizations (Including Inter-Company Transactions)	TBD
➤ Transmission Revenues & Expenses	TBD
➤ Inter-company Transactions Input Complete	TBD
➤ Lockdown of SAP system	TBD

### THESE DATES ARE SUBJECT TO CHANGE

Throughout the budget cycle you should expect to receive communications as needed to ensure the schedule is met. The purpose of these communications will be to help individuals manage budgeting activities, ensure mid-process completion goals are met, and address any issues that arise during the budget entry period.

## CHAPTER 2: LABOR

### Straight Time Payroll

Straight time payroll for the 2014 Budget will be developed and input by the Business Units. The budget is based on projected staffing levels and estimated employee salaries based on a regular weekly schedule of 40 hours per week per full-time employee

Adjustments should be made for changes in payroll due to attrition, retirements, promotions, demotions, and all salary adjustments including general wage rate increases. **Annual wage rate increases need to be applied by the Business Units, based on the appropriate rate change and timing.** The assumed wage rate for non-bargaining employees is 3.0%. The non-bargaining WRI should be assumed to be effective September 1, 2014. For bargaining unit employees, the bargaining unit WRI is based on the terms of each union contract.

The monthly spread of straight time labor should be based on the number of pay weeks in each month according to the Payroll Calendar. Distribution key(s) for the monthly distribution of payroll are noted below for bi-weekly payroll and in the Reference Material Section for the weekly payroll. Keep in mind, the distribution keys are only used to spread the monthly data and **do not** increase the yearly or monthly totals for the wage rate increases. The budget preparer needs to calculate the annual payroll and inflate it for any expected WRI, then use the appropriate distribution key to spread the payroll. **Payroll must be spread by month, not summed and input into one month.**

### The appropriate general ledger accounts/cost elements for Straight Time Labor:

#### Straight Time Payroll

520010	Payroll - Straight Time - Bargaining
520050	Payroll - Straight Time - Non-Bargaining
520051	Payroll - Straight Time - Temporary Help
520062	Payroll - Straight Time Coop Students
520063	Payroll - Straight Time-Part Time-Non-Barg
520064	Payroll - Straight Time-Part Time-Bargaining

**NOTE: If a Business Unit(s) has a question about developing its straight time payroll estimates or the input of the dollars into SAP (including the appropriate spreads and wage rate increases), please contact Corporate Budgets and Forecasts before the Gross Payroll entry deadline. (See Key Contacts page 27)**

### Payroll Calendar Information:

#### 2014 Bi-Weekly payroll

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Weeks	4	4	6	4	4	4	4	6	4	4	4	4	52
Hours	160	160	240	160	160	160	160	240	160	160	160	160	2080

Distribution Keys **P14S** and **P14B** both use this spread pattern. The **P13B** Distribution Key assumes a 3% March wage increase, while **P14S** assumes a 3% wage increase in September.

**2014 Weekly payroll**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Weeks	4	4	5	4	5	4	4	5	4	4	5	4	52
Hours	160	160	200	160	200	160	160	200	160	160	200	160	2080

For weekly payroll, refer to the list of Distribution Keys in the Reference Material Section (Chapter 7) for the distribution key that spreads payroll based on the effective month of the WRI. If additional distribution keys are needed, contact Corporate Budgets and Forecasts.

**Overtime Payroll**

Costs associated in a given pay week for work exceeding 40 hours. The addition of overtime dollars to the budget should be planned and approved accordingly. Planning for all overtime will be completed by the business units using the appropriate cost elements:

- 520110 Payroll - Overtime Bargaining
- 520150 Payroll - Overtime Non Bargaining
- 520151 Payroll - Overtime Temporary Help
- 520162 Payroll - Overtime Co-Op Student
- 520163 Payroll - Overtime Part Time Non Barg
- 520164 Payroll - Overtime Part Time Bargaining

**Payroll Overheads**

**Payroll Overheads** – Employee Benefits, Incentive Comp and Payroll Taxes will be applied as an overhead during the closing process. The rates will be determined by General Accounting and input into the SAP costing sheets after final payroll is determined and all gross benefit costs (medical, dental, prescription drug etc.) are input into the HR benefit cost centers.

**Employee Benefits** – Benefit costs *will be developed by Human Resources/Corp Budgets & Forecasts* and input into the Special Purpose Ledger (SPL) in HR benefit cost centers using the appropriate primary cost elements. Pension and OPEB costs are not included in the Employee Benefits overhead calculation but are applied to capital work as specific capital overheads.

The secondary cost element 850070 – Payroll Overhead Benefits – Straight Time will be used to apply the Benefit overhead on straight time payroll during the budget closing process.

**Payroll Taxes** - *will be budgeted by Corporate Budgets and Forecasts* and input into the SPL in Special Tax cost centers.

The secondary cost element 850080 – Payroll Overhead – Taxes will be used to apply the Payroll Tax overhead on straight time and overtime payroll during the closing process.

**Incentive Comp** - *will be budgeted by Human Resources/Corp Budgets and Forecasts* and input into the SPL in Special Incentive Comp cost centers.

The secondary cost element 850090 – Incentive Comp will be used to apply the Incentive Comp overhead on straight time and overtime payroll during the closing process.

## Payroll Related Items

### Other payroll related general ledger accounts/cost elements:

520019 Payroll Retention Bonuses – Budgeted by the Business Unit granting the bonus  
 520165 Payroll Accrual (Budgeted only by General Accounting)  
 520250 Payroll Bonuses - Represents annual bonuses and other bonuses awarded throughout the year for special circumstances and are the responsibility of the Business Units  
 520260 Payroll Additional Comp – MGRK (Budgeted by Business Units where appropriate)  
 520300 Payroll Restricted Stock (Budgeted only by HR/Corporate Budgets and Forecasts)  
 520400 Payroll Severance – (Budget only by HR/Corporate Budgets and Forecasts)  
 520500 Payroll Adjustments to Gross - Examples include retro pay, grievance settlements, remote reporting costs, and relocation expenses not covered by HR (See Relocation Policy found on the Services & Support section of the FirstPlace Portal).

**SAP INPUT – TRANSACTIONS OVERVIEW for GROSS PAYROLL**

Set Planner Profile => Transaction KP04

Profile = FE-CO01

Planning Input => Transaction KP06

Layout = CC Primary No Excel or CC Prime – Y4

**Note: Under no circumstance, should any of the payroll-related costs listed, including straight time, overtime, or bonuses be budgeted directly in the SPL via Transaction GP12N. Transaction KP06 should be used.**

### Staffing

Staffing levels (Headcount) must be input by month, by individual Cost Center, using Statistical Key Figures (SKFs) – transaction KP46. Budget all full-time, part-time, and temporary FE employees on SAP Payroll. **New employees should be budgeted in the month in which they will start.** Do not include contractor/non-FE employees and do not assume all hires begin the month of January. The following SKFs should be used:

	<u>Bargaining</u>	<u>Non-Bargaining</u>
Full-Time	EMPFTB	EMPFTN
Part-Time	EMPPTB	EMPPTN
Temporary	EMPTPB	EMPTPN
Student Intern	EMPSIB	EMPSIN

**SAP INPUT – TRANSACTIONS OVERVIEW for STATISTICAL KEY FIGURES**

Set Planner Profile => Transaction KP04

Profile = FE-CO01

Planning Input => Transaction KP46

Layout = CCTR STAT Key Fig PL or SKF – Y4

**Budget Tip:** After input of staffing levels and payroll dollars is complete, check that the monthly payroll totals are consistent with the monthly headcount projections.

## Activity Input Planning (Hours)

Payroll costs can be moved from the employee or responsible cost centers to a target or receiving cost collector (Cost Center, Order or WBS element) by planning productive hours by activity type. The activity price associated with each cost center/activity type combination is calculated and input by Corporate Budgets and Forecasts. These activity prices are then used to produce the standard labor activity allocations.

**Unproductive Time** – Planning for unproductive time (i.e. sick time, safety meetings, union business, etc.) is not required. These costs remain in the responsible cost center and the unproductive hours and associated costs are incorporated in the calculation of the activity prices.

<p><b>SAP INPUT – TRANSACTIONS OVERVIEW for ACTIVITY INPUT PLANNING (HOURS)</b></p> <ul style="list-style-type: none"><li>Set Planner Profile =&gt; Transaction KP04<ul style="list-style-type: none"><li>Profile for Hrs charged to Cost Centers = FE-CO01</li><li>Profile for Hrs charged to Int. Order = FE-CO01</li><li>Profile for Hrs charged to WBS Elem = TD-PS01 or GEN-FRMF or GEN-FRMN</li></ul></li><li>Planning Input =&gt;<ul style="list-style-type: none"><li>Cost Centers =&gt; Transaction KP06<ul style="list-style-type: none"><li>Layout = CC Act Inp No Excel or CC – Act – Y4</li></ul></li><li>Int. Orders =&gt; Transaction KPF6<ul style="list-style-type: none"><li>Layout = OR Act Inp No Excel or OR – Act- Y4</li></ul></li><li>WBS Elem =&gt; Transaction CJR2<ul style="list-style-type: none"><li>Layout = Act Input or WBS – Act – Y4</li></ul></li></ul></li></ul>
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## CHAPTER 3: OTHER THAN LABOR (OTL)

All input into the SAP system for non-labor items is entered in Special Purpose Ledger Z9 using transaction GP12N – Change Plan Data - Special Purpose Ledger.

