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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF MID-ATLANTIC INTERSTATE TRANSMISSION, LLC ("MAIT"); METROPOLITAN EDISON COMPANY ("MET-ED") AND PENNSYLVANIA ELECTRIC COMPANY ("PENELEC") FOR: (1) A CERTIFICATE OF PUBLIC CONVENIENCE UNDER 66 PA.C.S. §1102(A)(3) AUTHORIZING THE TRANSFER OF CERTAIN TRANSMISSION ASSETS FROM MET-ED AND PENELEC TO MAIT; (2) A CERTIFICATE OF PUBLIC CONVENIENCE CONFERRING UPON MAIT THE STATUS OF A PENNSYLVANIA PUBLIC UTILITY UNDER 66 PA.C.S. §102; AND (3) APPROVAL OF CERTAIN AFFILIATE INTEREST AGREEMENTS UNDER 66 PA.C.S. §2102

DOCKET NOS.:

~~A-2015-2488903~~

A-2015-2488904

A-2015-2488905

G-2015-2488906

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G-2015-2489544

G-2015-2489545

G-2015-2489547

G-2015-2490801

G-2015-2490802

Direct Testimony
of
Steven R. Staub

List of Topics Addressed

Financial Aspects of the Proposed Transaction
Benefits of the Financial Structure of the Proposed Transaction
Modifications to the Money Pool Agreement

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2
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**DIRECT TESTIMONY
OF
STEVEN R. STAUB**

4 **I. INTRODUCTION AND BACKGROUND**

5 **Q. Please state your name and business address.**

6 A. My name is Steven R. Staub. My business address is 76 South Main Street,
7 Akron, OH 44308.

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by FirstEnergy Service Company ("FESC") as Vice President and
10 Treasurer.

11 **Q. What are your current responsibilities?**

12 A. I am responsible for Treasury activities including capital markets, cash
13 management, interest rate derivatives, investment management, and debt
14 compliance. I am also responsible for business planning activities including
15 short-term budgeting and forecasting, and reporting strategy and process
16 management. My responsibilities extend to each of the companies owned by
17 FirstEnergy Corp. ("FirstEnergy"), including its transmission and distribution
18 operating companies.

19 **Q. Please describe your educational background and professional experience.**

20 A. I am a graduate of the University of Pittsburgh with undergraduate degrees in
21 Business/Accounting and Political Science. I received an MBA from the
22 University of Pittsburgh and a Master of Taxation from Robert Morris University.

1 I have over twenty years of professional experience in finance related-positions,
2 including fifteen years with the regulated utility industry. My educational
3 background and professional experience is more fully outlined in Appendix A.

4 **Q. Have you previously testified in proceedings before the Pennsylvania Public**
5 **Utility Commission (the “Commission”)?**

6 A. Yes, I testified in the most recent base rate case proceedings of Metropolitan
7 Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”),
8 Pennsylvania Power Company, and West Penn Power Company, Docket Nos. R-
9 2014-2428745, R-2014-2428743, R-2014-2428744, and R-2014-2428742.

10 **Q. Would you describe the purpose of your testimony?**

11 A. The purpose of my testimony is to describe the financial aspects of the proposed
12 transaction (the “Transaction”) under which Met-Ed, Penelec, and Jersey Central
13 Power & Light Company (“JCP&L”) (collectively, the “Operating Companies”)
14 will contribute their transmission assets¹ (the “Transmission Facilities”),
15 excluding land and other real estate interests², to Mid-Atlantic Interstate
16 Transmission, LLC (“MAIT”), a newly-formed subsidiary of FirstEnergy
17 Transmission, LLC (“FET”), in which the Operating Companies will have
18 membership interests. I will describe the agreements that will facilitate the
19 Transaction and explain the Transaction’s benefits. Finally, I will address the

¹ “Transmission assets” are defined in the Capital Contribution Agreement (Exhibit No. KJT-1 accompanying Joint Applicants’ Statement No. 4, the direct testimony of K. Jon Taylor) (“Contribution Agreement”). The terms of the Contribution Agreement are explained in more detail in Mr. Taylor’s direct testimony.

² The related land and other real estate interests will be leased to MAIT under Ground Leases between each of the Operating Companies and MAIT, as discussed in Mr. Taylor’s testimony.

1 proposed inclusion of MAIT in the FirstEnergy Regulated Money Pool
2 Agreement.

3 **Q. Are you sponsoring any exhibits as part of this filing?**

4 A. Yes. Exhibit SRS-1 is an unexecuted copy of the proposed Amended and
5 Restated Limited Liability Company (“LLC”) Operating Agreement (the “LLC
6 Operating Agreement”) for MAIT, which will govern the activities of MAIT.
7 Exhibit SRS-2 is a chart showing corporate bond spreads, which I discuss later in
8 my testimony. Exhibit SRS-3 is a copy of the FirstEnergy Regulated Money Pool
9 Agreement in clean and blackline form, indicating the addition of MAIT.

10 **II. TRANSACTION AND FINANCIAL ASPECTS**

11 **Q. Please describe MAIT and its primary function.**

12 A. MAIT will be an LLC and a stand-alone transmission entity that will finance,
13 construct, and own new transmission projects located within the JCP&L, Penelec,
14 and Met-Ed transmission control zones within PJM Interconnection, L.L.C.
15 (“PJM”) and, upon the receipt of all necessary regulatory approvals, will also
16 own, operate, and maintain the transmission assets owned by the Operating
17 Companies as of the date of closing on the Transaction. All of the transmission
18 assets will be under the jurisdiction of the Federal Energy Regulatory
19 Commission (“FERC”).

20

1 **Q. Please describe the proposed Transaction between the Operating Companies,**
2 **FET, and MAIT.**

3 A. Upon receipt of all necessary regulatory approvals, the Operating Companies,
4 FET, and MAIT will enter into the LLC Operating Agreement and the
5 Contribution Agreement. The LLC Operating Agreement sets forth the rights,
6 powers and interests of FET and the Operating Companies in MAIT. Thus, the
7 LLC Operating Agreement is comparable to a partnership agreement for a
8 partnership or the articles of incorporation and by-laws for a corporation.
9 Additionally, as explained by Mr. Taylor (Joint Applicants' Statement No. 4),
10 pursuant to the Contribution Agreement, FET will provide cash to MAIT in
11 exchange for Class A membership interests in MAIT, and the Operating
12 Companies will contribute the Transmission Facilities in return for Class B
13 membership interests. As a result of the Transaction, the Operating Companies
14 will no longer own any transmission assets as defined under Exhibit A of the
15 Contribution Agreement (Exhibit KJT-1, Joint Applicants' Statement No. 4) but
16 will continue to own and operate all distribution facilities they presently own and
17 provide retail electric service within their existing service territories as they do
18 today.

19 **Q. What are the differences between Class A and Class B membership**
20 **interests?**

21 A. Under the LLC Operating Agreement, Class A membership interests will provide
22 FET operating control and management of MAIT. The Class B membership
23 interests that the Operating Companies will receive do not confer operating

1 control and management authority over MAIT. However, as set forth in Section
2 3.2 of the LLC Operating Agreement, the Operating Companies will maintain
3 voting rights over “special matters,” which include decisions pertaining to
4 bankruptcy, mergers, any sale of substantially all assets of MAIT and amendment
5 of the LLC Operating Agreement.

6
7 **Q. At the close of the Transaction, what will be the approximate ownership**
8 **interests in MAIT of each of the Operating Companies and FET?**

9 A. The Operating Companies’ initial Class B ownership interests collectively will
10 amount to approximately 95% of MAIT’s total equity, as reflected on the
11 Operating Companies’ respective capital accounts maintained by MAIT. Based
12 on data as of December 31, 2014, JCP&L’s investment will be approximately
13 54.8%; Met-Ed’s investment will be approximately 17%; and Penelec’s
14 investment will be approximately 23.2%. These estimates are preliminary and
15 subject to change based on the actual transfer date. FET’s Class A membership
16 interest will represent initially approximately 5% of MAIT’s total equity as
17 reflected in FET’s capital account maintained by MAIT.

18 **Q. Will the Operating Companies be subject to a continuing obligation to**
19 **contribute cash or other assets to MAIT?**

20 A. No. The Transaction requires the Operating Companies to make a one-time
21 contribution of transmission assets to MAIT. The Operating Companies will have
22 no continuing obligation to contribute equity to MAIT after this initial
23 contribution occurs.

1 **Q. Will the amount of Met-Ed's and Penelec's investment in MAIT increase**
2 **over time?**

3 A. No. MAIT will dividend all of its earnings to its investors in proportion to each
4 investor's contributed capital. Therefore, the amount of the Operating
5 Companies' investment in MAIT will not increase because MAIT will not retain
6 any of its earnings.

7 **Q. How will MAIT's earnings be distributed?**

8 A. MAIT will pay dividends at regular intervals to the Operating Companies and
9 FET, in proportion to each of their contributed capital. The dividends that the
10 Operating Companies receive will be available for all of their corporate purposes,
11 including investment in distribution plant, as they determine appropriate.

12 **Q. How do you expect to account for the future earnings and dividends of**
13 **MAIT?**

14 A. Earnings and dividends generated by MAIT will be allocated to FET and the
15 Operating Companies based on each entity's respective contributed capital to
16 MAIT at the time earnings are recorded and distributions are made. Separate
17 capital accounts will be maintained on MAIT's books for FET's Class A
18 membership interest and each of the Operating Companies' Class B membership
19 interest.

