

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17120**

**Metropolitan Edison Company,  
Pennsylvania Electric Company,  
Pennsylvania Power Company, and  
West Penn Power Company  
Management and Operations Audit**

**Public Meeting of June 16, 2022  
3023106-AUD  
Docket No. D-2020-3023106  
D-2020-3023107  
D-2020-3023108  
D-2020-3023109**

**STATEMENT OF CHAIRMAN GLADYS BROWN DUTRIEUILLE**

Before the Pennsylvania Public Utility Commission (Commission) is the Management and Operations Audit Report (Audit Report) for Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (West Penn) (collectively the First Energy Companies or Companies) along with its accompanying recommendations, the Companies' Implementation Plan in response, and the Secretarial Letter releasing the Audit Report.

This Commission's Audit Report was released to the First Energy Companies on March 31, 2022, and contained 27 recommendations. The Companies submitted their Implementation Plan on April 21, 2022. The Implementation Plan indicated acceptance of 17 recommendations, partial acceptance of 8 recommendations, and rejection of two recommendations. The Implementation Plan, as proffered by the Companies, projects resultant annual savings of approximately \$39 million accompanied by projected one-time savings in the range of \$13 to \$22 million. I thank the Bureau of Audits for its diligent work.

As part of the report, the Commission reviewed the Companies current response related to alleged illicit business dealings by its affiliates in Ohio. The Companies indicate that they are cooperating in investigations conducted by the United States Attorney's Office for the Southern District of Ohio, the Securities and Exchange Commission's Division of Enforcement, and the Federal Energy Regulatory Commission's Division of Investigations. During the audit the Commission sought to ensure that any costs stemming from these ongoing investigations and the fallout from business decisions made by the First Energy Companies affiliates will not be allocated to Pennsylvania ratepayers in the future. The Management Audit discloses that the Companies have not made any such guarantee.

In that same vein, these ongoing investigations had temporarily affected the First Energy Companies', along with their parent company's, credit ratings. On October 29, 2020, Standard & Poor's (S&P) downgraded the Companies' credit ratings from BBB to BB+. Subsequently, on November 24, 2020, the Companies' credit ratings were again downgraded from BB+ to BB. These downgrades took the Companies from a good credit quality to a speculative credit standing in the investment community. Such ratings have a direct impact on the rates of interest the First Energy Companies must pay on their various credit and debt instruments as well as to the types of debt and credit vehicles accessible. This Audit Report details higher interest short-term borrowing that the Companies realized. Further, the Audit Report notes that, for the period from November 2020 through May 2021 West Penn, Met-Ed, and Penn Power incurred approximately \$1.6 million, \$800,000, and \$200,000, respectively, in additional interest expenses due to the credit rating downgrades. As this Audit Report states, Pennsylvania ratepayers should not be burdened with these increased costs due to ongoing investigations.

Finally, the Audit Report reveals that the Companies' Service Agreement filed with and approved by the Commission does not include all goods and services currently provided to the Companies by First Energy Service Company. Of particular interest, the Audit Report details services rendered by First Energy Service Company Flight Operations and expensed to the Companies. From 2018 through 2020 Met-Ed paid \$1.8 million, Penelec paid \$1.9 million, Penn Power paid \$486,000, and West Penn Power paid \$2.1 million for flights and services rendered by First Energy Service Company's Flight Operations department. As stated in the Audit Report, all utilities with service company affiliates should have a Service Agreement that completely discloses all goods and services provided.

In closing, these findings, along with other findings not highlighted in this statement but nonetheless contained in the Audit Report, make the action taken by the Commission today anything but "business-as-usual." It is my hope that the First Energy Companies heed the sound recommendations highlighted herein and throughout this Audit Report.

**June 16, 2021**  
**Date**



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**Gladys Brown Dutrieuille, Chairman**