

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application Of American	:	
Transmission Systems, Incorporated, Mid-	:	
Atlantic Interstate Transmission, LLC,	:	Docket Nos. A-2023-_____
And Trans-Allegheny Interstate Line	:	A-2023-_____
Company For All Of The Necessary	:	A-2023-_____
Authority, Approvals, And Certificates Of	:	G-2023-_____
Public Convenience Required To Lawfully	:	
Effectuate (1) The Purchase And Sale	:	
Agreement Of An Incremental Thirty	:	
Percent Equity Interest In FirstEnergy	:	
Transmission, LLC By North American	:	
Transmission Company II L.P.; (2) The	:	
Transfer Of Class B Membership Interests	:	
In Mid-Atlantic Interstate Transmission,	:	
LLC Held By FirstEnergy Corp. To	:	
FirstEnergy Transmission, LLC; (3)	:	
Where Necessary, Associated Affiliated	:	
Interest Agreements; And (4) Any Other	:	
Approvals Necessary To Complete The	:	
Contemplated Transaction	:	

Direct Testimony of Mark D. Mroczynski

**RE:
Overview of the Applicants and Operations
Overview of the Transaction
Benefits of the Transaction
Effects on Competition**

DIRECT TESTIMONY OF MARK D. MRO CZYNSKI

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Mark D. Mroczynski. My business address is 76 South Main Street, Akron,
4 OH 44308.

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

6 A. I am employed as acting Vice President, Operations for FirstEnergy Service Company
7 (“FESC”), which is a direct, wholly owned subsidiary of FirstEnergy Corp.
8 (“FirstEnergy”).

9 **Q. Please describe your job responsibilities.**

10 A. In my current position, I oversee the functions of Transmission and Distribution Operations
11 and Support, Regulatory Compliance and Services, Corporate and External Affairs,
12 Community Involvement, Regulated Generation, Environmental and Commodity
13 Operations.

14 **Q. What is your educational and professional background?**

15 A. I earned a Bachelor of Science degree in mechanical engineering from The University of
16 Akron, and a Master of Business Administration degree from Kent State University. I am
17 a registered professional engineer in Ohio and Pennsylvania. From 1988 to 2004, I was
18 employed by J&L Specialty Steel in leadership roles in Operations, Engineering and
19 Supply Chain.

1 **Q. Have you previously testified before the PaPUC?**

2 A. Yes. While employed with J&L Specialty Steel as a member of IECPA, I testified in a rate
3 proceeding involving Duquesne Light Company.

4 **Q. On whose behalf are you testifying in this proceeding?**

5 A. I am testifying on behalf of American Transmission Systems, Incorporated (“ATSI”), Mid-
6 Atlantic Interstate Transmission, LLC (“MAIT”) and Trans-Allegheny Interstate Line
7 Company (“TrAILCo”) (collectively, the “Joint Applicants” or “Transmission
8 Subsidiaries”).

9 **Q. What do the Joint Applicants propose in this Application?**

10 A. The Joint Applicants seek approval for FirstEnergy to sell an incremental 30% equity
11 interest in FirstEnergy Transmission, LLC (“FET”) to North American Transmission
12 Company II, L.P. (“NATCo II”),¹ and for FirstEnergy to also transfer the MAIT Class B
13 Membership Interests to FET in exchange for “Special Purpose Membership Interests”² in
14 FET (the “Transaction”).

15 **Q. Please describe and summarize the purpose and content of your testimony.**

16 A. The purpose of my testimony is to provide an overview of FirstEnergy, including the Joint
17 Applicants, an overview of the Transaction, an explanation of the impact of the Transaction
18 on the Joint Applicants operations, and a description of the benefits the Transaction will

¹ As discussed in the direct testimony of Jeffrey Rosenthal (Joint Applicants Statement No. 3), NATCo II is a controlled investment vehicle entity of Brookfield Super-Core Infrastructure Partners GP LLC (“Brookfield GP”), an indirect wholly owned subsidiary of Brookfield Corporation (f/k/a Brookfield Asset Management Inc.) and Brookfield Asset Management Ltd (BAM Ltd). BAM Ltd manages the various investment entities and funding vehicles that are ultimately controlled by Brookfield Corporation (BAM Ltd and Brookfield Corporation, collectively, “Brookfield”).

² These interests are defined and explained in the direct testimony of Mr. Steven Staub (Joint Applicants Statement No. 2).