All transactions for non-labor items must contain:

- Responsible Cost Center
- Cost Element
- Target Cost Collector – Cost Center, Order, Network or WBS element
- Target Cost Collector Type – (KS, OR, PR)
- Cost Type (Capital, O&M, Other)

**Responsible Cost Center for Other-Than-Labor is defined as the Cost Center with budget responsibility for the expenditure.**

**All OTL input into the Special Ledger must be entered as company SC00.**

Cost Types are defined as follows:

**Type 1 Capital** - Capital is planned to WBS Elements. WBS Elements are defined as Cost Type 1 if they settle to:

- 107XXX Construction Work In Progress
- 108XXX Retirement Work In Progress
- Capitalized Nuclear Fuel Accounts
- CWIP and RWIP for Non-Utility assets

**Type 2 O&M (Income Statement Accounts)**

Type 2 is any cost that settles to a Cost Center and becomes part of the Income Statement (predominately O&M but includes revenues, interest income, depreciation etc.)

**Type 3 Other**

Type 3 charges are any costs that settle to Balance Sheet accounts and are not considered Capital.

<p><b>SAP INPUT – TRANSACTIONS OVERVIEW FOR OTL</b> Set Planner Profile =&gt; Transaction GLPLSET Profile = ZZSPL902 Planning Input =&gt; Transaction GP12N Layout = ZZSPL90 or ZZSPL90 – Y4</p>
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### Guidelines for General Business Items:

#### Office Supplies – Cost Element 540100

Stationary type items purchased through Staples or similar vendor, e.g., annual planners and calendars, etc. The budget should be at the department/plant level rather than the cost center level to maintain consistency and control within the business unit.

#### **Telecommunications Equipment and Service – Cost Element 590000**

Costs associated with Company approved/provided cellular telephone equipment and associated monthly cellular charges are to be budgeted by cellular user's business unit.

- Basic cellular voice/text service - \$50 monthly per telephone.
- Smartphone (iPhone) - \$100 monthly per telephone.
- Cellular broadband data service (laptop and MiFi's/HotSpot) - \$55 monthly per device.

Business Units should refer to the Computer Peripherals Price List (page 11) to budget for costs associated with purchase of the cellular equipment.

#### **Copies/Multi-functional devices (MFD), Printers, Faxes**

Copier/MFD and printer equipment along with maintenance and supplies for general office use are budgeted by IT. Plotter purchase/lease, specialty copiers or printers, fax machines, and associated service/supply costs are to be budgeted by the responsible Business Unit. For special projects, short-term needs, and plant outages the cost for copy, fax, and print devices are to be budgeted by the responsible Business Unit. Contact IT to determine if existing devices may be redeployed for short term needs.

Budget printer equipment to G/L 580020, supplies to 560200, and maintenance to 550300.

Budget copier equipment to G/L 570052, supplies and maintenance to 560200.

Budget fax equipment and supplies to G/L 560200, maintenance to 550300.

#### **Employee Expenses – Cost Element 540000**

Miscellaneous expenses as a result of conducting company business not captured in other cost elements and reimbursed through an employee expense report.

#### **Employee Meals – Cost Element 540010**

Expensed meals as a result of company business.

#### **Emergency Employee Expense / No Meals – Cost Element 540015**

Miscellaneous expenses that were incurred unexpectedly (call-outs, storms, and outages).

#### **Travel Expenses – Cost Element 540101**

Expenses incurred while traveling on company business that are not reimbursed through employee expense reports. Each business unit should budget for use of the corporate jet by their employees at the rate of \$220 per "one way trip". Example: For one person flying from Akron to Morristown, \$220 is charged to the employee's responsible cost center. Persons budgeting for Executive travel will be provided more detailed information separately from these guidelines.

#### **Per Diem – Cost Element 540102**

Fixed rate for change in work location, outages, etc. Often used in lieu of meals and possibly other related employee expenses.

#### **Travel Expenses – Corp Jet – Cost Element 540106**

Costs associated with use of corporate jet. This cost element is used exclusively by the Flight Operations Group.

#### **Employee Expense – Training – Cost Element 540020**

External seminar fees and associated external training expenses.

#### **Training Student Expenses – Cost Element 540103**

Student training fees for internal courses coordinated by Human Resources.

#### **Postage – Cost Element 650100**

All non-customer mailings/billings, including large packages (UPS, FedEx, Overnight Express, etc) should be budgeted by each Business Unit. Postage for customer related mailings and billings should be budgeted by the Customer Service bill production cost centers.

## Other Items:

**Application Software Maintenance** – Business application software maintenance will be budgeted by IT Business Unit Support. Portfolio Managers will be contacting your department to coordinate budget information and ensure that all maintenance fees are captured.

**Banked Vacation** – The payout of banked vacation should not be budgeted by the individual cost centers. It is budgeted by Human Resources/Corp Budgets/Forecasts.

**Claims (Payable and Receivable)** – The ED Operating Companies should budget for (payable) claims and lawsuits related to distribution facilities (including personal injury, property damage, and vegetation management claims), fleet vehicle accidents, and environmental injuries (such as asbestos) for historical ownership of generating plants, as well as the legal fees and other administrative costs to defend against such claims and lawsuits. The ED Operating Companies should also budget for damages caused to their respective distribution facilities by outside parties; applying offsets by taking into consideration historical recovery amounts achieved through (receivable) claims activities. Generating Plants should budget for anticipated (payable) claims and lawsuits related to their facilities, as well as the legal fees and other administrative costs to defend against such claims and lawsuits.

**Company Facilities** – Real Estate and Facilities will budget for the maintenance and service contracts for Corporate, FENOC and Fossil. Energy Delivery will budget for all Utility Company facilities. The WBS structure will be utilized for both budgeting and tracking of O&M spend. Budgets will be established using a WBS and WBS Element / Service Categories:

- Landscaping
  - Janitorial
  - Building Maintenance
  - Waste Removal
  - Paving repairs
  - Elevators
  - HVAC
  - Roof repairs
  - Electrical
  - Mechanical Equipment
  - Fire Protection
  - Construction
  - Fences
  - Plumbing
  - Painting
  - Pest Control
  - Utilities
  - Snow Removal
- 
- Costs will be segregated by line of business (Corporate, FENOC, Fossil, and ED Operating Company)
  - Monthly reporting of actuals will include the WBS, the Service Category and Building Cost Center
  - This will allow for a direct comparison of Budget to actual spend enabling a monthly view of actuals versus budget.

Real Estate will budget for all building and land leases.

**Corporate membership dues and fees, contributions and donations** – It is the Company's policy to enter into and maintain Corporate memberships in organizations deemed necessary to maintain

professional expertise in various aspects of the Company's operations and to establish and maintain relationships with selected organizations with whom we share common interests.

Corporate memberships will be budgeted and processed through the Contributions Department. The company should not pay dues for an employee's individual membership unless the membership is held at the Company's specific request. When this is the case, the dues and any fees or assessments associated with membership should be budgeted in the employee's administrative cost center. Contributions will also be budgeted through the Contributions Department, working with Operating Company management and the Corporate Affairs staff.

**Desktop Computer Hardware and Software** – Standard PC workstations and laptops are budgeted in IT Client Support based on a fixed replacement cycle (5 years for desktops, 3 years for laptops). **Peripheral equipment is not budgeted in IT.** All peripheral equipment requires director approval, will be ordered by the business unit (not IT) using a specific web site, and **should be budgeted as a purchase in the requesting business unit cost center.** Listed below are some commonly requested peripherals with pricing where applicable.

**Computer Peripherals Price List:**

<u>Display Options</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
For Laptops	Monitors not provided for laptops		n/a
For Desktops	17 inch CRT provided for desktops upon failure of previous unit	See HP or SHI catalog on portal for options.	
<u>Cellular</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Cellular voice/text	Basic cellular handset and standard accessories.	First Communications	\$30
iPhone	iPhone and standard accessories.	AT&T, Sprint, Verizon Wireless	\$150
Data – MiFi/Hot Spot	Data device.	AT&T, Sprint, Verizon Wireless	\$80 - \$130
<u>Laptop Options</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Port Replicator for nc8440p/8540p/8460/8470	Part # A7E34AA#ABA	HP	\$130
<u>Plotters</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Standard HP Plotter Purchase	Wide Format plotter/printer purchase and install	HP	\$6,800
Standard HP Plotter Service	Annual service for HP Plotter	Print Service Provider	\$1,654

**Educational Assistance** – Human Resources/Corp Budgets/Forecasts will budget for these expenses.

**Environmental Fees** – Permit and environmental reporting fees should be budgeted by each location. The Environmental Dept. will budget for all software maintenance fees associated with the ESC CEM data acquisition systems. The Environmental Department will also budget for all stack and CEM RATA testing including labor, materials and outside test contractors. Questions should be directed to **Brittany Cannato 879-6442.**

**EPRI** – Business Units should budget for EPRI expenses based on approved programs as well as approved participation in Tailored Collaboration Projects, Co Funding Projects, or Billable Service Agreements (Supplemental Agreements that are in addition to membership selections). Item numbers for EPRI subscriptions will be available from FE Technologies . Subscription payments should be budgeted monthly. Business Units who budget for EPRI should contact **Stephen B. Briggs 825-3870,** for further information.