20 **Q. Do the Operating Companies and MAIT anticipate issuing debt as part of**
21 **the Transaction?**

1 A. No. Neither the Operating Companies nor MAIT will need to issue debt in order
2 to effectuate the terms of the Transaction.

3 **Q. Will the Operating Companies transfer debt to MAIT as part of the**
4 **Transaction?**

5 A. No. The Operating Companies do not attribute corporate debt to specific asset
6 classes, and the Operating Companies will not transfer any existing debt to MAIT
7 as part of the Transaction.

8 **Q. Will MAIT have a relationship with other FirstEnergy companies?**

9 A. Yes. As explained in the direct testimony of Charles V. Fullem and Mr. Taylor
10 (Joint Applicants' Statement Nos. 1 and 4, respectively), MAIT will be an
11 indirect, wholly-owned subsidiary of FirstEnergy and an affiliate of FESC, a
12 direct subsidiary of FirstEnergy. Similar to FET and the Operating Companies
13 (as well as the other FirstEnergy subsidiaries), MAIT will become a signatory to
14 the existing FirstEnergy Service Agreement, under which FESC will provide
15 corporate services to MAIT and other centralized services (including
16 transmission-related services). While MAIT will have a Board of Managers and
17 officers, it will not have any employees of its own. MAIT also will be a party to
18 the Revised Amended and Restated Mutual Assistance Agreement, which will
19 permit employees of the Operating Companies to provide services to MAIT.

20 **Q. How will MAIT's day-to-day operations and future transmission growth be**
21 **financed?**

1 A. As part of this proceeding, the Operating Companies are proposing that MAIT be
2 a member of FirstEnergy's regulated money pool. In addition, subject to
3 obtaining the necessary regulatory approvals, MAIT is expected to have short-
4 term borrowing capability under FET's current \$1 billion credit facility. These
5 two sources of funds should provide MAIT with sufficient liquidity for day-to-
6 day operations. Growth in transmission assets will be financed by a combination
7 of FET contributions of equity and issuances of debt by MAIT, which debt
8 issuances will be subject to obtaining the necessary regulatory approvals.

9 **Q. Does MAIT plan to issue long-term debt securities? If so, when?**

10 A. Yes, once it is formed and operating, MAIT will issue long-term debt securities.
11 The timeframe for MAIT's initial sale of long-term debt securities has not been
12 determined yet. After the Commission approves MAIT's request to be designated
13 a Pennsylvania public utility, MAIT will file an abbreviated securities certificate
14 with the Commission for authority to issue long-term debt.

15 **Q. Will MAIT's debt be guaranteed by the Operating Companies and FET?**

16 A. No. The Operating Companies and FET will not provide guarantees for MAIT's
17 debt.

18 **Q. How will this Transaction affect the capital structure of the Operating**
19 **Companies?**

20 A. The capital structure of each Operating Company will remain unchanged as a
21 result of the Transaction when the Transmission Facilities are transferred to
22 MAIT. Rather than recording their investment in transmission plant accounts,
23 each Operating Company will record an amount of investment in a unique asset

1 account equivalent to the amount of transmission assets (including goodwill and
2 transmission-related regulatory assets and net of accumulated deferred income
3 taxes) contributed to MAIT. Thus, the total amount of overall investment of each
4 Operating Company does not change once the transfer is complete. This
5 accounting approach is explained in more detail in the direct testimony of Mr.
6 Taylor.

7 **Q. Which entity will control the operations and management of MAIT?**

8 A. FET, due to its Class A membership interest, will appoint the Board of Managers
9 which will control the day-to-day operation and management of MAIT. Under
10 the terms of the LLC Operating Agreement, the Operating Companies will be
11 granted Class B ownership interests. The Class B ownership interests relative to
12 MAIT operations include consent rights with respect to major corporate matters,
13 such as mergers, acquisitions, and bankruptcy

14 **Q. Will any of MAIT's affiliates have the ability to control the manner in which
15 transmission services are provided?**

16 A. No. MAIT will provide transmission services to customers in accordance with
17 the terms of the PJM Open Access Transmission Tariff ("OATT"), which is the
18 same manner in which services are provided today by the Operating Companies.

19 **III. BENEFITS OF THE FINANCIAL STRUCTURE OF A STAND-**
20 **ALONE TRANSMISSION COMPANY**

21 **Q. Please address the structural and financial benefits of forming MAIT and
22 completing the Transaction as the Joint Applicants propose.**

1 A. The generation, transmission and distribution functions of FirstEnergy are already
2 operated and managed as separate business units with differing levels of oversight
3 by Federal and state regulators. Thus, the creation of a separate transmission
4 company better aligns FirstEnergy's corporate structure with the *de facto*
5 operational structure and labor resources provided by the Operating Companies.
6 The structural separation of these functions establishes a clear delineation of
7 responsibility and accountability for each business unit. Because each business
8 segment is separately financed and managed, this realignment will allow each
9 business head to focus on delivering operational excellence for its respective
10 business unit without intra-company competition for resources between
11 transmission and distribution interests. Additionally, the proposed realignment
12 complements the current financial reporting structure, which is already function-
13 based. This proposal with respect to the Operating Companies and MAIT is
14 similar to the approach FirstEnergy has already implemented by transferred
15 transmission assets from its Ohio utilities and one of its Pennsylvania utilities
16 (Pennsylvania Power Company) to ATSI, as explained in more detail in the direct
17 testimony of Mr. Taylor (Joint Applicants' Statement No. 4).

18 From a financial perspective, in addition to allowing the creation of a
19 separate transmission business without adverse tax consequences, the Transaction
20 will improve FirstEnergy's financial strength and flexibility with respect to
21 transmission development in the region. The credit agencies also have
22 consistently expressed a preference for the separate transmission company
23 business model. FirstEnergy's proposal to restructure ownership of all

1 transmission assets within the Met-Ed, Penelec, and JCP&L transmission control
2 zones within PJM to achieve a more modern, efficient division of assets reflects
3 this favored approach.

4 **Q. Please describe the transmission needs and challenges in the service**
5 **territories of the Operating Companies that will benefit from the creation of**
6 **MAIT.**

7 A. There is a significant need for new transmission investment in the Met-Ed,
8 Penelec, and JCP&L transmission control zones in the next few years. Based on a
9 preliminary assessment, increased transmission system capital investments in the
10 Met-Ed, Penelec, and JCP&L transmission control zones within PJM are needed
11 that could total \$2.5 to 3 billion over the next five to ten years. Jeffrey J.
12 Mackauer (Joint Applicants' Statement No. 2) discusses the specific categories of
13 projects that MAIT will undertake and how those projects will benefit customers
14 from an operational perspective.

15 Because of the levels of investment that will be needed to enhance the
16 transmission grid, I believe it will be increasingly challenging for utilities that
17 have the obligation to meet the service requirements of retail electric distribution
18 customers to implement sustained transmission expansion and enhancement
19 initiatives while maintaining investment grade credit metrics to support an
20 adequate supply of investor capital. Separate transmission-only focused
21 companies offer several advantages, which enables overall lower costs for
22 customers:

1 **Reduced Cost of Capital.** As Mr. Fullem explains, a transmission-only company
2 improves transparency for investors. In my experience, investors perceive the
3 transmission-only model as straightforward and easy to assess for investment
4 purposes, which can reduce perceived investor risk and improve the overall credit
5 profile of the business. For example, Trans-Allegheny Interstate Line Company
6 (“TrAILCo”), a direct, wholly-owned subsidiary of FET and a transmission-only
7 utility, has a current senior unsecured credit rating of A3, as assigned by
8 Moody’s, which is two notches above the Penelec’s current credit ratings of Baa2
9 and one notch above Med-Ed’s rating of Baa1. Moody’s derives a credit profile
10 for each company under the same holding company umbrella by taking into
11 consideration the potential of parent intervention, both positive and negative.
12 Standard & Poor’s (“S&P”), on the other hand, employs a group approach that
13 assigns the same corporate credit rating to all members of a corporate holding
14 company system, which, for FirstEnergy, is currently BBB-. However, S&P
15 provides a pure stand-alone credit profile for each member of the group as well.
16 TrAILCo’s stand-alone S&P credit profile of AA is at least three notches above
17 that of the Operating Companies.

18 Exhibit SRS-2 shows the average spreads of corporate bond yields over
19 U.S. Treasury yields for three different credit ratings assigned by S&P, beginning
20 in January 2013. This exhibit shows that higher credit ratings generally translate
21 into a lower cost of capital, which is a direct benefit to customers of regulated
22 utilities. The four data points shown as red squares (labeled 1, 2, 3 & 4) reflect
23 the actual spread of the yields on bonds issued by the Operating Companies and

1 by TrAILCo relative to the average spread of all corporate bonds issued with the
2 specific credit ratings shown on the chart. The data show that the spread for two
3 of the three Operating Companies that are rated Baa2 by Moody's is nearly
4 identical to the basis point spread for S&P's BBB rated bonds. Not surprisingly,
5 TrAILCo's debt at the time of issuance priced 30 basis points lower than the
6 average spread for all BBB (S&P) bonds.