Joint Applicants Statement No. 1

1 provide from an operational perspective. Section II of my testimony will provide an
2 overview of FirstEnergy, FET, and the Joint Applicants. In Section III, I will provide an
3 overview of the proposed Transaction, and discuss the impacts of the Transaction on the
4 operations of the Joint Applicants. In Section IV, I will discuss the affirmative public
5 benefits of the Transaction from an operations perspective. In Section V, I will discuss the
6 fact that the Transaction will not have any impacts on competition.

7 **Q. Are you sponsoring any exhibits as part of your testimony?**

8 A. Yes, I am sponsoring the following exhibits with my testimony:

- 9 • Joint Applicants Exhibit MDM-1: Pre-Transaction Corporate Organization
10 Chart, Steps 1 and 2 of the Transaction, and Post-Transaction Corporate
11 Organization Chart.
- 12 • Joint Applicants Exhibit MDM-2: Map depicting ATSI Territory in
13 Pennsylvania;
- 14 • Joint Applicants Exhibit MDM-3: Map depicting MAIT Territory in
15 Pennsylvania; and
- 16 • Joint Applicants Exhibit MDM-4: Map depicting TrAILCo Assets in
17 Pennsylvania.

18 **Q. Were these exhibits prepared by you or under your direction and supervision?**

19 A. Yes.

20 **Q. Please identify any other witnesses submitting direct testimony on behalf of the Joint**
21 **Applicants in this proceeding.**

22 A. The Application is supported by the prepared direct testimony of three additional
23 witnesses:

- 1 • Steven Staub (Joint Applicants Statement No. 2), who will provide an overview of
2 accounting and tax impacts associated with the Transaction, details regarding the
3 mechanics of the Transaction from a financing perspective, as well as the financial
4 benefits resulting from the Transaction.
- 5 • Jeffrey Rosenthal (Joint Applicants Statement No. 3), who will describe
6 Brookfield’s experience and fitness for the Transaction as one of the world’s largest
7 infrastructure investors.
- 8 • Toby Bishop (Joint Applicants Statement No. 4), who will describe and elaborate
9 on the economic benefits from the Transaction to the Commonwealth of
10 Pennsylvania.

11 **II. OVERVIEW OF FIRSTENERGY AND ITS RELEVANT SUBSIDIARIES**

12 **Q. Please describe FirstEnergy.**

13 A. FirstEnergy is an Ohio corporation and a public utility holding company headquartered in
14 Akron, Ohio, whose shares are publicly traded on the New York Stock Exchange under the
15 ticker symbol “FE”. FirstEnergy and its subsidiaries are involved in the regulated
16 transmission, distribution, and generation of electricity. FirstEnergy's reportable operating
17 segments are comprised of the regulated distribution and regulated transmission segments.
18 FirstEnergy’s ten utility operating companies comprise one of the nation’s largest investor-
19 owned electric systems, based on serving over six million customers in the Midwest and
20 Mid-Atlantic regions. FirstEnergy’s transmission operations include over 24,000 miles of
21 transmission lines and two regional transmission operation centers (Akron Control Center
22 and Fairmont Control Center). All of FirstEnergy’s facilities are located within PJM
23 Interconnection, L.L.C. (“PJM”) and operate under the reliability oversight of the North

1 American Electric Reliability Corporation (“NERC”) and the Federal Energy Regulatory
2 Commission (“FERC”).

3 **Q. Please describe FET.**

4 A. FET is a Delaware limited liability company and a subsidiary of FirstEnergy, which holds
5 80.1% of its issued and outstanding membership interests. NATCo II owns the remaining
6 19.9% of the issued and outstanding membership interests in FET. FET does not directly
7 own or operate jurisdictional facilities but has three subsidiaries - the Joint Applicants -
8 that own and operate high-voltage transmission facilities in the PJM Region and are subject
9 to regulation by FERC, NERC, ReliabilityFirst, and applicable state regulatory authorities,
10 including the PaPUC. FET also owns an interest in Potomac-Appalachian Transmission
11 Highline, LLC (“PATH”), which is a joint venture with a subsidiary of American Electric
12 Power Company, Inc. PATH is not a public utility subject to the PaPUC’s jurisdiction and
13 does not own or operate any transmission facilities or other assets. The Joint Applicants’
14 transmission facilities are subject to functional control by PJM as the regional transmission
15 organization, and transmission service using the Joint Applicants’ transmission facilities is
16 provided by PJM under the PJM Open Access Transmission Tariff (“OATT”). Joint
17 Applicants Exhibit MDM-1 at p. 1 is a pre-Transaction corporate organization chart of the
18 entities relevant to the Transaction. This exhibit depicts the current ownership structure of
19 FET and its Pennsylvania subsidiaries, including the existing 19.9% interest that NATCo
20 II owns in FET.