**Fuel – Nuclear:** The nuclear fuel expense budget is developed and entered by the Nuclear Fuels group based on generation plans provided by each nuclear unit. Auxiliary boiler and diesel generator fuel is budgeted by each nuclear site and entered by the Nuclear Generation Business Services. Capital nuclear fuel purchases will be budgeted by the Nuclear Fuels group, to appropriate WBS elements. **Fossil:** Coal, Oil (light-off and peaking), natural gas, SO2 allowances, NOX allowances, and reagent

requirements will be modeled by the FES Planning & Analysis Group and budgeted by the Fuel Supply Dept., using the plant/unit specific FERC cost centers.

**Insurance** – Property and liability insurance will be budgeted by Risk Management.

**Internal Use of Electricity** – The costs of electricity for buildings and power plants owned by FE legal entities within the Competitive Services Unit and Corporate Support Unit, for both generation and non-generation components will be budgeted by **William Shonk (825-5472)** of General Accounting Services in coordination with Customer Service, Retail Tariff Analysis & Forecasting and Facilities Management.

**Inter-company Building Rent Revenue/Expense** – The inter-company revenue and expense for building rent invoiced between companies will be budgeted by **Richard Snyder (500-6807)** of General Accounting Services and will be based upon building related operation and maintenance costs budgeted by others.

**Materials and Equipment** – Material costs for direct purchases and stores issues are budgeted directly in the cost center, order or WBS element along with the responsible cost center. An M&S overhead will be applied to stores issues. The Controller's Group will enter the rates into the costing sheets and the system will generate the M&S overheads as part of the budget closing process.

**Professional Contractors & Outside Services** – Contracted work from professional and outside services vendors should be accounted for using the categories and cost elements established by Business Unit. Please refer to the tables in Chapter 7 for further details.

**Revenues** – Budgeted revenues must be entered as negative numbers.

**Sales Tax** – Business Units should include sales taxes incurred as part of the purchase price of taxable items in their cost centers.

**Medical Surveillance Testing – Occupational Health** -The outside vendor costs for employees participating in the FirstEnergy Medical Surveillance Program (Regulatory required) should be budgeted in the individual employee's responsible Cost Center. Each Plant and Operating Company should account for these costs (i.e., regulatory required respirator fitness exams, hearing tests, asbestos and lead physicals, etc.). The Industrial Relations-Health & Safety section will provide specific cost information related to this activity, contact **Timothy Walter 825-1706** or **Chuck Fabo 825-5162**.

**Drug & Alcohol Testing Program – CDL/DOT, Maritime, Safety Sensitive, Ohio State Project Work, New Hires**- The outside vendor costs for employees participating in FirstEnergy's Drug & Alcohol Testing Program (Company and Regulatory required) should be budgeted in the individual employee's responsible Cost Center. Each Plant and Operating Company should account for these costs in 2014. The Industrial Relations-Health & Safety section will provide specific cost information related to this activity, contact **Timothy Walter 825-1706** or **Chuck Fabo 825-5162**.

**Industrial Hygiene (IH) Assessments** – The outside vendor costs associated with OSHA required routine IH monitoring, including associated laboratory analyses and processing costs, should be budgeted in the individual employee's responsible cost center. Routine monitoring (OSHA required) includes periodic assessment of the following hazards: Noise, Asbestos, Inorganic-arsenic, Lead, Personal Protective Equipment, Confined Space Entry, etc. The Industrial Relations-Health & Safety section will continue to support and budget for special, complex or unique IH assessment needs. Specific cost information related to this budgeting activity will be provided by the Industrial Relations-Health & Safety section, contact **Timothy Walter 825-1706** or **Martin Duffy 825-3814**.

**Satellite Airtime** – The infrastructure cost to provide the service will be paid by IT Network Services. The usage is not an IT cost and should, therefore, be budgeted by the business units at these rates:  
BTV broadcasts \$800 /hour (Bandwidth 3.0Mb/hr)

**Severance** – Each Executive Council member is contacted by HR to determine the appropriate level of severance to be budgeted. Cost of severance payments, as determined by HR, will be entered into the SAP system by HR/Corp Budgets/Forecasts.

**Supply Chain/Inventory Items** – Inventory Adjustments - Each plant and Operating Company should budget for its own storeroom's inventory adjustments. Assets No Longer Used or Useful – Obsolete Inventory - Each location should budget for its own obsolete inventory write-offs. With market value of these items being unknown, it is recommended that Business Units not budget for proceeds from obsolete inventory sales. Assets Other Than Inventory - Investment recovery proceeds from the sale of items will be given to the Business Unit that provided the items. We will use the accounting the Business Unit provides.

**Training** – Business unit cost centers should budget for on-site classes that support company-wide, employee, or department-specific programs. **The Learning and Development Department (L&D) will budget for the New Supervisor/Manager program. However, the business unit cost centers should budget for associated travel and lodging expense.** Questions should be addressed to **Jacqueline Roth 825-7890.**

The Information Technology Dept (IT) will budget for on-site classes that support company-wide software applications. Business unit cost centers should budget for on-site classes that support department-specific software applications.

**Training – External** – The cost of external training and seminars, as well as the travel and lodging expenses will be budgeted in the cost center requesting the training.

**Transportation** – Energy Delivery Transportation costs will be manually planned to appropriate cost collectors using the cost element 545099 – Fleet usage manual plan. The responsible cost center used on the SPL is the appropriate Operating Company transportation contra cost center.

COMPANY	CONTRA COST CENTER	DESCRIPTION
Toledo Edison	416001	Transportation Costs Undist-TE-Wstrn Reg
CEI	426001	Transportation Costs Undist-CE-Nrth Reg
Ohio Edison	406001	Transportation Costs Undist-OE-Cntrl Reg
Ohio Edison	406005	Transportation Costs Undist-OE-Sthrn Reg
Ohio Edison	406003	Transportation Costs Undist-OE-Estrn Reg
Penn Power	436001	Transportation Costs Undist-PP-Estrn Reg
Penelec	456001	Transportation Costs Undist-PN-W PA Reg
Met Ed	446001	Transportation Costs Undist-ME-E PA Reg
JCP&L	466003	Transportation Costs Undist-JC-Nrth Reg
JCP&L	466001	Transportation Costs Undist-JC-Cntrl Reg
West Penn Power	492001	Transportation Costs Undistrib- WP01
Mon Power	470201	Transportation Costs Undistrib - MP01
Potomac Edison	483001	Transportation Costs Undistrib - PE10

The Operating Companies must also plan a credit to the contra cost center in the amount planned out to the cost collectors using the same Responsible Cost Center. The contra cost center should be used as the target cost center for these credits.

**Vehicle Leases & Licenses –**

Vehicle lease payments should be budgeted, using G/L account 570050 for all Operating Leases and 570075 for all Capital Leases, for the following:

- Fleet Services cost center for Operating Company vehicles, (it is no longer necessary to budget by each department in the Operating Company using the vehicle).
- Each fossil generation plant, each nuclear generation plant, environmental, generation technical services.
- Each non-Operating Company or non-plant department using a vehicle. This would include (but is not limited to): IT, Corporate Transportation, Workforce Development, Administrative Services, T&D Technical Services.

Vehicle licenses should be budgeted, using G/L account 650300, for the following:

- Fleet Services cost center for Operating Company vehicles.
- Each fossil generation plant, each nuclear generation plant, environmental, generation technical services.
- Each non-Operating Company or non-plant department using a vehicle. This would include (but is not limited to): IT, Corporate Transportation, Workforce Development, Administrative Services, T&D Technical Services.

All requests for vehicles and/or power operated equipment should be directed to the Fleet Manager (see below) responsible for the area where the vehicle and/or equipment will be assigned. The Fleet Manager will work with Corporate Fleet Services directly to place the order, etc. Any questions related to this matter should be directed to **Lisa Pfeifer 824-5090**.

Company	Fleet Services Manager	Internal Phone	External Phone
CEI	Bryan Komlos	824-5060	216-295-5060
Toledo Edison	Jeff Burgoon	883-5938	419-249-5938
Ohio Edison/Penn Power	Robert Pyles	835-4099	330-436-4099
West Penn Power	Mike Geitner	365-2020	724-743-2020
Penelec	Wally Cunningham	430-8803	814-868-8803
Met Ed	Frank Cummins	500-6573	610-921-6573
Mon Power	Forrest Miller	324-1211	304-284-1211
Potomac Edison	Jasan Hileman	300-5227	301-582-5227
JCP&L	Nick Dello Russo	210-2237	973-989-2237

**Personal Computer Hardware Items that require direct funding by the Business Units:**

**Unique, non-standard PC configurations.** IT budgets each year for standard notebook and desktop models and configurations. At the time IT approaches a client group to plan for the retirement / replacement of their existing computers, the client group will need to provide the funds to cover any cost above the standard model cost. Funding by the client will be required for special features such as:

- RAM (memory) above the standard configuration
- Higher CPU speeds or multiple CPU's
- Tower model
- Floppy drive (no longer provided on new PCs)
- Video graphic cards

- Extra network interface cards
- Optical or wireless mice or special trackball configurations
- Ergonomic keyboards
- Larger internal or external storage drives or memory sticks
- Port replicators or docking stations
- Second batteries for notebook PCs
- Glare shields
- DC power converters or adapters
- Monitors for notebooks (If you presently have one with your notebook, when it fails, it will not be replaced without business unit funding.)
- Local printer (all printer requests must be forwarded to **David A. Zeigler** for review).