7 To further illustrate the effects of credit quality on price, the exhibit shows
8 six additional data points. The three data points shown as green circles (labeled 5,
9 6 and 7) reflect the actual spread of the yields on bonds issued by ITC Midwest
10 LLC, ITC Great Plains LLC and Michigan Electric Transmission Company, LLC,
11 all transmission-only utilities and wholly owned subsidiaries of ITC Holdings
12 Corp, the nation's largest independent electric transmission company. The three
13 data points shown as orange triangles (labeled 8, 9 & 10) reflect the actual spread
14 of the yields on bonds issued by American Transmission Company, a privately
15 owned transmission-only company. As can be seen all six issuances have a
16 Moody's credit rating of A1, and, not surprisingly, are priced significantly lower
17 than the spread for Moody's Baa2 & A3 bonds shown on the exhibit.

18 Since MAIT's structure with formulaic cost recovery will be similar to
19 TrAILCo, I would expect MAIT to have at least a 30 basis point price advantage
20 over the Operating Companies. From a financing perspective, this 30 basis point
21 differential in debt borrowing rates when applied to \$1.5 billion of debt-financed
22 rate base can result in \$135 million of savings to customers over a 30 year asset
23 life.

1 I believe this estimated 30 basis point differential is conservative because
2 it does not take into account the cost savings available from making larger
3 issuances, which will be enabled by the contribution of the three Operating
4 Companies' transmission assets to MAIT. Specifically, it is less cost-efficient to
5 make three separate debt issuances by each of the Operating Companies than a
6 single issuance by MAIT. Three issuances, each of which is smaller than a single
7 MAIT issuance, may require the issuers to make liquidity concessions that
8 increase borrowing costs. For example, Exhibit SRS-2 shows two separate
9 issuances of senior notes in the amounts of \$250 million and \$200 million, by
10 Met-Ed and Penelec, respectively, which occurred on the same day in June 2014.
11 Even though both Companies had the same credit rating at the time of those
12 issuances, Penelec's senior notes priced 15 basis points higher than Met-Ed's.
13 The investment bankers' assessment of this spread differential, indicates that the
14 smaller size of Penelec's issuance was the likely cause of that differential.
15 Generally, investors view \$250 million as the minimum size of an issuance
16 necessary to provide minimally desired levels of liquidity. Liquidity is a measure
17 of how quickly securities can be bought or sold and is especially important for the
18 syndicate of banks that underwrite the bonds and take on the risk of distributing
19 the securities in a secondary market. The greater the liquidity, the lower the risk
20 and the price. Thus, if the debt needed for transmission operations can be offered
21 in a single issuance, the minimum issuance size necessary to avoid or minimize
22 liquidity concessions can be more readily achieved.

1 Furthermore, separate transmission companies, with a singular focus on the
2 transmission function, coupled with the transparent, formula-based cost recovery
3 mechanism authorized by FERC for transmission service, are an attractive
4 investment for a wider spectrum of investors and, therefore, provide added
5 flexibility in raising equity capital through multiple avenues, whether public or
6 private, at lower cost.

7 **Efficiency.** MAIT will be a much larger transmission owner than any of the
8 Operating Companies would ever be individually. Because MAIT would be a
9 larger company with a larger asset pool, it would be better equipped from a
10 financial perspective to secure the debt required to make substantial investments
11 in the transmission system on reasonable terms. Rather than issuing debt at each
12 of the Operating Companies for needed investment, the debt only needs to be
13 issued at the MAIT level. This makes the process more cost effective, efficient
14 and less time consuming.

15 **Reduced Competition for Capital.** Investment by each of the Operating
16 Companies in transmission competes with other necessary investments and can be
17 deferred in favor of more immediate investments in distribution facilities.
18 Without such competing interests, MAIT will be able to pursue investment in
19 necessary transmission facilities on which a reasonable return can be earned while
20 enhancing service to customers as explained by Mr. Mackauer.

21 Furthermore, MAIT's operational flexibility and access to capital will
22 provide greater flexibility to respond promptly, efficiently, and cost-effectively to

1 PJM and North American Electric Reliability Corporation (“NERC”) reliability
2 requirements. This is especially important because, under the existing structure
3 where the Operating Companies own the transmission assets, PJM requirements
4 to construct new transmission projects commit a significant portion of the
5 Operating Companies’ available capital to such projects, which is then
6 unavailable for distribution system investment. Consequently, the capital
7 demands of more transmission projects could limit the amount of available capital
8 for needed distribution plant investments, and the associated increase in debt
9 burden could adversely affect the financial condition and credit profiles of the
10 Operating Companies.

11 Because MAIT will issue debt in its own name without a guarantee from the
12 Operating Companies, any debt incurred by MAIT to finance new transmission
13 will not affect the financial condition and credit ratings of the Operating
14 Companies. This will allow the Operating Companies to have greater control
15 over their annual expenditures dedicated to the distribution business and similarly
16 reduce the range of business lines that must be evaluated for purposes of assessing
17 risks by investors. Hence, the migration to a transmission-only model not only
18 better supports the sustained level of transmission investment needed at MAIT,
19 but at the same time preserves the Operating Companies’ capacity to issue debt
20 for their own distribution system needs.

21

1 Q. Will the formation of MAIT impact the Operating Companies' credit
2 ratings?

3 A. The formation of MAIT is not expected to impact the credit ratings of the
4 Operating Companies. Since each Operating Company will be an equity investor
5 in MAIT, the Operating Company will be receiving a dividend for its investment
6 that will be equivalent to the earnings that it would have realized prior to the
7 transfer of transmission assets.

8 IV. REGULATED MONEY POOL

9 Q. Will MAIT be a member of FirstEnergy's regulated money pool?

10 A. As part of this filing, the Operating Companies are requesting approval for MAIT
11 to become a member of FirstEnergy's regulated money pool. A copy of the
12 current money pool agreement approved by the Commission, with the addition of
13 MAIT, and a blackline to the current version showing this addition, is included as
14 Exhibit SRS-3.³

15 As I explained, MAIT's credit rating is expected to be higher than the ratings of
16 the Operating Companies, therefore, there will be no adverse effects of adding
17 MAIT to the FirstEnergy regulated money pool.

18

³ The references to AYE Utilities and AYE Service are no longer necessary as AYE Service no longer serves as an administrator of the Money Pool on behalf of West Penn Power Company, Monongahela Power Company and Potomac Edison Company. In addition, those utilities are now direct subsidiaries of FirstEnergy.

1 **Q. Will MAIT have access to other short term borrowings besides the**
2 **FirstEnergy regulated money pool?**

3 A. Yes. As I explained earlier, I expect that, upon obtaining the necessary regulatory
4 authorization, MAIT will have short term borrowing capability under FET's
5 current one billion dollar credit facility. This facility, together with the regulated
6 money pool, should provide MAIT with sufficient liquidity needed for day to day
7 operations.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes, it does at this time.

Educational Background and Professional Experience of Steven R. Staub

Education:

1993 Bachelor of Science Degree in Business/Accounting and Political Science – University of Pittsburgh
1997 Masters of Business Administration Degree – University of Pittsburgh
2007 Master of Taxation – Robert Morris University

Experience:

4/94 – 2/98	Finance-related positions in the corporate banking, capital markets, and securities lending divisions – Mellon Bank
2/98 – 8/99	Senior Finance Analyst – Ford Motor Company
8/99 – 9/02	Senior Financial Consultant – Duquesne Light Company
9/02 – 12/03	Manager of Corporate Finance – Duquesne Light Company
12/03 – 11/07	Assistant Treasurer – Duquesne Light Company
12/07 – 8/12	Assistant Treasurer – Allegheny Energy Inc. (FirstEnergy)
8/12 – 12/12	Executive Director and Assistant Treasurer – FirstEnergy
12/12 – Present	Vice President and Treasurer – FirstEnergy

Prior Rate Case Testimony:

Public Service Commission of West Virginia	Case No. 12-1571-E-PC Case No. 14-0702-E-42T
New Jersey Regulatory Commission	BPU Docket No. ER12111052 OAL Docket No. PUC16310-2012N
Pennsylvania Public Utility Commission	Docket No. R-2014-2428742 Docket No. R-2014-2428743 Docket No. R-2014-2428744 Docket No. R-2014-2428745
Ohio Public Utilities Commission	Case No. 14-1297-EL-SSO

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
MID-ATLANTIC INTERSTATE TRANSMISSION, LLC

TABLE OF CONTENTS

	<u>Page</u>
Article 1. Organization.....	1
1.1 Formation of the Company; Term.....	1
1.2 Name.....	2
1.3 Purpose of the Company; Business.....	2
1.4 Registered Office; Registered Agent.....	2
1.5 Principal Place of Business.....	2
Article 2. Definitions.....	2
Article 3. Capitalization; Economics.....	3
3.1 Authorized Interests.....	3
3.2 Voting Rights.....	3
3.3 Capital.....	4
3.4 Capital Accounts.....	4
3.5 Allocation of Profits and Losses.....	5
3.6 Distributions.....	5
3.7 Tax Matters.....	6
Article 4. Management.....	7
4.1 Board of Managers.....	7
4.2 Authority of the Board.....	7
4.3 Notice of Board Meetings.....	7
4.4 Location of Board Meetings.....	7
4.5 Waiver of Notice of Meeting.....	7
4.6 Quorum; Required Vote.....	8
4.7 Voting; Proxies.....	8
4.8 Written Actions of the Board.....	8
4.9 Officers of the Company.....	8
Article 5. Powers and Duties of and Limitations on the Members.....	8
5.1 Rights of the Member.....	8
5.2 Limitations on the Rights of each Member.....	8
5.3 Limited Liability of each Member.....	9
5.4 Assignments and Transfers of Interests.....	9
5.5 Admission of Additional Members.....	9
5.6 Withdrawal.....	9
Article 6. Exculpation and Indemnification.....	9
6.1 Exculpation.....	9
6.2 Indemnification.....	10
Article 7. General.....	11
7.1 Dissolution.....	11
7.2 Winding Up and Liquidation.....	11
7.3 Entire Agreement; Amendment.....	11
7.4 Notices.....	11
7.5 Invalidity.....	11

7.6	Governing Law	11
7.7	Successors and Assigns	11
7.8	No Benefit of Third Parties	11
7.9	Construction	12
7.10	Counterparts	12

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
MID-ATLANTIC INTERSTATE TRANSMISSION, LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this “*Agreement*”) of Mid-Atlantic Interstate Transmission, LLC, a Delaware limited liability company (the “*Company*”), is made and is dated [DATE] by FirstEnergy Transmission, LLC, a Delaware limited liability company (“*FET*”), Jersey Central Power & Light Company, a New Jersey corporation (“*JCP&L*”), Pennsylvania Electric Company, a Pennsylvania corporation (“*PN*”) and Metropolitan Edison Company, a Pennsylvania corporation (“*ME*”, together with FET, JCP&L and PN, the “*Initial Members*” and individually, each a “*Initial Member*”). Unless the context otherwise requires, terms that are capitalized and not otherwise defined in context have the meanings set forth or cross-referenced in Article 2.