21 **Q. Please describe ATSI.**

22 A. ATSI, a wholly owned subsidiary of FET, is an Ohio corporation and a transmission-only
23 public utility which owns, operates, and maintains transmission facilities in Ohio and

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1 western Pennsylvania located within the PJM Balancing Authority Area (“BAA”). ATSI
2 owns and operates high-voltage transmission facilities consisting of approximately 7,900
3 circuit miles of transmission lines in the PJM region. ATSI is a transmission owner (“TO”)
4 member of PJM. ATSI is not a generation provider and also provides no retail utility
5 service. ATSI plans, operates, and maintains its transmission system in accordance with
6 NERC reliability standards. Joint Applicants Exhibit MDM-2 is a map depicting where
7 ATSI operates in Pennsylvania.

8 **Q. Please describe MAIT.**

9 A. MAIT, organized under Delaware law, is a limited liability company and a transmission-
10 only public utility which owns, operates, and maintains transmission facilities in
11 Pennsylvania located within the PJM BAA. MAIT is managed by its Class A member,
12 FET, and Penelec and Met-Ed, each a wholly owned subsidiary of FirstEnergy, hold
13 passive Class B ownership interests in MAIT. MAIT owns and operates high-voltage
14 transmission facilities consisting of approximately 4,300 circuit miles of transmission lines
15 in the PJM region. MAIT is a TO member of PJM. MAIT is not a generation provider and
16 also provides no retail utility service. MAIT plans, operates, and maintains its transmission
17 system in accordance with NERC reliability standards. Joint Applicants Exhibit MDM-3
18 is a map depicting where MAIT operates.

19 **Q. Please describe TrAILCo.**

20 A. TrAILCo, a wholly owned subsidiary of FET, is a Maryland and Virginia corporation and
21 a transmission-only public utility which owns, operates, and maintains transmission
22 facilities in Maryland, West Virginia, Pennsylvania, and Virginia located within the PJM
23 BAA. TrAILCo owns and operates high-voltage transmission facilities consisting of

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1 approximately 260 circuit miles of transmission lines, including a 500 kV transmission line
2 extending approximately 150 miles from southwestern Pennsylvania through West
3 Virginia to a point of interconnection with Virginia Electric and Power Company in
4 northern Virginia. TrAILCo also owns several other substation assets. TrAILCo is a TO
5 member of PJM. TrAILCo is not a generation provider and also provides no retail utility
6 service. TrAILCo plans, operates, and maintains its transmission system in accordance
7 with NERC reliability standards and has FERC authority to operate in all of FirstEnergy's
8 service territory. Joint Applicants Exhibit MDM-4 is a map depicting where TrAILCo
9 operates, including its Pennsylvania operations.

10 **Q. Please describe the nature of the PaPUC's jurisdiction over Joint Applicants.**

11 A. Each of ATSI,³ MAIT,⁴ and TrAILCo⁵ have been issued certificates of public convenience
12 by the PaPUC that authorize each entity to operate as a public utility in Pennsylvania.
13 Subject to these authorizations, I am advised by counsel that each of these entities are
14 subject to the PaPUC's jurisdiction regarding the reliability, safety, and siting and

³ *Application Of Pennsylvania Power Co. For (1) A Certificate Of Public Convenience Authorizing The Transfer Of Certain Transmission Assets To American Transmission Systems, Inc., And (2) Approval Of Certain Affiliated Interest Agreements Necessary To Effect The Transfer*, Docket No. A-110450F0016 (Final Order entered July 14, 2000); *Application of American Transmission Systems, Incorporated for a Certificate of Public Convenience conferring upon American Transmission Systems, the Status of a Pennsylvania Public Utility*, Docket No. A-2016-2566365 (Order entered Dec. 8, 2016).

⁴ *Joint Application of Mid-Atlantic Interest 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, et al. (Opinion and Order entered Aug. 24, 2016) ("MAIT Order").