**Process related PCs.** IT budgets each year for rollover of **20%** of the office desktop PCs and **33%** of the office notebook PCs. PCs that are not typically used by employees, but rather dedicated to a process are not funded out of the PC capital budget. Funding must be provided either within a capital project when these systems are upgraded, or by the business unit. Examples of process PCs include:

- AFSSO and MRMS (TPP)
- EMS Consoles
- GMS Consoles
- HVAC controls
- Plant control systems
- Badge readers
- Field equipment testing or data logging PCs
- Special printer, scanner or plotter interfaces
- Cache PCs (pseudo servers)

**Off-cycle (premature) replacement PCs.** As mentioned earlier, IT budgets each year for rollover of 20% of the office desktop PCs and 33% of the office notebook PCs. The scheduling of replacements is determined by the local Desktop Support team. Should any department require a notebook PC to be replaced sooner than every 3 years, or a desktop model to be replaced sooner than every 5 years, the client group must fund the complete cost of the replacement.

**Off-cycle upgrade of a desktop unit to a notebook unit.** If an employee, because of their job responsibilities, requires switching from a desktop PC to a notebook PC, the full cost of the new notebook PC must be borne by the business unit if their desktop is not scheduled to be replaced. The exception to this rule is if the business unit still has un-deployed notebook PCs in its annual replacement allotment, the business unit leadership may elect to redirect a yet-to-be-deployed notebook from its pool to the employee in need, at the sacrifice of another employee within the business unit. That impacted employee would then be given the notebook recipient's existing desktop PC.

**On-cycle upgrade of a desktop unit to a notebook unit.** If an employee, because of their job responsibilities, requires switching from a desktop PC to a notebook PC, and the timing of this need coincides with our replacement schedule, IT will cover the higher cost of the notebook PC. New or replacement notebooks will require director level review and approval. There must be a valid business case for using a notebook model.

**Second PCs.** If an employee requires more than one PC to perform their job, the full cost of the additional PCs must be borne by the business unit. This includes instances where a hot-standby PC must be provided for a critical function. The exceptions to this rule are console-based PCs, such as those in plant control rooms or regional dispatch centers where 2-3 PCs and/or monitors are part of the console and required for the operator to perform their work. This second PC will be an asset managed and maintained by IT, following the same standards and practices used for IT-funded PCs.

**Moves, Adds, Changes (MACs) of Employee Services and Devices at Company Facilities –**  
**For all locations other than Shared Services' workspace in Akron General Office and the Reading General Office - Business Units will be responsible for budgeting for their planned moves, adds and changes described below:**

- Non-computer equipment, such as telephone sets, headsets, speakerphones etc.
- Install and terminate voice cabling to workstations.
- Creation of the workstations in the telephone system database.
- Cross-connected and install telephone instruments.
- Move telephones to existing or new jack locations.
- Install, terminate, and test data cabling to the workstations.
- Activate data jacks by patching through to data switches.
- Install, terminate, and test inside fiber optic cabling.
- Install and terminate coax cabling for applications such as Satellite for IDL.

This does not include maintenance or repair responsibilities for these items. Normally the moves, adds, and changes are considered an O&M cost, unless they are associated with a major project.

The usual way to schedule moves, adds and changes is to contact your local facilities management team. This team will contact IT Field Operations to arrange for the approved vendors to make your requested changes. MACs that do not require Facilities involvement can be requested by calling the IT Service Desk. Please adjust your 2014 budget to include your facilities plan.

## CHAPTER 4: CAPITAL MANAGEMENT PROCESS

FE's capital investments are integral in helping the company achieve operational excellence and financial success. The capital expenditures, are necessary to ensure the reliable generation and distribution of electricity, and compliance with regulatory requirements.

The Capital Planning & Management Process is a formalized process that provides the platform for capital discussions and allocation decisions at all levels of the organization. The process helps senior management to effectively understand competing uses for FE's cash, funding requirements for capital investments, and to allocate capital dollars across various business units (ED, FENOC, Fossil, Corporate). Ref. Capital Planning & Management Corporate Policy CP-TPR-6101 and FE 5-year Capital Portfolio Development and Capital Management Procedure (FirstPlace Portal/About FirstEnergy/Policies and Practices/Overview/Capital Management Procedure.pdf)

### Capital Categories:

**Mandatory** - Non-discretionary investment required by law, regulatory order, or duty to serve customers (e.g. new business). Other required investment to meet externally driven regulatory commitment.

**Maintain** - Discretionary investment to support and sustain existing infrastructure at existing performance levels. Specific operational performance and financial tracking support these projects (e.g. SAIDI, CAIDI, EFOR).

**Improve** - Discretionary investment to improve existing infrastructure or performance levels beyond existing business plan key performance metric commitments. Improvement in specific operational performance and financial benchmark targets support these projects (e.g. SAIDI, EFOR, ROI).

**Value** - Discretionary, non-recurring investment for a defined initiative which improves or expands existing infrastructure or creates new business opportunities and drives improved economic value.

### Capital questions contact:

Business Area	Business Area Contact	Capital Support
Corporate Services - IT	Debbie Luttner (350.6934)	Megan Gallagher (825.5821)  Scott McBride (825.4888)
	Dave McGaha (850.2167)	
Corporate Services - Facilities	Bob Grosjean (825.6393)	
	Tom Yanks (825. 5926)	
Corporate Services - Other	Business Area Management	
FE Utilities/Transmission	Mark Myers (825.7961)	
	Marcus Geise (825.2542)	
Fossil Generation	Joe Walko (350.5722)	
	Denise Bracken (850.7237)	
FENOC	Jay Morris (879.5425)	
	Don Jacobson (879.7605)	
FES - Other	Ollie Pannell (850.6868)	
	Brandon Fedor (850.7226)	

## **Capital Projects – Only budget capital projects to the level of spending identified in Executive Council guidance**

**Work Breakdown Structures (WBS)** - Labor is budgeted through Activity Input Planning using transaction CJR2. Loaded labor costs, which include overheads, are moved from the employee or sending cost center to a WBS element by planning productive hours by activity type. Instructions for Activity Input Planning are located in Chapter 2 - Labor. All 'Other than Labor' costs are input into the SPL using transaction GP12N and must include the cost element and the appropriate responsible cost center. Instructions for input are found in Chapter 3 – OTL.

If new WBSs are created, all master data fields (i.e., costing sheets, project type, interest profiles, settlement rules, etc.) must be entered into SAP. **(See Key Contact appendix, page 26, for names to set up the WBS Master Data.) In all cases, it is critical that the WBS and WBS element start and finish dates be accurate and the WBS should be established at the Company which will own the assets. Departments which complete work for other Companies should cross charge the other Company WBS. Planning must never be entered in months beyond the finish date.** These dates are used by Property Accounting Services to compute and input AFUDC and depreciation and in reporting, including rate cases. All WBSs with settlement rules to asset accounts (CWIP, RWIP & OWIP) require an AFUDC element regardless if the project would qualify for AFUDC.

The status of WBSs must be TECO (Technically Complete), when the project is ready for service. The TECO date is passed to PowerPlant and the project is placed in-service. If a project is suspended or ceases construction the WBS elements should be locked and the status of the project is changed to "suspended" in PowerPlant. This will shut off the AFUDC calculation. If a project is cancelled existing charges should be transferred to expense, the AFUDC should be reversed and once the charges have been removed from the WBS, the WBS should be "business closed". **It is important to update the status to TECO on a timely basis since it directly reflects the calculation of AFUDC and the beginning of depreciation in PowerPlant.**

**Construction Indirects (Supervisory, Engineering, Administrative and General Overheads)** – Capital costs should be direct charged to the related WBS whenever possible. However, in those cases where certain costs have a proven relationship to construction, an assessment or allocation will be made from predefined cost centers to Operating Company construction indirect cost centers (Supervision, Engineering, and A&G). An example of this would be supervision of an engineering group that supports capital projects overall. A portion of those supervision costs will be allocated to capital using the prescribed process. Rates will be calculated by General Accounting Services for each Operating Company and overhead category and will be applied on the labor and contractor portion of the budgeted WBS elements.

**PowerPlant Property Unit Catalog** – The PowerPlant Property Unit Catalog should be used to determine what items or activities are capital. Assistance in using the Property Unit Catalog or questionable items should be directed to **Tim Clyde (825-5863)**, Property Accounting Services, prior to inclusion of an item in the budget as capital.

**Small Tools and Equipment** - Only small tools and equipment greater than \$1,000 should be capitalized.

**Corporate Facilities** will budget for all facility-related Mandatory and Maintain capital project work across FirstEnergy. Each Business Unit will budget for any Value Added or Improve facility related capital work. If there are questions on definition, please refer to the Capital Definitions section.