WHEREAS, FET has caused to be filed a Certificate of Formation of the Company with the Secretary of State of Delaware (the “*Secretary of State*”) to form the Company under and pursuant to the Law (as herein defined) on June 10, 2015 (the “*Formation Date*”);

WHEREAS, in connection with such formation, FET has entered into a Limited Liability Company Agreement of the Company dated as of June 10, 2015 (the “*Original LLC Agreement*”);

WHEREAS, pursuant to a contribution agreement between the Company and the Initial Members (the “*Contribution Agreement*”) dated as of the date hereof (the “*Contribution Date*”), each of the Initial Members contributed certain assets and/or cash in exchange for Interests in the Company; and

WHEREAS, in accordance with the Law, FET desires to enter into this Agreement with the other Initial Members to amend and restate the Original LLC Agreement in its entirety and to set forth the respective rights, powers and interests of the Initial Members with respect to the Company and their respective Interests therein and to provide for the management of the business and operations of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, FET and the other Members, intending to be legally bound, hereby agree to amend and restate the Original LLC Agreement in its entirety as follows:

Article 1. Organization

1.1 Formation of the Company; Term. The Company is a limited liability company under the Law and is governed by this Agreement. The Company is an entity separate

from the Members and the Managers (as defined below), created by the execution and filing of the certificate of formation of the Company with the Secretary of State of the State of Delaware. Unless sooner dissolved and liquidated by action of the Members and the Managers, the Company is to continue in perpetuity.

1.2 Name. The name of the Company is: “Mid-Atlantic Interstate Transmission, LLC.”

1.3 Purpose of the Company; Business. The purpose of the Company is to engage in any lawful act or activity for which a limited liability company may be formed within the State of Delaware, including, but not limited, to (a) design, engineer, site, acquire rights-of-way for, procure, permit, construct, commission, finance, own, operate and maintain certain transmission and interconnection facilities in the PJM Region; and (b) engage in any and all lawful activities directly or indirectly relating thereto, including incurring and guaranteeing indebtedness related to such activities.

1.4 Registered Office; Registered Agent. The registered office of the Company shall be the office of the initial registered agent named in the Certificate of Formation or such other office (which need not be a place of business of the Company) as the Board (as defined below) may designate from time to time in the manner provided by the Law. The registered agent for service of process on the Company in the State of Delaware shall be the initial registered agent named in the Certificate of Formation or such other Person or Persons as the Board may designate from time to time in the manner provided by the Law.

1.5 Principal Place of Business. The principal place of business and mailing address of the Company is [ADDRESS]. The Company may also have offices at such other locations as the business of the Company may require. From time to time, the Board may change the principal place of business of the Company without reflecting the change in this Agreement.

Article 2. Definitions

“*Affiliate*” of any Person means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person.

“*Class*” means a specific group of Members owning an Interest in the Company having certain specific rights, powers, and duties as provided for under this Agreement.

“*Class A Interest*” means an Interest in the Company designated as a Class A Interest.

“*Class B Interest*” means an Interest in the Company designated as a Class B Interest.

“*Code*” means the United States Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations promulgated thereunder.

“*FirstEnergy*” means FirstEnergy Corp., an Ohio corporation, and the parent of the Initial Members.

“*Fiscal Year*” means the fiscal year of the Company for accounting and tax purposes, which shall begin on January 1 and end December 31 of each year or such other date as the Board shall determine from time to time, except for the short taxable years in the years of the Company’s formation and termination and as otherwise required by the Code.

“*Interest*” means any interest in the Company held by any Member, including the Class A Interests and the Class B Interests.

“*Law*” means the Delaware Limited Liability Company Act (6 Del. C. § 18-101, et seq.), as amended from time to time. Any reference to the Law automatically includes a reference to any subsequent or successor limited liability company law in the State of Delaware.

“*Member*” means (a) each Initial Member; and (b) and each Person who is hereafter admitted as a Member in accordance with the terms of this Agreement and the Law, in each case so long as such Person is shown on the Company's books and records as the owner of any Interest. The Members shall constitute the "members" (as that term is defined in the Law) of the Company.

“*Person*” or “person” means any natural person and any corporation, firm, partnership, trust, estate, limited liability company or other entity resulting from any form of association.

“*PJM*” means PJM Interconnection, L.L.C., a regional transmission organization, or any successor entity.

“*PJM Region*” means the aggregate of the transmission control zones within the PJM geographic footprint.

Article 3. Capitalization; Economics

3.1 Authorized Interests. The Company shall be authorized to issue different classes of Interests, initially consisting of Class A Interests and Class B Interests. Except for the voting rights as set forth in Section 3.2, Class A Interests and Class B Interests shall have the same rights, preferences, privileges and obligations under this Agreement. The Board shall have the right to create additional classes of Interests from time to time; provided, this Agreement shall be amended by the Board to reflect the rights, preferences privileges and obligations of any such new Interests, subject to approval by the Members as set forth in Section 3.2.

3.2 Voting Rights. (a) In General. Except as otherwise required by applicable law, no Member shall have any voting rights except as otherwise expressly set forth in this Agreement.

(b) Management Control. Each Member holding Class A Interests shall have the sole authority to elect and remove the Managers and determine the size of the Board.

(c) Special Matters. Members holding Class A Interests or Class B Interests shall have equal voting rights with respect to the special matters delineated below. Without the prior written consent of the majority of the voting rights of the Members holding Class A Interests and Class B Interests, voting together as a class, the Company shall not: (a) voluntarily initiate any liquidation, dissolution or winding up of the Company or permit the commencement of a proceeding for bankruptcy, insolvency, receivership or similar action against the Company; (b) sell, dispose of (whether by merger, sale of equity, recapitalization or otherwise) the Company or substantially all of the assets of the Company; and (c) amend, modify or waive any provision of this Agreement.

3.3 Capital. (a) Initial Capital Contributions. Contemporaneously with the execution of this Agreement and as set forth in the Contribution Agreement, each Initial Member has contributed certain assets and/or cash in exchange for Interests in the Company, as set forth opposite such Initial Member's name in Exhibit A hereto.

(b) Additional Capital Contributions. No Member shall be required to make additional capital contributions to the Company. Any additional capital contributions made by any Member shall only be made with the consent of the Board. The Company is to finance its operations independently of the Members and without the Members' financial support. The provisions of this Section 3.3(b) are intended solely to benefit the Members and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company other than the Members (and no such creditor of the Company shall be a third party beneficiary of this Agreement). The Members shall not have a duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Section 3.3(b).

3.4 Capital Accounts. The Company shall maintain a capital account for each Member in accordance with this Section 3.4 and, to the extent the Company is treated as a partnership for federal income tax purposes, the capital accounts shall be maintained in accordance with the rules of United States Treasury Regulations Section 1.704-1(b)(2)(iv) promulgated under the Code. Each Member's capital account shall have an initial balance equal to the amount of cash or the net book value of the assets representing such Member's initial contribution to the capital of the Company, in each case, as set forth in Exhibit A hereto. Each Member's capital account shall be increased by the sum of (a) the amount of cash constituting additional contributions, if any, by such Member to the capital of the Company made in accordance with Section 3.3(b), and (b) any profits allocated to such Member's capital account pursuant to Section 3.5(a). Each Member's capital account shall be reduced (i) with respect to Members holding Class A Interests, by the sum of (1) the amount of cash and the higher of net book value and fair market value of any property distributed by the Company to such Member holding Class A Interests, and (2) any losses allocated to the capital account of such Member holding Class A Interests pursuant to Section 3.5(a) and (ii) with respect to Members holding Class B Interests, by the sum of (1) the amount of cash and the net book value of any property distributed by the Company to such Member holding Class B Interests, and (2) any losses allocated to the capital account of such Member holding Class B Interests pursuant to Section 3.5(a).

3.5 Allocation of Profits and Losses. (a) Book Allocations: The Company's profits and losses shall be allocated to the Members from time to time pro rata in accordance with each Member's capital account balance.

(b) Tax Allocations: In the event the Company is treated as a partnership for federal income tax purposes, each Member's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with Section 3.5(a) to the fullest extent permitted by Sections 704(b) and (c) of the Code. Likewise, as applicable for federal income tax purposes, any special allocations described in Section 3.5(c) will be made in accordance with Section 704 of the Code.