⁵ *In Re: Application of Trans-Allegheny Interstate Line Company (TrAILCo) For approval: 1) for a certificate of public convenience to offer, render, furnish or supply transmission service in the Commonwealth of Pennsylvania; 2) authorization and certification to locate, construct, operate and maintain certain high-voltage electric substation facilities; 3) authority to exercise the power of eminent domain for the construction and installation of aerial electric transmission facilities along the proposed transmission line routes in Pennsylvania; 4) approval of an exemption from municipal zoning regulation with respect to the construction of buildings; and 5) approval of certain related affiliated interest arrangements*, Docket Nos. A-110171, et al., 2008 Pa. PUC LEXIS 35 (Order entered Nov. 13, 2008).

1 construction of transmission facilities in Pennsylvania; however, the rates and terms of
2 service for each of these entities are subject to the exclusive jurisdiction of FERC.

3 **III. OVERVIEW OF THE PROPOSED TRANSACTION**

4 **Q. Please summarize the Transaction.**

5 A. As noted above, the Transaction involves: (a) the purchase of an incremental 30% equity
6 interest in FET by NATCo II; and (b) the transfer of the MAIT Class B Membership
7 Interests then-owned by FirstEnergy to FET in exchange for Special Purpose Membership
8 Interests in FET. See Joint Applicants Exhibit MDM-1 at pp. 2-3.

9 **Q. Please describe the aspect of the Transaction involving NATCo II's purchase of an
10 incremental 30% equity interest in FET.**

11 A. On February 2, 2023, FirstEnergy, along with FET, entered into the Purchase and Sale
12 Agreement dated February 2, 2023 (the "PSA") with NATCo II and the Brookfield
13 Guarantors,⁶ pursuant to which FirstEnergy agreed to sell to NATCo II at the closing, and
14 NATCo II agreed to purchase from FirstEnergy, an incremental 30% equity interest in FET
15 for a purchase price of \$3.5 billion. The purchase price may be payable, in part, by the
16 issuance of a promissory note in the principal amount of up to \$1.75 billion. The remaining
17 amount of the purchase price will be payable in cash at the closing of the transaction. A
18 copy of the PSA is attached to the direct testimony of Mr. Steven Staub as Joint Applicants
19 Exhibit SRS-1.

⁶ The "Brookfield Guarantors" refers to Brookfield Super-Core Infrastructure Partners L.P., Brookfield Super-Core Infrastructure Partners (NUS) L.P., and Brookfield Super-Core Infrastructure Partners (ER) SCSp.

1 **Q. Please describe the aspect of the Transaction involving FirstEnergy’s transfer of**
2 **MAIT Class B Membership Interests to FET in exchange for Special Purpose**
3 **Membership Interests in FET.**

4 A. As a part of this Transaction, the Joint Applicants are requesting PaPUC approval to
5 transfer the MAIT Class B Membership Interests from FirstEnergy to FET in exchange for
6 certain Special Purpose Membership Interests in FET. Met-Ed and Penelec currently
7 together hold 100% of the MAIT Class B membership interests and expect to sell their
8 respective interests in MAIT to FirstEnergy subject to PaPUC approval of the PA
9 Consolidation filing. Further details regarding this aspect of the Transaction are provided
10 in the direct testimony of Steven Staub (Joint Applicants Statement No. 2), and these
11 witnesses’ associated exhibits.

12 **Q. What impact will the Transaction as a whole have on NATCo II’s interest in FET?**

13 A. Upon consummation of the Transaction, NATCo II’s equity interest in FET will increase
14 from 19.9% to 49.9%; FirstEnergy will retain the remaining 50.1% ownership interest. The
15 Transaction is subject to customary closing conditions, including approval from this
16 Commission as well as FERC and the Virginia Public Service Commission, and completion
17 of review by the Committee on Foreign Investment in the United States.

18 **Q. What rights and obligations does NATCo II currently have with respect to its existing**
19 **19.9% interest in FET?**

20 A. NATCo II’s existing ownership of 19.9% of the membership interests in FET provides it
21 with certain rights and obligations under the Third Amended and Restated Limited
22 Liability Company Agreement of FirstEnergy Transmission, LLC, which is referred to as
23 the “Original Operating Agreement” in the PSA. The Original Operating Agreement

1 provided NATCo II with rights as are necessary to protect its economic investment
2 interests.