**Vehicles/Power Operated Equipment**

When acquiring the equipment identified below, the acquisition should be coordinated with the Corporate Fleet Services Department. The Corporate Fleet Services Department will determine with Treasury whether to purchase or lease the equipment. If the decision is to purchase the equipment, Corporate Fleet Services will purchase the equipment and charge the appropriate capital WBS. The equipment will also be given a vehicle number and tracked in the M5 Fleet System.

All requests for vehicles and/or power operated equipment should be directed to the Fleet Manager (see below) responsible for the area where the vehicle and/or equipment will be assigned. The Fleet Manager will work with Corporate Fleet Services directly to place the order, etc. Any questions related to this matter should be directed to **Lisa Pfeifer 824-4090**.

Company	Fleet Services Manager	Internal Phone	External Phone
CEI	Bryan Komlos	824-5060	216-295-5060
Toledo Edison	Jeff Burgoon	883-5938	419-249-5938
Ohio Edison/Penn Power	Robert Pyles	835-4099	330-436-4099
West Penn Power	Mike Geitner	365-2020	724-743-2020
Penelec	Wally Cunningham	430-8803	814-868-8803
Met Ed	Frank Cummins	500-6573	610-921-6573
Mon Power	Forrest Miller	324-1211	304-284-1211
Potomac Edison	Jasan Hileman	300-5227	301-582-5227
JCP&L	Nick Dello Russo	210-2237	973-989-2237

- | Asset Class | Vehicle Type  |
|-------------|---|
| 1           | Light Duty - primarily downsize pickups, mini vans, passenger cars & units impacted by EPA Act                                      |
| 2           | Medium Duty - includes full size pickups, vans, substation vehicles, small stake body trucks, etc                                   |
| 3           | Heavy Duty - includes heavy trucks other than aerial units, digger derricks or crane trucks   |
| 4           | Aerial Trucks - includes all manlift capabilities regardless of size  |
| 5           | Digger Derrick Trucks - includes all digger derricks  |
| 6           | Crane Trucks - includes all trucks with cranes mounted on them and licensed. Off road cranes are included in construction equipment |
| 7           | Trailers - includes all trailers regardless of size   |
| 8           | Construction Equipment - includes backhoes, loaders, excavators, off-road cranes, dozers, etc                                       |
| 9           | Forklifts, Mowers, Misc - includes forklifts, riding sweepers, scrubbers, snow removal equipment, mowers, ATV's & other.            |

**Office Furniture** – The Real Estate and Facilities Department manages and budgets all capital expenditures for furniture as well as maintains an inventory of existing furniture items. The Facilities Section has developed the Workspace Guidelines Policy and receives substantial discounted pricing on all furniture used by the Company.

All requests for furniture should be directed to **Kathy Tatman, Supervisor, Asset Planning** through an e-mail notification. Please base your request on budgeted new hire positions and/or replacement requirements for worn, damaged or obsolete furniture. Any purchases of furniture made outside of this arrangement will not be approved.

**Software Costs** - The following guidelines should be used for capitalizing computer software costs:

**New Computer Software Costs:**

- designed as a complete system
- has a life greater than 1 year
- capitalized cost is greater than \$5,000

Preliminary study costs, data conversions, and training are expensed when installing computer software.

**Upgrades and Enhancements of Existing Software:**

Upgrades and enhancements of existing software are expensed unless additional functionality is added and the cost is greater than \$5,000 and is a significant upgrade or enhancement.

Questions concerning capitalization of Computer Software items should be discussed with **Tim Clyde (825-5863)**, Property Accounting Services, prior to inclusion in the budget.

**Generation Employee Training Costs** – All employee training costs should be expensed, **except for Yards Creek**.

**IT Projects** – Activity allocate appropriate labor charges to IT managed projects that require Business Unit support. All IT projects created under SC00 WBSs that are for the benefit of other Companies should have settlement rules that settle these costs to other company WBSs. IT Department should coordinate these projects with the appropriate Business Services group.

**Depreciation** – The computation and application of depreciation will be the responsibility of Property Accounting Services.

**Major Retirements of Plant** – For retirements of plant, in which the estimated original cost exceeds \$5 million, the following information is required: the month the item is being retired, the estimated original cost, and a short description of the item being retired. For all other retirements, a historical average will be used by Property Accounting Services. Retirements related to replacement WBSs should be made at the time the WBS is placed in service.

**Generation Cost of Removal and Salvage** – The budgeting of cost of removal and salvage will be performed by Generation. Generation cost of removal is expensed, **except for Yards Creek**.

**Energy Delivery (Distribution and Transmission) Cost of Removal and Salvage** – The budgeting of distribution and transmission cost of removal and salvage will be performed by Energy Delivery. For Met-Ed, Penelec, and JCP&L, the cost of removal and salvage will be expensed as a component of the depreciation expense in accordance with the current rate making. The planned cost of removal and salvage will settle to Account 403, Depreciation Expense.

**Note:** Cost Type is a required input field when entering the plan into the SPL (SAP Transaction GP12N). Changing the settlement rule on the WBS master data does not change the Cost Type in the plan. It is important that the WBS master data and the Cost Type are reviewed for accuracy

and consistency prior to input (Cost Type 1 is for Capital, 2 is for O&M and all other P&L items including Depreciation account 403, and 3 is for Balance Sheets accounts not considered capital).

## CHAPTER 5: INTERCOMPANY TRANSACTIONS

Unless given approval by Corporate Budgets and Forecasts, General Accounting Services working with Corporate Budgets and Forecasts, will enter the budget estimates for all inter-company expenses and revenues. Corporate Budgets and Forecasts (**Mike Kreighbaum 825-2556**) will coordinate this effort. Unless approved for entry by the Business Units, inter-company expenses or revenues must be forwarded to General Accounting Services or Corporate Budgets and Forecasts for entry into the system. The required information to be forwarded includes:

- Inter-company G/L Accounts (Assoc. Company wording is typically included in the account description)
- Cost Centers
- Monthly Budget Amounts
- Description of transaction and the Cost Centers and G/L Accounts used for the offsetting revenues or expenses (if known)

Some examples of inter-company transactions include:

- Purchased Power and Revenues including RFP and POLR sales
- Interest Income or Expense from Associated Companies
- Leases including ATSI ground lease
- Internal Use of Company Electricity
- Billings between subsidiaries (Bayshore Power, FE Properties, etc.)

## CHAPTER 6: FIRSTENERGY SERVICE COMPANY

### Service Company Cost Centers – Budgeting Guidelines:

#### Direct Charging

When preparing your budget and incurring actual expenditures, it is important to consider who the beneficiary of your services is. Direct charging of time and expenses to the entity for which the services are being rendered is the preferred approach, where possible. To the extent that costs can be readily identified and associated with a specific transaction, the charging of those costs should be directed to the company(ies) receiving the goods or services, even when there is more than one receiving company.

#### Indirect Charging

Indirect charging through the Service Company assessment process supplements the direct charging of costs. Assessments are used to allocate the costs that were not direct charged from a cost center. Frequently, costs can not be direct charged because the recipient cannot be readily identified, or excessive administrative expense would result. Indirect charging employs the use of one of FirstEnergy's approved assessment methods. An approved assessment method is assigned to each Service Company cost center. The assessment methodology and the targeted legal entities for the Service Company cost centers can be provided by General Accounting upon request.

#### Service Company Assessments

Any desired change to organizational structure or revisions to the methodology used to allocate expenses from a Service Company cost center to the other legal entities must be reviewed and approved by **Joseph Mulpas, Assistant Controller (825-4049)**, prior to the change being implemented. This review process is necessary to insure that inter-company service agreements remain current and valid and that all regulatory requirements are being satisfied.

## CHAPTER 7: BUDGETING REFERENCE MATERIAL

### Primary Distribution Keys Used for Monthly Spreads

NOTE: Distribution Keys **do not** perform the wage escalation of your planned labor dollars. You need to plan your total gross payroll. The distribution keys are used to allocate your planned gross payroll to the appropriate months in accordance with that year's payroll calendar and wage escalation assumptions.

Please contact Mke Kreighbaum (825-2556) to request set up of new distribution keys.