(c) Special Book Allocations.

(i) Qualified Income Offset. If any Member unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) and such adjustment, allocation or distribution causes or increases a deficit in such Member's capital account (a "*Deficit*"), items of gross income and gain for such Fiscal Year and each subsequent Fiscal Year shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit of such Member as quickly as possible; provided that an allocation pursuant to this Section 3.5(c) shall be made only if (and only to the extent that) such Member would have a Deficit after all other allocations provided for in this Section 3.5 have been tentatively made as if this Section 3.5(c)(i) were not in this Agreement. This Section 3.5(c) is intended to comply with the qualified income offset provision of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

(ii) Other Special Allocations. Special allocations shall be made in accordance with the requirements set forth in the Treasury Regulations Sections 1.704-2(f), (g) and (j) (minimum gain chargeback), 1.704-2(g)(1) and (i)(5) (gross income allocation), 1.704-2(i)(2) (nonrecourse deductions), and to the extent that a Section 754 election is in effect, 1.704-1(b)(2)(iv)(m) (Section 754 adjustments).

(iii) Restorative Allocations. Any special allocations of items of income, gain, loss or deduction pursuant to this Section 3.5(c) shall be taken into account in computing subsequent allocations pursuant to this Agreement, so that the net amount for any item so allocated and all other items allocated to each Member pursuant to this Agreement shall be equal, to the extent possible, to the net amount that would have been allocated to each Member pursuant to the provisions of this Agreement if such special allocations had not occurred.

3.6 Distributions. (a) The Members shall not be entitled to interest on their capital contributions to the Company or have the right to distributions or the return of any contribution to the capital of the Company, except for distributions in accordance with this Section 3.6 or upon dissolution and liquidation of the Company in accordance with Sections 7.1 and 7.2. To the fullest extent permitted by the Law, the Members shall not be liable for the return of any such amounts. Notwithstanding any provision in this Agreement to the contrary,

the Company shall not make a distribution to the Members on account of their respective Interests in the Company if such distribution would violate the Law or other applicable law.

(b) Distributions shall be made in cash to the Members of each Class pro rata in accordance with each Member's capital account balance, at the times and in the aggregate amounts determined by the Board.

3.7 Tax Matters. (a) Tax Classification. On the Formation Date, the Company was formed as a domestic limited liability company with a single Member, FET. On the Formation Date, the Company's default classification for federal income tax purposes was a disregarded entity, meaning that it was not treated as an entity separate from its owner for federal income tax purposes. As of the Contribution Date, the Company will have multiple Members. The default classification of a multiple owner limited liability company for federal income tax purposes is a partnership. However, the Members acknowledge that the Board has sole authority to cause the Company at any time (prior to, on, or after the Contribution Date) to make an election to be treated as a corporation for federal income tax purposes by filing IRS Form 8832. If the Company makes such an election, the Company will be treated as a corporation for federal income tax purposes regardless of the Company's classification under the Law or for accounting purposes. If the Company is treated as a corporation for federal income tax purposes, it will be included in the FirstEnergy consolidated federal income tax group and will compute its federal taxable income accordingly, and will participate as a member of the FirstEnergy tax allocation agreement. The Members acknowledge that the Board has sole authority to determine the Company's federal income tax classification and change such tax classification in accordance with the Code. The Members hereby agree to take any measures necessary (or, if applicable, refrain from any action) to ensure that the Company is treated in accordance with the applicable federal income tax classification deemed appropriate by the Board. The Board also shall cause the Company to make any elections under the Code and other relevant tax laws as to the treatment of items of the Company's income, gain, loss, deduction, and credit, and as to all other relevant matters, as it deems necessary or appropriate.

(b) Books and Records. Proper and complete records and books of account of the business of the Company required to be maintained by applicable law, including, but not limited to, the capital account of each Member, shall be maintained at the Company's principal place of business. Each Member and its duly authorized representatives may, for any reason reasonably related to its Interest as a Member of the Company, examine the Company's books of account and make copies and extracts therefrom at its own expense. The records of the Company shall be maintained for five years following termination of the Company or as otherwise required by applicable law. For any Fiscal Year in which the Company is treated as a partnership for federal income tax purposes, as soon as reasonably practicable after the end of such Fiscal Year, the Board shall cause the Company to prepare and send to each Member a statement of the amount of such Member's share in the Company's taxable income or loss for each year and information relating to the nature thereof, in sufficient detail to enable it to prepare its United States federal, state and other tax returns including, but not limited to, Internal Revenue Service Schedule "K-1," or any successor thereto. For any Fiscal Year in which the Company is treated as a partnership for federal income tax purposes, FET is specifically authorized to act as a "tax matters partner" under the Code and in any similar capacity under any law.

Article 4. Management

4.1 Board of Managers. (a) The Company shall be managed by a board of managers (the “*Board*”) initially composed of [NUMBER] managers (each a “*Manager*” and collectively, the “*Managers*”). The initial Managers appointed by the Members holding Class A Interests are [MANAGERS LIST]. From time to time, the Members holding Class A Interests may elect additional Managers to serve on the Board.

(b) Each Manager is to serve until the earlier of his or her death, resignation or removal. Members holding Class A Interests may remove or replace a Manager at any time. Any Manager may resign at any time by delivering his or her written resignation to the Members holding Class A Interests.

4.2 Authority of the Board. (a) Except as specifically reserved to the Members in this Agreement or as provided by applicable law, the Board has all power and authority to manage, and to direct the management of, the business and affairs of the Company in the ordinary course of its business consistent with the Law. Approval by or action taken by the Board in accordance with this Agreement is the approval or action of the Company and is binding on each Member, Manager and the Company.

(b) The Board may delegate to the officers, other employees and agents of the Company the authority to conduct the business of the Company in the ordinary course, in accordance with this Agreement and any policy of delegation which may be adopted and revised from time to time by the Board. Any power not delegated by the Board remains with the Board.

4.3 Notice of Board Meetings. Regular meetings of the Board may be held at such times and places as may be fixed by the Board. Special meetings of the Board may be called by the president (if appointed), by the secretary (if appointed), or by any Manager. Notice of the time and place of a special or regular meeting of the Board is effective if delivered to each member of the Board by hand, mail, telecopy, telephone or electronic mail and received not less than one day prior to the time of such special meeting. Notices of special meetings of the Board are to identify the time, place, and purpose of the special meeting or the business to be transacted at the special meeting. The failure to specifically identify an action to be taken or business to be transacted does not invalidate any action taken or any business transacted at a special meeting.

4.4 Location of Board Meetings. Board meetings may be held at any location in the world. The Managers may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting is presence in person at the meeting.

4.5 Waiver of Notice of Meeting. Whenever notice of a Board meeting is required to be given, a written waiver of notice, signed by the Manager entitled to notice, whether before or after the time of the meeting, is equivalent to notice. Neither the business to be transacted at, nor the purpose of, any Board meeting need to be specified in any written waiver of notice thereof. A Manager’s attendance at a meeting is a waiver of notice of that

meeting, except when the Manager attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

4.6 Quorum; Required Vote. A quorum for the transaction of business at any meeting of the Board shall consist of a majority of the Managers then in office. The vote of at least a majority of the Managers on the Board constitutes approval by, or the authorization of, the Board. No Manager on the Board is disqualified from acting on any matter because the Manager is interested in the matter to be acted upon by the Board.

4.7 Voting; Proxies. Each Manager on the Board has one vote. A Manager has no power to authorize another person to vote on behalf of the Manager, whether by proxy or other power of attorney.

4.8 Written Actions of the Board. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if a majority of the Managers on the Board consents thereto in writing, and the writing or writings are filed by the Company Secretary with the minutes of proceedings of the Board.

4.9 Officers of the Company. (a) The Board may, but shall not be required to, appoint one or more individuals to serve as officers of the Company, assign powers and duties to such officers and set the compensation of such officers, if any.

(b) The officers of the Company may consist of a president, a secretary, a controller, a treasurer, and such other officers and assistant officers and agents as the Board shall deem necessary or advisable.

(c) Each officer shall serve until the earlier of his or her death, resignation or removal. The Board may remove or replace any officer at any time, with or without cause, by a vote of at least a majority of the members of the Board then in office. Any officer may resign at any time by delivering his or her written resignation to the Board.

(d) Unless otherwise specified elsewhere in this Agreement or by the Board from time to time, the officers of the Company will have such authority and perform such duties as are customarily incident to their offices.

(e) The Board shall authorize those individuals who will be responsible for signing documents necessary or advisable for the operation of the business.

Article 5. Powers and Duties of and Limitations on the Members

5.1 Rights of the Member. Each Member is entitled to have such rights and powers as are provided in this Agreement or by mandatory requirements of applicable law.

5.2 Limitations on the Rights of each Member. Subject to any mandatory requirements of applicable law, each Member (in its capacity as a Member) has no right to take any part whatsoever in the management and control of the ordinary business of the Company,

sign for or bind the Company, compel a sale or appraisal of Company assets or sell or assign its interest in the Company except as provided in this Agreement.

5.3 Limited Liability of each Member. No Member will be obligated personally for any debt, obligation or liability of the Company or other Members, whether arising in contract, tort or otherwise, solely by reason of being a Member.