2014	Distribution Key	Description
	P14S	NonBarg Bi-Weekly Pay 3.00% WRI Sep 2014
	P14B	Payroll BiWeekly 2014 3% March
	P14W	Payroll Weekly 2014 3.25% March
	PBM4	Barg Weekly Pay 2014 March 3% Inc
	PMH4	Barg Weekly Pay 2014 March 2.5% Inc
	PBW4	2014 Bi Wkly with 3.75% WRI Mar 2014
	PMY4	2014 Barg/Wkly Pay - with 3.00% WRI MAY
	P14M	Payroll BiWeekly 2014 3% May
	PMB4	2014 Bi-Weekly PR with 2.0% WRI MAY
	PJL4	2014 Barg/Wkly Pay - with 3.00% WRI JUL
	PJY4	2014 Barg/Wkly Pay - with 2.75% WRI JUL
	PAU4	2014 Barg/Wkly Pay - with 3% WRI AUG
	POC4	2014 Barg/Weekly Pay - with 3% WRI OCT
	PNV4	2014 Barg/Weekly Pay - with 3% WRI NOV
	PNO4	2014 Barg/Weekly Pay - with 2.5% WRI NOV

#### Other Monthly / Quarterly Distributions

Distribution Key	Description
1	Equal Distribution January - December
QMO	Quarterly - Last Month of Quarter - Mar, Jun, Sep, Dec
QTRM	Quarterly - Middle Month of Quarter - Feb, May, Aug, Nov
H1SP	First Half of Year - spreads evenly over Jan - Jun
H2SP	Second Half of Year - spreads evenly over Jul - Dec
Q1SP	First Quarter Distribution - Spread evenly over Jan - Mar
Q2SP	Second Quarter Distribution - Spread evenly over Apr - Jun
Q3SP	Third Quarter Distribution - Spread evenly over Jul - Sep
Q4SP	Fourth Quarter Distribution - Spread evenly over Oct - Dec
JAN	January Only
FEB	February Only
MAR	March Only
APR	April Only
MAY	May Only
JUN	June Only
JUL	July Only
AUG	August Only
SEP	September Only
OCT	October Only
NOV	November Only
DEC	December Only

Payroll Accounting Periods

PAYROLL ACCOUNTING PERIODS - YEAR 2014

**BI-WEEKLY**

<u>Acctg Month</u>	<u>End Date</u>			<u>Posting Date</u>	<u>Weeks</u>	<u>Hours</u>
	<u>Sat - Fri</u>	<u>Sun - Sat</u>	<u>Mon - Sun</u>			
January	01/24/2014	01/25/2014	01/26/2014	01/31/2014	6	240
February	02/21/2014	02/22/2014	02/23/2014	02/28/2014	4	160
March	03/21/2014	03/22/2014	03/23/2014	03/28/2014	4	160
April	04/18/2014	04/19/2014	04/20/2014	04/25/2014	4	160
May	05/16/2014	05/17/2014	05/18/2014	05/23/2014	4	160
June	06/13/2014	06/14/2014	06/15/2014	06/20/2014	4	160
July	07/11/2014	07/12/2014	07/13/2014	07/18/2014	4	160
August	08/22/2014	08/23/2014	08/24/2014	08/29/2014	6	240
September	09/19/2014	09/20/2014	09/21/2014	09/26/2014	4	160
October	10/17/2014	10/18/2014	10/19/2014	10/24/2014	4	160
November	11/14/2014	11/15/2014	11/16/2014	11/21/2014	4	160
December	12/12/2014	12/13/2014	12/14/2014	12/19/2014	4	160
					52	2080

**WEEKLY**

<u>Acctg Month</u>	<u>End Date</u>			<u>Posting Date</u>	<u>Weeks</u>	<u>Hours</u>
	<u>Sat - Fri</u>	<u>Sun - Sat</u>	<u>Mon - Sun</u>			
January	01/24/2014	01/25/2014	01/26/2014	01/31/2014	5	200
February	02/21/2014	02/22/2014	02/23/2014	02/28/2014	4	160
March	03/21/2014	03/22/2014	03/23/2014	03/28/2014	4	160
April	04/18/2014	04/19/2014	04/20/2014	04/25/2014	4	160
May	05/23/2014	05/24/2014	05/25/2014	05/30/2014	5	200
June	06/20/2014	06/21/2014	06/22/2014	06/27/2014	4	160
July	07/18/2014	07/19/2014	07/20/2014	07/25/2014	4	160
August	08/22/2014	08/23/2014	08/24/2014	08/29/2014	5	200
September	09/19/2014	09/20/2014	09/21/2014	09/26/2014	4	160
October	10/24/2014	10/25/2014	10/26/2014	10/31/2014	5	200
November	11/21/2014	11/22/2014	11/23/2014	11/28/2014	4	160
December	12/19/2014	12/20/2014	12/21/2014	12/26/2014	4	160
					52	2080

### Budget/Forecasting Transaction Overview & Template Uploads

#### BUDGET/FORECASTING TRANSACTION OVERVIEW

	Activity Input Planning (Hours)					OTL - Spec Ledger	Head Count
	Gross Payroll	Cost Center	Internal Orders	WBS Elements			
Planner Profile Transaction	KP04	KP04	KP04	KP04		GLPLSET	KP04
Profile	FE-CO01	FE-CO01	FE-CO01	TD-PS01 GEN-FRMF GEN-FRMN		ZZSPL902	FE-CO01
Input Transaction	KP06	KP06	KPF6	CJR2		GP12N	KP46
Layout	CC - Prime	CC - Act	OR - Act	WBS - Act		ZZSPL90	FE - SKF
4 Year Layout	CC - Prime - Y4	CC - Act - Y4	OR - Act - Y4	WBS - Act - Y4		ZZSPL90 - Y4	SKF - Y4

Notes/Versions:  
 Budget Input - Version 11  
 Forecast Input - Version 20

#### BUDGET TRANSACTION OVERVIEW WITH TEMPLATE UPLOADS

	Activity Input Planning (Hours)					OTL - Spec Ledger	Head Count
	Gross Payroll	Cost Center	Internal Orders	WBS Elements			
Planner Profile Transaction	KP04	KP04	KP04	KP04		GLPLSET	KP04
Profile	FE-CO01	FE-CO02	FE-CO02	TD-PS02 GEN-FRMF GEN-FRMN		ZZSPL902	FE-CO01
Input Transaction	KP06	KP06	KPF6	CJR2		GLPLUP	KP46
Template Upload	Extras > Excel Plan > Upload	Extras > Excel Plan > Upload	Extras > Excel Plan > Upload	Extras > Excel Plan > Upload			Extras > Excel Plan > Upload

Select path of text file, file description, and American decimal notation.

File Descriptions:	One year Input	Four year Input
Gross Payroll:	01_1P1_FE-CO02_002CC-PRIME-EXC	01_1P1_FE-CO02_003CC-PRIME-Y4
Cost Center (Hours):	01_1P1_FE-CO02_001CC-ACT-EXCEL	01_1P1_FE-CO02_001CC-ACT-Y4
Internal Order (Hours):	01_1P4_FE-CO02_001OR-ACT-EXCEL	01_1P4_FE-CO02_001OR-ACT-Y4
WBS Element (Hours):	01_1P7_TD-PS02_001FE-WBS-ACT2	01_1P7_TD-PS02_001WBS-ACT-Y4
SPL/Other than Labor:	07_ZZSPL90A_ZZSPL90_001ZZSPL90EXCEL	07_ZZSPL90A_ZZSPL90_003ZZSPL90-Y4
Headcount:	01_1P3_FE-CO02_001EXCEL-SKFS	01_1P3_FE-CO02_002SKF-Y4

## Key Terms & Concepts

### **Activity Price**

The price calculated for an activity type – used for charging labor hours and transportation usage to cost collectors.

### **Allocations**

Used to: assess shared services costs; move charges to correct legal entity; and/or assign to capital where appropriate.

### **Assessments**

Transactions that allocate costs from Cost Centers to receiver cost objects.

### **Cost Allocation**

Distribution of costs from one collector to another to reflect actual usage or predefined rates.

### **Costing Sheet**

Defines an overhead calculation. Contains the percentages to be applied to the base amount and the collector to be credited.

### **CREWS (Customer Request Work Scheduling)**

Used to estimate and schedule Transmission and Distribution projects.

### **Customer Care Services (CCS)**

The SAP R/3 software module for utility customer information.

### **EC-CS (Enterprise Controlling – Consolidation System)**

The consolidation module of SAP R/3 used for legal consolidation reports.

### **Financial Accounting Module (FI)**

SAP R/3's grouping of financial data required for external reporting purpose such as balance sheet, P&L statements, cash flows, and retained earnings.

### **Overhead Rate**

A surcharge, expressed as a percentage, used to spread indirect costs over a defined base.

### **Project System (PS) SAP R/3 Module**

Module is used to manage large projects. Accounting data used to manage WBS Elements are also located in this module.

### **Profit Center**

Organizational unit that reflects a management-oriented structure for the purpose of internal control and reporting.

### **Profit Center Accounting (PCA)**

A module of SAP used to manage the business by segregating costs and revenues by business units. Measures profitability by profit center or high-level business unit.

### **Settlement**

The SAP process of allocating costs from temporary cost collectors such as orders or WBSs to other cost collectors such as FERC cost centers.

### **Settlement Rule**

Set of instructions that define distribution of costs incurred on a temporary cost object such as an order or WBS.

### **Special Purpose Ledger (SPL)**

A stand-alone ledger within SAP that maintains detail without creating additional master data. Used by FE to track costs by Responsible Cost Center.

### **Financial Accounting Module (FI)**

SAP R/3's grouping of financial data required for external reporting purpose such as balance sheet, P&L statements, cash flows, and retained earnings.