5.4 Assignments and Transfers of Interests. A Member may transfer all or any portion of its Interest in the Company and any and all rights and/or obligations associated therewith with the written consent of the Board. The transferee of an Interest shall be admitted to the Company as a Member upon its execution of a counterpart signature page to this Agreement, or some other written instrument reasonably acceptable to the Board in which the Member agrees to be bound by the terms of this Agreement. If the transferring Member transfers all of its Interest, such admission shall be deemed effective immediately prior to the transfer and immediately following such admission, the transferor Member shall cease to be a member of the Company. Upon the admission of such transferor Member, the Board shall also adjust the capital accounts of all Members as necessary in accordance with Section 3.4.

5.5 Admission of Additional Members. In connection with the issuance of additional Interests by the Company, one or more additional Member(s) may be admitted to the Company as a Member with the written consent of the Board and upon execution of a counterpart signature page to this Agreement or some other document pursuant to which such additional Member agrees to be bound by this Agreement. Upon the admission of such additional Member, the Board shall also adjust the capital accounts of the Members as necessary in accordance with Section 3.4. The Company shall continue as a limited liability company under the Law after the admission of any additional Members pursuant to this Section 5.5.

5.6 Withdrawal. A Member shall not cease to be a Member as a result of the bankruptcy of such Member or as a result of any other events specified in the Law. A Member who continues to hold any Interest may withdraw from the Company only with the prior written consent of the Board. Otherwise, so long as a Member continues to hold any Interest, such Member shall not have the ability to withdraw or resign as a Member prior to the dissolution and winding up of the Company and any such withdrawal or resignation or attempted withdrawal or resignation by a Member prior to the dissolution or winding up of the Company shall be null and void. As soon as any Person who is a Member ceases to hold any Interests, such Person shall no longer be a Member.

Article 6. Exculpation and Indemnification

6.1 Exculpation. To the full extent authorized or permitted by law (as now or hereafter in effect), no Manager of the Company (or any predecessor of the Company) shall be personally liable to the Company or the Members for monetary damages for any breach of fiduciary duty by such a Manager as a Manager. Notwithstanding the foregoing sentence, a Manager shall be liable to the extent provided by applicable law (a) for any breach of the Manager's duty of loyalty to the Company or its Members, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law or (c) for any transaction from which the Manager derived an improper personal benefit. No amendment to or

repeal of this Section 6.1 shall apply to or have any effect on the liability or alleged liability of any Manager of the Company for or with respect to any acts or omissions of such Manager occurring prior to such amendment or repeal.

6.2 Indemnification. (a) The Company shall indemnify to the fullest extent authorized or permitted by law (as now or hereafter in effect) any person made, or threatened to be made a party to or otherwise involved in any action or proceeding (whether civil or criminal or otherwise) by reason of the fact that he, his testator or intestate, is or was a Manager or officer of the Company or by reason of the fact that such Manager or officer, at the request of the Company, is or was serving any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity, against expenses reasonably incurred by him or her in connection with the defense or settlement of such action if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, except in relation to matters as to which he or she is adjudged in such action or proceeding to be liable for negligence or misconduct in the performance of a duty owed to the Company. Nothing contained herein shall affect any rights to indemnification to which employees other than Managers and officers may be entitled by law. No amendment or repeal of this Section 6.2 shall apply to or have any effect on any right to indemnification provided hereunder with respect to any acts or omissions occurring prior to such amendment or repeal.

(b) Expenses incurred in defending any action or proceeding, civil or criminal, may be paid by the Company in advance of the final disposition of such action or proceeding notwithstanding any provisions of this Article to the contrary. But the Manager, officer, employee, or agent so defended shall repay such expenses to the Company if it is judicially determined that such Manager, officer, employee, or agent is not entitled to indemnification as provided in this Article.

(c) The Company may purchase and maintain insurance on behalf of any person who is or was a Manager, officer, employee or agent of the Company or was serving at the request of the Company as a Manager, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him or her against such liability under the provisions of the law. The Company may create a trust fund, grant a security interest and use any other means (including, without limitation, letters of credit, surety bonds and other similar arrangements), as well as enter into contracts providing for indemnification to the fullest extent authorized or permitted by law and including as part thereof any or all of the foregoing, to ensure the payment of such sums as may become necessary to effect full indemnification.

(d) The rights to indemnification conferred in this Section 6.2 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, this Agreement or any agreement, any vote of Members or Managers or otherwise.

Article 7. General

7.1 Dissolution. The Company shall be dissolved only upon the first to occur of the following: (a) by action of the Members approving such dissolution; (b) at any time there is no Member of the Company unless the Company is continued in accordance with the Law; (c) the entry of a decree of judicial dissolution under Section 18-802 of the Law; or (d) as otherwise required by applicable law.

7.2 Winding Up and Liquidation. If the Company is required to wind up its affairs and liquidate its assets, it will first pay or make provision to pay all of its obligations as required by law and any assets remaining will be distributed to the Members pro rata in accordance with each Member's capital account balance.

7.3 Entire Agreement; Amendment. This Agreement is the entire declaration of the Members with respect to the subject matter hereof and will only be amended, subject to Section 3.2, by a writing duly signed by the Members that refers to this Agreement.

7.4 Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if delivered in writing in person or by telecopy, facsimile, electronic mail or similar electronic means or sent by nationally-recognized overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth in Exhibit A hereto, in the case of any Member, in Section 1.5, in the case of the Company, or at such other address as may hereafter be designated in writing by such party to the other parties. All such notices, requests, consents and other communications shall be deemed to have been received (a) in the case of personal delivery or delivery by telecopy, facsimile, electronic mail or similar electronic means, on the date of such delivery, (b) in the case of dispatch by nationally recognized overnight courier, on the next Business Day following such dispatch, and (c) in the case of mailing, on the fifth Business Day after the posting thereof.

7.5 Invalidity. In the event that any provision of this Agreement is invalid, the validity of the remaining provisions of the Agreement are not in any way to be affected thereby.

7.6 Governing Law. This agreement is governed by and is to be construed under the laws of the State of Delaware, without giving effect to its conflicts of laws rules.

7.7 Successors and Assigns. This Agreement shall be binding upon the parties and their respective successors, executors, administrators, legal representatives, heirs and legal assigns and shall inure to the benefit of the parties and, except as otherwise provided herein, their respective successors, executors, administrators, legal representatives, heirs and legal assigns.

7.8 No Benefit of Third Parties. The provisions of this Agreement are intended only for the regulation of relations among the Members, the Managers and former or prospective members or managers of the Company. This Agreement is not intended for the benefit of any other Person.

7.9 Construction. The headings contained in this Agreement are for reference purposes only and do not affect the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neutral gender, include all other genders. The words "include," "includes," and "including" will be deemed to be followed by "without limitation." Except when the context requires otherwise, any reference in this Agreement to a singular number shall include the plural. The words "this Agreement," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole, including the Annexes, Exhibits and Schedules, as the same may be amended, supplemented or otherwise modified from time to time, and not to any particular subdivision unless expressly so limited. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope or intent of this Agreement or of any of its provisions. All references in this Agreement to any numbered Articles or Sections are, unless otherwise indicated, references to the Articles or Sections of this Agreement which are so numbered. All references to the numbered or lettered Annexes, Exhibits and Schedules are references to the Annexes, Exhibits and Schedules so numbered or lettered which are appended to this Agreement, as such Annexes, Exhibits and Schedules may be amended, supplemented or otherwise modified from time to time. Such references to Annexes, Exhibits and Schedules are to be construed as incorporating by reference the contents of each Annex, Exhibit or Schedule, as applicable, to which such reference is made as though such contents were set out in full at the place in this Agreement where such reference is made.

7.10 Counterparts. This Agreement may be executed in any number of counterparts, including by facsimile or other electronic signature. All counterparts shall be construed together and shall constitute one instrument.

[Signature on the Following Page]

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the date first above written.

FIRSTENERGY TRANSMISSION, LLC

By: _____
Name:
Its:

JERSEY CENTRAL POWER & LIGHT COMPANY

By: _____
Name:
Its:

PENNSYLVANIA ELECTRIC COMPANY

By: _____
Name:
Its:

METROPOLITAN EDISON COMPANY

By: _____
Name:
Its:

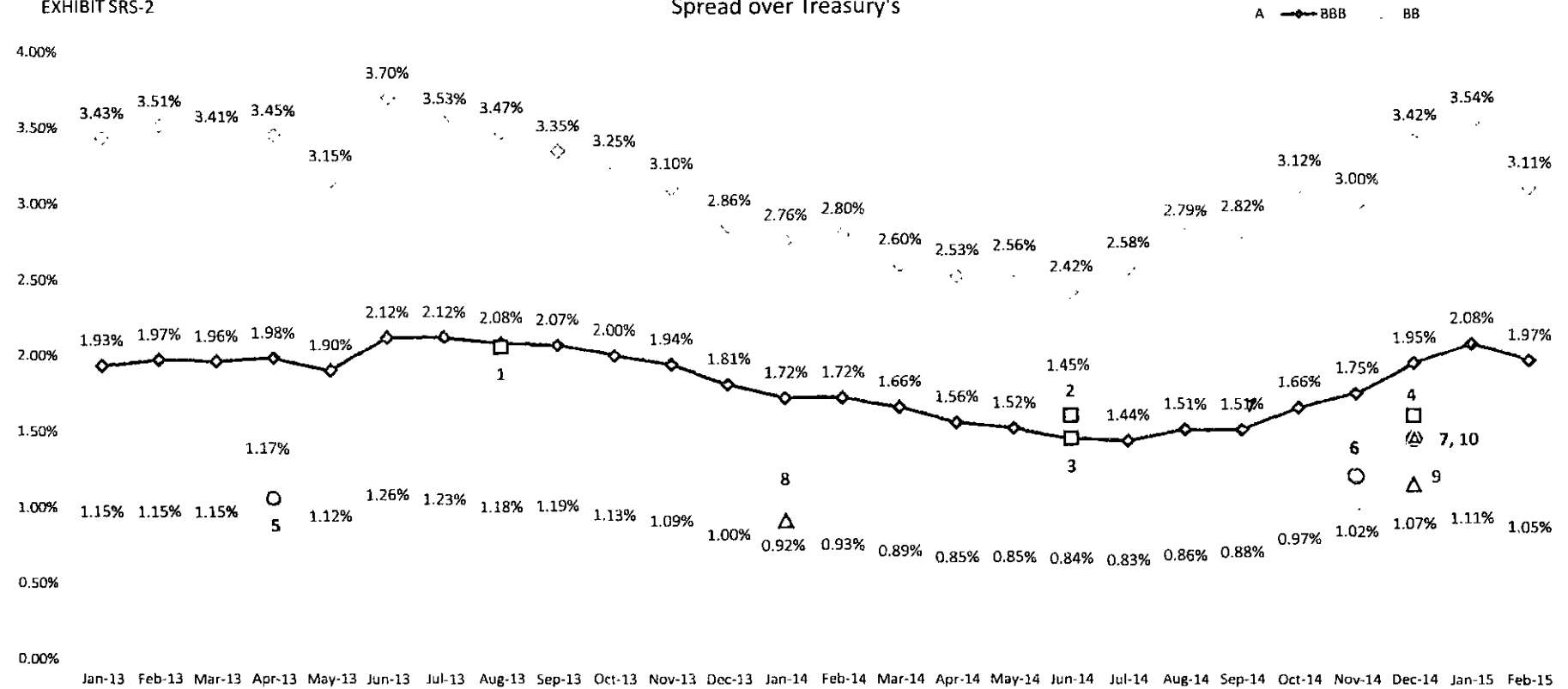
EXHIBIT A

Asset/Cash Contribution and Initial Member Interest

Initial Member	Asset/Capital Contribution and Value	Class of Interest	Capital Account Balance (percentage)
FirstEnergy Transmission, LLC [Address]		Class A	
Jersey Central Power & Light Company [Address]		Class B	
Pennsylvania Electric Company [Address]		Class B	
Metropolitan Edison Company [Address]		Class B	

EXHIBIT SRS-2

Spread over Treasury's



Source Data:

<https://research.stlouisfed.org/fred2/series/BAMLC0A3CA>
<https://research.stlouisfed.org/fred2/series/BAMLC0A4CBBB>
<https://research.stlouisfed.org/fred2/series/BAMLH0A1HYBB>

- 1) JCPL - BBB-/Baa2; \$500M; Spread: 205 bps; 10- yr note
- 2) Penelec - BBB- / Baa2; \$200M; Spread 160 bps; 10- yr note
- 3) Meted - BBB- / Baa2; \$250M; Spread; 145 bps; 10- yr note
- 4) TRAIL - BBB- / A3; \$550M Spread 160 bps; 10- yr note

- 5) ITC Midwest - A/A1; \$100M; Spread: 110 bps; 30- yr note
- 6) ITC Great Plains - A/A1; \$150M; Spread: 121 bps; 30- yr note
- 7) Mich. Elect Corp. - A/A1; \$150M; Spread: 145 bps; 30- yr note
- 8) ATC - A+/A1; \$50M; Spread 92 bps; 30-yr note
- 9) ATC - A+/A1; \$75M; Spread 116 bps; 10-yr note
- 10) ATC - A+/A1; \$47M; Spread 147 bps; 30-yr note

SECOND REVISED AND RESTATED

UTILITY MONEY POOL AGREEMENT

This Second Revised and Restated Utility Money Pool Agreement (the "Agreement"), dated as of [] is made and entered into by and among FirstEnergy Corp. ("FirstEnergy"), an Ohio corporation and a registered holding company under the Public Utility Holding Company Act of 2005 (the "Act"), FirstEnergy Service Company ("FirstEnergy Service," an Ohio corporation and a non-utility subsidiary of FirstEnergy, participating solely in its role as administrator of the money pool and not as a lender or borrower), and the FirstEnergy Utility Subsidiaries identified on the signature page hereto (each a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a Money Pool (the "Utility Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, the utility subsidiaries that will participate in the Utility Money Pool (each a "Subsidiary" and collectively, the "Subsidiaries") will from time to time have need to borrow funds on a short-term basis, and certain of the Parties will from time to time have funds available to loan on a short-term basis.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I

CONTRIBUTIONS AND BORROWINGS

Section 1.01 Contributions to Utility Money Pool. Each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Utility Money Pool, and will contribute such funds to the Utility Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool will be made by such Party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to FirstEnergy Service as administrative agent of the Utility Money Pool.

Section 1.02 Rights to Borrow. Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties, with the exception of FirstEnergy, and FirstEnergy Service, will be met by funds in the Utility Money Pool to the extent such funds are available. Each Party (other than FirstEnergy and FirstEnergy Service) shall have the right to make short-term borrowings from the Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in the applicable

orders of the Securities and Exchange Commission (“SEC”). Each Party (other than FirstEnergy and FirstEnergy Service) may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Party *hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the SEC and other regulatory authorities, resolutions of such Party’s Board of Directors, such Party’s governing corporate documents, and agreements binding upon such Party.* No loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by, FirstEnergy and FirstEnergy Service.

Section 1.03 Source of Funds. (a) Funds will be available through the Utility Money Pool from the following sources for use by the Parties from time to time: (1) surplus funds in the treasuries of Parties other than FirstEnergy, (2) surplus funds in the treasury of FirstEnergy (such funds in clauses (1) and (2) being referred to as “Internal Funds”), and (3) proceeds from bank borrowings by Parties and the sale of commercial paper by FirstEnergy and each other Party (“External Funds”), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such other order as FirstEnergy Service, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Utility Money Pool.

(b) Borrowing Parties will borrow pro rata from each lending Party in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., *Internal Funds and External Funds*), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

Section 1.04 Authorization. (a) Each loan shall be authorized by the lending Party’s chief financial officer or treasurer, or by a designee thereof.

(b) FirstEnergy Service, as administrator of the Utility Money Pool, will provide each Party with periodic activity and cash accounting reports that include, among other things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

(c) All borrowings from the Utility Money Pool shall be authorized by the borrowing Party’s chief financial officer or treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Utility Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or through the sale of its own commercial paper.

Section 1.05 Interest. The daily outstanding balance of all loans to any Subsidiary shall accrue interest as follows:

(a) If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be the greater of the 30 day LIBOR rate as quoted in The Wall Street Journal or the money market rate that a lending Subsidiary could have obtained if it placed its excess cash in such an investment (as calculated monthly, the "Average Composite").

(b) If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance shall be the lender's cost for such External Funds calculated monthly or, if more than one Party had made available External Funds at any time during the month, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties for such External Funds calculated monthly.

(c) In cases where the daily outstanding balances of all loans outstanding at any time during the month include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of the (i) cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

(d) The interest rate applicable to Loans made by a Subsidiary to the Utility Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

(e) Loans may be made solely from Internal Funds or solely from External Funds, rather than pursuant to Section 1.05(c), if such practice would result in a lower cost of borrowing.

Section 1.06 Certain Costs. The cost of compensating balances and fees paid to banks to maintain credit lines by Parties lending External Funds to the Utility Money Pool shall initially be paid by the Party maintaining such line. A portion of such costs, or all of such costs if a Party establishes a line of credit solely to lend funds to the Utility Money Pool, shall be retroactively allocated every quarter to the Subsidiaries borrowing such External Funds through the Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

Section 1.07 Repayment. Each Subsidiary receiving a loan from the Utility Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 364 days of the date on which such loan was made. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.08 Form of Loans to Subsidiaries. Loans to the Subsidiaries from the Utility Money Pool shall be made as open-account advances, pursuant to the terms of this agreement. A separate promissory note will not be required for each individual transaction. If the Parties deem it necessary or appropriate, a master promissory note evidencing the terms of the transactions may be signed by each borrowing Party. Any such note shall: (a) be dated as of

the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II

OPERATION OF UTILITY MONEY POOL

Section 2.01 Operation. Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by FirstEnergy Service under the authority of the appropriate officers of the Parties. FirstEnergy Service shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. FirstEnergy Service will administer the Utility Money Pool on an "at cost" basis. Separate records shall be kept by FirstEnergy Service for the Utility Money Pool established by this Agreement and any other money pool administered by FirstEnergy Service.

Section 2.02 Investment of Surplus Funds in the Utility Money Pool. Funds not required for the Utility Money Pool loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short-term investments, including (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency; (iv) commercial paper rated not less than A-1 by S&P or P-1 by Moody's, or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar funds; and (viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

Section 2.03 Allocation of Interest Income and Investment Earnings. The interest income and other investment income earned by the Utility Money Pool on loans and investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Utility Money Pool bears to the total amount of funds in the Utility Money Pool and the cost of any External Funds provided to the Utility Money Pool by such Party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.04 Event of Default. If any Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then FirstEnergy Service, on behalf of the Utility Money Pool, may, by notice to the Subsidiary, terminate the Utility Money Pool's commitment to the Subsidiary and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Utility Money Pool by the Subsidiary hereunder to be forthwith due and payable, whereupon such amounts shall be

immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Subsidiary.