## Key Contacts

By Department:

Area	Key Contact	Responsibility
Corporate Budgets and Forecasts	<ul style="list-style-type: none"> <li>Gina Caskey</li> <li>Mike Kreighbaum</li> <li>Carrie Wokaty</li> <li>Mark Dudley</li> </ul>	<ul style="list-style-type: none"> <li>SAP specific budget system preparations</li> <li>Activity prices</li> <li>Communicating the dates and times for budget input</li> <li>Oversight and management of the annual budgeting and forecast processes</li> <li>Tracking budget status and ensuring completion of key budget mid-point deliverables</li> <li>Ad-hoc budget related reporting</li> <li>PCA</li> </ul>
Business Services and Corporate Business Planning	<ul style="list-style-type: none"> <li>Gina Caskey</li> <li>Mark Dudley</li> <li>Carrie Wokaty</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Shared Services – budget and forecast coordination and support</li> <li>HR Benefits and Special Item budgets and forecasts</li> </ul>
Capital Management	<ul style="list-style-type: none"> <li>Megan Gallagher</li> <li>Scott McBride</li> </ul>	<ul style="list-style-type: none"> <li>Capital Management Processes</li> </ul>
Controllers Department	<ul style="list-style-type: none"> <li>Denis Dorward</li> <li>Mike Strozak</li> <li>Diane McVey</li> <li>Rich Snyder</li> </ul>	<ul style="list-style-type: none"> <li>Processing/Closing of SAP Plan</li> <li>Develop and input Costing sheets (overheads)</li> <li>System Maintenance – Versions, SPL, CO</li> <li>Accounting Issues</li> </ul>
Business Planning & Strategy	<ul style="list-style-type: none"> <li>Paul Mallue</li> </ul>	<ul style="list-style-type: none"> <li>Running of production cost modeling</li> </ul>
Competitive Retail Group	<ul style="list-style-type: none"> <li>Trevor Fernandez</li> </ul>	<ul style="list-style-type: none"> <li>Budget and forecasting of competitive retail sales, load &amp; revenue</li> </ul>
Rates	<ul style="list-style-type: none"> <li>Brad Eberts</li> <li>Bill Moll/Rich Faschan</li> </ul>	<ul style="list-style-type: none"> <li>Development of the Load, MWH Sales, and Wires Forecast</li> <li>Forecasting of regulated revenue for budgeting</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>David Zeigler</li> </ul>	<ul style="list-style-type: none"> <li>Personal Printer requests</li> </ul>

For SAP Master Data questions or to set up new Master Data for the 2014 Budget:

<b>Master Data</b>		
Contact:		
➤ Cost Centers – Denis Dorward 500-8678; Michael Strozak 500-6554		
➤ Internal Orders – Denis Dorward 500-8678; Michael Strozak 500-6554		
➤ Cost Elements – Will Blair 825-5866		
➤ WBS Elements – By Business Unit		
Energy Delivery Operating companies:		
The Illuminating Co	Gregory Werner	824-8783
Ohio Edison/Penn Power	Eric Weaver	835-4021
Toledo Edison	Ann Toth	883-5016
Jersey Central	Sue Gabel	200-8673
Met Ed	Pete Dragoich	500-6892
Penelec	Guy Costa	430-8874
Mon Power	Sara Cetorelli	333-7320
Potomac Edison	Clarence Haden	300-5218
West Penn	Marianne Sobota	350-5847
ED Finance	Eric Herrmann	825-5444
Fossil Generation Group	Katie Pinkus	850-6820
	Denise Bracken	850-7237
Nuclear (FENOC)	Katie Pinkus	850-6820
	Desiree Etchell	850-6877
Information Technology, Security	Mark Dudley	825-1683
Facilities	Tim Goughnour	500-6974
All Other Groups	Mike Czubinski	825-5646

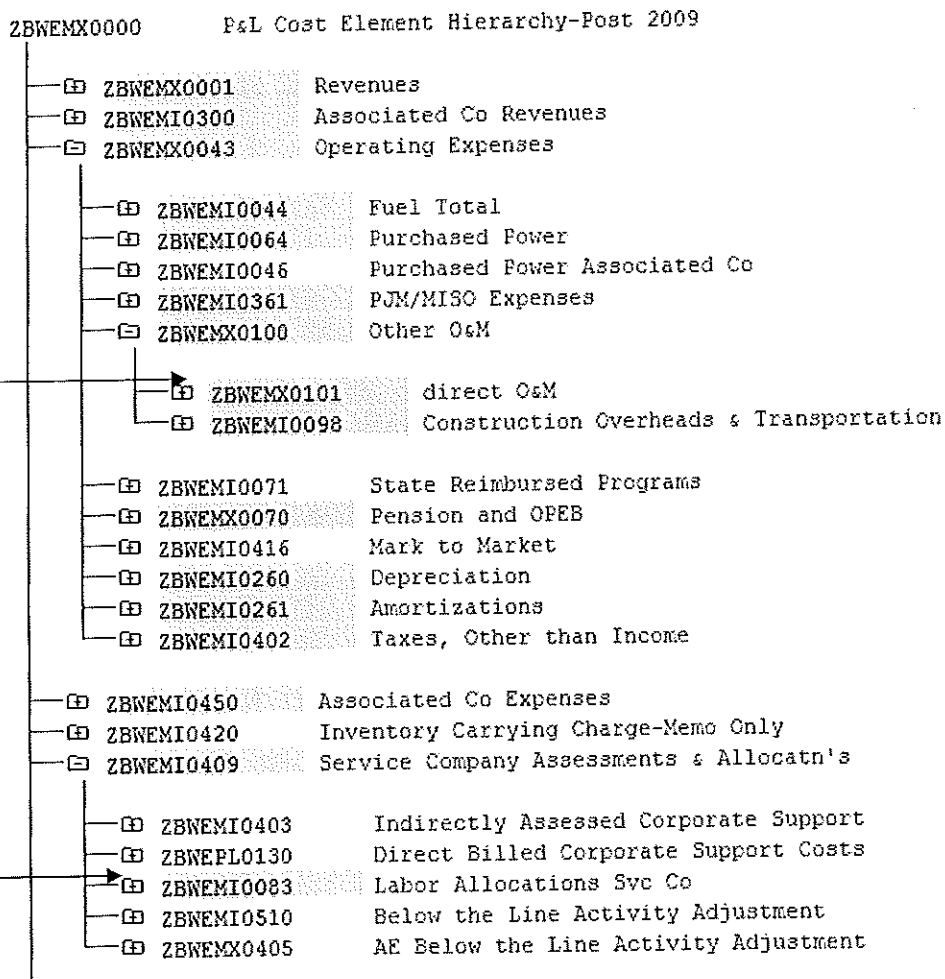
## Key Contacts

For Questions by Topic or Business Unit:

Questions or Issue Topic	Name	Phone Number
Inter-company Billings	Mike Kreighbaum	825-2556
General SAP	Mike Kreighbaum Mark Dudley Carrie Wokaty Marie Rote	825-2556 825-1683 825-6005 825-3854
Profit Center Accounting	Mike Kreighbaum Carrie Wokaty	825-2556 825-6005
FE Solutions	Paul Mallue Andy JayJack	850-7254 850-7332
Fossil Generation Group	Katie Pinkus Denise Bracken	850-6820 850-7237
Nuclear (FENOC)	Katie Pinkus Desiree Etchell	850-6820 850-6877
Records Management/Corporate/Real Estate	Marie Rote	825-3854
Energy Delivery Business The Illuminating Co Ohio Edison/Penn Power Toledo Edison Jersey Central Met Ed Penelec Mon Power Potomac Edison West Penn Utility Support Customer Service & EE (Energy Efficiency)	Gregory Werner Eric Weaver Ann Toth Sue Gabel Pete Dragoich Guy Costa Sara Cetorelli Clarence Haden Marianne Sobota Eugene DeChellis Rob Wemhoff	824-8783 835-4021 883-5016 200-8673 500-6892 430-8874 333-7320 300-5218 350-5847 825-7969 825-7981
Finance	Marie Rote	825-3854
General Counsel (Legal, Claims, Communications, Corp. Affairs, Government Affairs)	Marie Rote	825-3854
Human Resources	Marie Rote	825-3854
Information Technology	Mark Dudley	825-1683
Supply Chain	Mark Dudley	825-1683
Corporate Security, Flight Operations	Mark Dudley	825-1683

## Responsible Direct Cost O&M Reporting – Cost Elements Included

Use SAP Transaction KAH3 to view the Cost Element hierarchy shown below. Cost Element Groups **ZBWEMX0101** and **ZBWEMI0083** are the two groups included in direct cost O&M reporting.



**Corporate Shared Services – Professional & Contractor Services - Guidelines**

GL	GL Short Name	GL Long Name	General Description	CSS Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for unique skill-sets that we don't do in-house.	Security Equipment Installation & Investigations, Software Application Consulting/Training, Lobbying Firms, Ethnic Vendors, Expert Legal Witness, and Facility "White" Collar - Engineering, Electrical, etc.
550200	OutContractProLegal	Outside Services/Contractors - Professional Legal	Legal Fees/Legal Expenses	Law Firms Only
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities	Security Guards, Annual Shareholders Meeting, Facility "Blue Collar" Contractors - Janitorial, Landscaping, Snow removal, etc.
550310	OutContractTreeTrim	Outside Services/Contractors - Tree Trim	Major Storm Deferrals	Major Storm Deferrals
550320	OutContractTempAgnc	Time and Material Contractor	Temp hires not managed by a staff service provider.	Guidant, Jet Professionals
550500	ONSITECONSULT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Guidant, Garretcom Utility Networks
550503	Envmnt Wrk & Comp	Environmental Work and Compliance	Environmental	Warrenton River Terminal - Environmental

**Fossil – Professional & Contractor Services Guidelines (pgs. 30-31)**

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Labor outside of the plants possessing skills/knowledge that the plant does not have.	Examples include: NDE testing, Divers, Hydrochem (hydro blasting), Training Vendors (providing training on and off site), Guest Speakers, Inspection Services, Lab testing/services, Calibration, Non-repair/non-refurbishment of equipment, Welding Inspectors (x-ray team), Screening Systems International, David C Kissig Enterprises Inc., Turbine Services Incorporated, Structural Integrity Associates, Janx, Surveying, Schedulers, Ardmore, Gas line maintenance.
550105	OutsideSvcsContFees	Outside Svcs/Contractors - Profess Conting	Contingency Fees (Jefferson wells for example)	Contingency and incentive fees paid to vendors.
550200	OutContractProLegal	Outside Services/Contractors - Professional Legal	Legal Fees/Legal Expenses	FERC relicensing (primarily used by CT/Hydro plants)
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Contractors asked to provide engineering analysis/studies, project support, or technical development that cannot be completed with in-house engineering staff.	Examples include: Monitoring wells, Marland, RE Warner Consultants helping with outages, GE Energy, Kleinschmidt, Alstom, Siemens, Middough, Door maintenance (CT/Hydro).
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities related work	Examples include: Scrap Removal, Janitorial work, Lawn care, Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens maintenance, Building and structures maintenance, General Pest Control, Elevator repairs, Grounds and roads maintenance, Auto Repair, Laundry Services, Fence Repairs, US Coast Guard, Fire Inspections, Vegetation Management.

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
550305	OutContract-ProjMgmt	Outside Services/Contractors - Project Mgmt	Consultants providing project management services such as costing reports.	Examples include JR Johnson, Sargent and Lundy.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment /Overhaul of Plant Equipment	Off-site labor repairing/refurbishing/replacing plant production equipment.	Examples include: Repair/refurbish valves, motors, circuit boards, etc.; CMT for Motor repairs, Cleveland Valve & Gauge for valves, Columbus Equipment Company, City Machine Technologies Inc., Monarch Electric Service Company, 3-D Service LTD.
550500	ONSITECONSLT/ STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Example: Guidant
550501	PRIMMNT CONTRCRAFT	Primary Maintenance Contractor - Craft	On-site craft labor	Examples include: Enerfab, outage work/support, GMAs for bringing in Boilermakers, Insulators, Electrical Contractors, Mechanical Contractors, Patent Construction Systems, Enerfab, Burnham Industrial Contractors, McCarl's Incorporated, ERB Electric Company, Crane Inspections.
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Contractors working on Environmental projects or performing work in support of Environmental Compliance.	Examples include: any fees, Consulting services, Test monitors, Replace monitors/analyzers, Ash site maintenance, Cleaning spills, air/water waste, Performing lab work.
550513	OnSiteContractedLbr	On-Site Contractor Labor	Labor outside of the plants providing "turn-key solutions".	Examples include: Fluor, Stein (preventative maintenance).

## Fossil - Project Construction – Professional & Contractor Services Guidelines

GL	GL Short Name	GL Long Name	General Description	Fossil - Project Construction Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Labor outside of FirstEnergy possessing specialized skills/knowledge that we do not have in-house.	Examples include: Print Services, Nurses, Investigation Services, Background Checks/Investigations, Training, Inspection Services.
550105	OutsideSrvsContFees	Outside Srvs/Contractors - Profess Conting	Incentive fees	Examples include: Incentive arrangements, Contractor Shared Savings (for example B&W), Contractor Bonuses and Incentives.
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Contractors asked to provide engineering analysis/studies, project support, or technical development that cannot be completed with in-house engineering staff.	Examples include: Conceptual Designs, Detailed Design Mods, Eng. Studies, Non-Mod, Calculations, Evaluations.
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities related work	Facilities related work such as: Scrap Removal, Janitorial work, Lawn care, Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens maintenance, Building and structures maintenance, General Pest Control, Elevator repairs, Grounds and roads maintenance, Auto Repair, Laundry Services, Fence Repairs, US Coast Guard, Fire Inspections, Vegetation Management.
550305	OutContract-ProjMgmt	Outside Services/Contractors - Project Mgmt	Consultants providing project management services such as costing reports.	Examples include JR Johnson, Sargent and Lundy.
550501	PRIMMINT CONTRCRAFT	Primary Maintenance Contractor - Craft	On-site craft labor	Examples include: Enerfab, GMAs for bringing in Boilermakers, Insulators, Electrical Contractors, Mechanical Contractors.
550513	OnSiteContractedLbr	On-Site Contractor Labor	Fixed price, milestone payment, or other "turn key" type purchase agreement.	Examples include: OEM contracts (B&W), EPC contracts (Bechtel), Patent, ERB, contractors for excavating, painting, etc.

**Nuclear – Professional & Contractor Services Guidelines (pgs. 33-34)**

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for Unique skill sets that we don't do in-house	Divers, Vendor Reps, Training Vendors (providing training on and off site), Guest Speakers, Inspection Services, Vendor Source Inspections, Refueling Services, Chemistry Services, RP Services (excluding on-site support), Laundry Services, Management requested contractors/facilitators, Lab testing, Calibration of M&TE, Software customization (firm price), CNRB Members, Investigation Support, TLD Contracts, Supplier List Updates, ANI Support, Corrective Action Program Support, Print Services (Kinkos), Bulk Gas Delivery, Demurrage. Refer to cost element 550513 to ensure correct placement of vendor.
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Engineering Expenses	Engineering support occurring predominantly offsite, Conceptual Design, Detailed Design Mods/ECR, Eng. Studies, Non-Mod, Calculations, Evaluations. Refer to cost element 550513 to ensure correct placement of vendor.
550300	OutContract-Other	Outside Services/Contractors - Other	Other	Lawn care and Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens (Maintenance), Building, Structures, Beta Security, Security Range Maintenance, General Pest Control. Refer to cost element 550513 to ensure correct placement of vendor.
550325	OutContractRadwstDsp	Outside Services/Contractors - Radwaste	FENOC specific	Transportation, Burial, Compacting, Processing and Analysis/Characterization of radwaste. Refer to cost element 550513 to ensure correct placement of resource.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment /Overhaul of Plant Equipment	Self explanatory - see FENOC Description	Repair/refurbish valves, motors, circuit boards, etc. Security Repairs (Target Systems, Scope, NVG units), Beta test equipment. Refer to cost element 550513 to ensure correct placement of vendor.

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550500	ONSITECONSULT/ STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Guidant
550501	PRIMINT CONTRCRAFT	Primary Maintenance Contractor - Craft	Interfab/Day Zimmerman/etc	NPS contracted labor, site manager, administrative personnel.
550502	TIME&MATCONTR	Time and Material Contractor	Primary Security Contractor	Subcontracted outside security for Beaver Valley (Burns and Securitas).
550513	OnSiteContractedLbr	On-Site Contractor Labor	Goes back into capital allocation process for FENOC.	Contracted workers that are on site for a <b>continuous</b> period of 5 days or greater. Construction contractors other than NPS or Guidant that are brought on site to support a specific PRC, MERP, or outage project as identified by project managers. Contracted workers that are on site for a continuous period of time (e.g. 5 or greater continuous days i.e. Janitorial services). Part of fixed price, milestone payment, or other "turn key" type purchase agreement which represents the portion that is contract labor and performed on-site. Examples of included services are: Maxcom (telecommunication support), Assessment team support, Root Cause support, DZ Atlantic Group/Bartlett (RP Support), contractor Site Managers (with the exception of NPS). Excludes services with total annual cost <\$15k, any materials included in the contract, and services provided on an "as needed" basis.

## Energy Delivery – Professional & Contractor Services Guidelines

GL	GL Short Name	GL Long Name	General Description	FEU Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for Unique skill sets that we don't do in-house	OSI inbound calling, Vendor services, Training
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Engineering Expenses	Off-site engineering that is primarily in Transmission and Substation voltages.
550300	OutContract-Other	Outside Services/Contractors - Other	Other	Storms, Transmission aerial inspections, Facility improvements, Cable locating, Grass cutting, Snow removal, Janitorial, Heating, and Electrical repair
550310	OutContractTreeTrim	Outside Services/Contractors - Tree Trim	Tree trimming	Vegetation management
550320	OutContractTempAgnc	Outside Services/Contractors - Temporary	Temp hires not managed by a staff service provider.	Flaggers (Traffic control), Safety audits, Call-Center Temp Workers
550330	OutContractEngDrawing	Outside Services/Contractors - Engineering Drawings	Engineering Drawings	Lightly used. Outside drafting distribution work. Roll into 550210.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment
550500	ONSITECONSULT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider	Guidant
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Environmental	Claims follow-ups, Oil testing, and Clean-ups.
550506	CollAgencyCreditBur	Collection Agency - Credit Bureau	Collection Agencies	Revenue operations collections.