ARTICLE III

MISCELLANEOUS

Section 3.01 Amendment and Restatement. This Agreement amends, restates and replaces the Revised and Restated Utility Money Pool Agreement dated as of September 21, 2011 to reflect the addition of a new Party and certain other changes.

Section 3.02 Amendments. Any such amendment to this Agreement shall be adopted except in a writing executed by Parties and subject to all applicable approvals by the SEC and the applicable state utility regulatory commission.

Section 3.03 Legal Responsibility. Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

Section 3.04 Rules for Implementation. The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

Section 3.05 Governing Law. This Agreement shall be governed by and construed in accordance with, the laws of the State of Ohio.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

FirstEnergy Corp.

By: _____

FirstEnergy Service Company

By: _____

American Transmission Systems, Incorporated
Metropolitan Edison Company
Mid-Atlantic Interstate Transmission, LLC
Monongahela Power Company
Ohio Edison Company
Pennsylvania Electric Company
Pennsylvania Power Company
The Cleveland Electric Illuminating Company
The Potomac Edison Company
The Toledo Edison Company
Trans-Allegheny Interstate Line Company
Waverly Electric Power & Light Company
West Penn Power Company

By: _____

Jersey Central Power & Light Company

By: _____

SECOND REVISED AND RESTATED
UTILITY MONEY POOL AGREEMENT

This Second Revised and Restated Utility Money Pool Agreement (the "Agreement"), dated as of [] is made and entered into by and among FirstEnergy Corp. ("FirstEnergy"), an Ohio corporation and a registered holding company under the Public Utility Holding Company Act of 2005 (the "Act"), FirstEnergy Service Company ("FirstEnergy Service," an Ohio corporation and a non-utility subsidiary of FirstEnergy, participating solely in its role as administrator of the money pool and not as a lender or borrower), and the FirstEnergy Utility Subsidiaries identified on the signature page hereto (each a "Party" and collectively, the "Parties").

Deleted: September 21, 2011

Deleted: Allegheny Energy Service Corporation ("AYE Service," a non-utility subsidiary of FirstEnergy, participating solely in its role as administrator of Monongahela Power Company, The Potomac Edison Company, Trans-Allegheny Interstate Line Company, and West Penn Power Company (collectively the AYE Utilities) and not as a lender or borrower).

WITNESSETH:

WHEREAS, the Parties desire to establish a Money Pool (the "Utility Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, the utility subsidiaries that will participate in the Utility Money Pool (each a "Subsidiary" and collectively, the "Subsidiaries") will from time to time have need to borrow funds on a short-term basis, and certain of the Parties will from time to time have funds available to loan on a short-term basis,

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NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I

CONTRIBUTIONS AND BORROWINGS

Section 1.01 Contributions to Utility Money Pool. Each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Utility Money Pool, and will contribute such funds to the Utility Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool will be made by such Party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to FirstEnergy Service as administrative agent of the Utility Money Pool.

Section 1.02 Rights to Borrow. Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties, with the exception of FirstEnergy, and FirstEnergy Service, will be met by funds in the Utility Money Pool to the extent such funds are available. Each Party (other than FirstEnergy and FirstEnergy Service) shall have the right to make short-term borrowings from the Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in the applicable

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Deleted: , and AYE Service

Exhibit SRS-3

orders of the Securities and Exchange Commission ("SEC"). Each Party (other than FirstEnergy, and FirstEnergy Service) may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the SEC and other regulatory authorities, resolutions of such Party's Board of Directors, such Party's governing corporate documents, and agreements binding upon such Party. No loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by, FirstEnergy, and FirstEnergy Service,

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Section 1.03 Source of Funds. (a) Funds will be available through the Utility Money Pool from the following sources for use by the Parties from time to time: (1) surplus funds in the treasuries of Parties other than FirstEnergy, (2) surplus funds in the treasury of FirstEnergy (such funds in clauses (1) and (2) being referred to as "Internal Funds"), and (3) proceeds from bank borrowings by Parties and the sale of commercial paper by FirstEnergy and each other Party ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such other order as FirstEnergy Service, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Utility Money Pool.

(b) Borrowing Parties will borrow pro rata from each lending Party in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., Internal Funds and External Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

Section 1.04 Authorization. (a) Each loan shall be authorized by the lending Party's chief financial officer or treasurer, or by a designee thereof.

(b) FirstEnergy Service, as administrator of the Utility Money Pool, will provide each Party with periodic activity and cash accounting reports that include, among other things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

(c) All borrowings from the Utility Money Pool shall be authorized by the borrowing Party's chief financial officer or treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Utility Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or through the sale of its own commercial paper.

Section 1.05 Interest. The daily outstanding balance of all loans to any Subsidiary shall accrue interest as follows:

Exhibit SRS-3

(a) If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be the greater of the 30 day LIBOR rate as quoted in The Wall Street Journal or the money market rate that a lending Subsidiary could have obtained if it placed its excess cash in such an investment (as calculated monthly, the "Average Composite").

(b) If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance shall be the lender's cost for such External Funds calculated monthly or, if more than one Party had made available External Funds at any time during the month, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties for such External Funds calculated monthly.

(c) In cases where the daily outstanding balances of all loans outstanding at any time during the month include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of the (i) cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

(d) The interest rate applicable to Loans made by a Subsidiary to the Utility Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

(e) Loans may be made solely from Internal Funds or solely from External Funds, rather than pursuant to Section 1.05(c), if such practice would result in a lower cost of borrowing.

Section 1.06 Certain Costs. The cost of compensating balances and fees paid to banks to maintain credit lines by Parties lending External Funds to the Utility Money Pool shall initially be paid by the Party maintaining such line. A portion of such costs, or all of such costs if a Party establishes a line of credit solely to lend funds to the Utility Money Pool, shall be retroactively allocated every quarter to the Subsidiaries borrowing such External Funds through the Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

Section 1.07 Repayment. Each Subsidiary receiving a loan from the Utility Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 364 days of the date on which such loan was made. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.08 Form of Loans to Subsidiaries. Loans to the Subsidiaries from the Utility Money Pool shall be made as open-account advances, pursuant to the terms of this agreement. A separate promissory note will not be required for each individual transaction. If the Parties deem it necessary or appropriate, a master promissory note evidencing the terms of

the transactions may be signed by each borrowing Party. Any such note shall: (a) be dated as of the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II

OPERATION OF UTILITY MONEY POOL

Section 2.01 Operation. Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by FirstEnergy Service under the authority of the appropriate officers of the Parties. FirstEnergy Service shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. FirstEnergy Service will administer the Utility Money Pool on an "at cost" basis. Separate records shall be kept by FirstEnergy Service for the Utility Money Pool established by this Agreement and any other money pool administered by FirstEnergy Service.

Section 2.02 Investment of Surplus Funds in the Utility Money Pool. Funds not required for the Utility Money Pool loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short-term investments, including (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency; (iv) commercial paper rated not less than A-1 by S&P or P-1 by Moody's, or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar funds; and (viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

Section 2.03 Allocation of Interest Income and Investment Earnings. The interest income and other investment income earned by the Utility Money Pool on loans and investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Utility Money Pool bears to the total amount of funds in the Utility Money Pool and the cost of any External Funds provided to the Utility Money Pool by such Party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.04 Event of Default. If any Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then FirstEnergy Service, on behalf of the Utility Money Pool, may, by notice to the Subsidiary, terminate the Utility Money Pool's commitment to the Subsidiary and/or declare the principal amount then outstanding of,

Deleted: For so long as is necessary to accommodate existing computer system and bank account arrangements applicable to AYE Utilities, AYE Service, participating solely as administrator (and not as lender or borrower) for the AYE Utilities, will provide such assistance and service in respect of the operation of the Utility Money Pool as FirstEnergy Service shall direct.

and the accrued interest on, the loans and all other amounts payable to the Utility Money Pool by the Subsidiary hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Subsidiary.

ARTICLE III

MISCELLANEOUS

Section 3.01 Amendment and Restatement. This Agreement amends, restates and replaces the Revised and Restated Utility Money Pool Agreement dated as of September 21, 2011 to reflect the addition of a new Party and certain other changes.

Section 3.02 Amendments. Any such amendment to this Agreement shall be adopted except in a writing executed by Parties and subject to all applicable approvals by the SEC and the applicable state utility regulatory commission.

Section 3.03 Legal Responsibility. Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

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Section 3.04 Rules for Implementation. The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

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Section 3.05 Governing Law. This Agreement shall be governed by and construed in accordance with, the laws of the State of Ohio.

Deleted: 04

Exhibit SRS-3

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

FirstEnergy Corp.

By: _____

~~Steven R. Staub, Assistant Treasurer~~

FirstEnergy Service Company

By: _____

~~Steven R. Staub, Assistant Treasurer~~

American Transmission Systems, Incorporated
Metropolitan Edison Company
Mid-Atlantic Interstate Transmission, LLC
Monongahela Power Company
Ohio Edison Company
Pennsylvania Electric Company
Pennsylvania Power Company
The Cleveland Electric Illuminating Company
The Potomac Edison Company
The Toledo Edison Company
Trans-Allegheny Interstate Line Company
Waverly Electric Power & Light Company
West Penn Power Company

~~Alleggheny Energy Service Corporation~~
¶
¶
By: _____
¶
Steven R. Staub, Assistant Treasurer
¶

By: _____

~~Steven R. Staub, Assistant Treasurer~~

Jersey Central Power & Light Company

By: _____

~~Edward J. Udovich, Corporate Secretary~~