3 **Q. What additional rights and obligations does NATCo II obtain in purchasing the**
4 **additional interest?**

5 A. The PSA contemplates the execution of the Fourth Amended and Restated Limited
6 Liability Company Agreement of FirstEnergy Transmission, LLC (the “LLCA”), which is
7 provided as Joint Applicants Exhibit SRS-2. The LLCA provides that FirstEnergy will
8 continue to manage and operate FET and will remain the beneficial holder of the largest
9 voting interest in FET and, indirectly, the Joint Applicants. The LLCA, however, provides
10 NATCo II with rights as are necessary to protect its economic investment interests, such
11 that NATCo II is provided the right to appoint Directors on the FET Board of Directors as
12 set forth in Section 2.2 of the LLCA and as explained further in the direct testimony of
13 Jeffrey Rosenthal (Joint Applicants Statement No. 3). In addition, for so long as NATCo
14 II maintains at least a 30% equity interest in FET, it is provided with additional consent
15 rights applicable to FET and the Joint Applicants, such as establishing or amending the
16 capital budget of the Joint Applicants, entering into or amending the terms of employment
17 for individuals employed by FESC that provide management services for FET or the Joint
18 Applicants, and certain regulatory filings made by FET or the Joint Applicants. These
19 rights and obligations are discussed further in the Application as well as the direct
20 testimony of Jeffrey Rosenthal (Joint Applicants Statement No. 3).

21 **Q. What is the proposed ownership structure of FET and the Joint Applicants?**

22 A. Upon completion of the Transaction, (i) FirstEnergy will own a 50.1% interest in FET, and
23 indirect controlling interests in each of the Joint Applicants; (ii) NATCo II will own a

1 49.9% interest in FET, and indirect interests in each of the Joint Applicants; (iii) FET will
2 retain its present ownership interest in each of ATSI, TrAILCo, and PATH and, as a result
3 of the transfer of 100% of the MAIT Class B Membership Interests to FET, FET will
4 become the sole owner of MAIT; and (iv) NATCo II will obtain additional rights and
5 obligations with respect to FET and the Joint Applicants. Joint Applicants Exhibit MDM-
6 1 at p. 4 depicts the contemplated post-Transaction ownership structure of FET and
7 illustrates NATCo II's incremental purchase of a 30% equity interest in FET. It also
8 reflects the transfer of the MAIT Class B membership interests from FirstEnergy to FET
9 in exchange for Special Purpose Membership Interests membership interests in FET.

10 **Q. Will the direct corporate parent company of MAIT, ATSI, and TrAILCo change as**
11 **a result of the proposed Transaction?**

12 A. No. FET will remain the sole direct parent of ATSI and TrAILCo and, upon consummation
13 of the Transaction, FET will become the sole direct parent of MAIT.

14 **Q. Why is the transaction being proposed at this time and in this manner?**

15 A. Mr. Staub explains in his direct testimony (Joint Applicants Statement No. 2) that the
16 primary purpose of the Transaction will improve FirstEnergy's balance sheet and credit
17 metrics. As Mr. Staub explains, a strong balance sheet is needed to raise investor capital at
18 a reasonable cost. FirstEnergy will be better positioned to attract the capital necessary to
19 undertake its planned capital investments in Pennsylvania in order to enhance reliability,
20 modernize the electric grid, accommodate the rapid changes that are expected in the electric
21 utility industry, and finance those future capital investments. Based on this need,
22 FirstEnergy's management team continuously evaluates internal structures and processes
23 so that high quality customer service can be provided in a reasonable and cost-efficient

1 manner. The proposed Transaction will enhance FirstEnergy’s ability to execute its capital
2 investments, not only through the Joint Applicants, but also through its distribution
3 operations.

4 **IV. AFFIRMATIVE PUBLIC BENEFITS OF THE TRANSACTION**

5 **Q. Will the proposed Transaction result in benefits for the public?**

6 A. Yes. There are a number of benefits from this Transaction that are in the public interest,
7 which are discussed in detail in the Application and the Joint Applicants’ testimonies. I
8 will specifically discuss: (1) continuity benefits that will result from FirstEnergy’s
9 continued ownership and involvement in FET; (2) joint ownership benefits that will result
10 from Brookfield’s incremental involvement in the ownership and operation of the Joint
11 Applicants as the ultimate controlling entity of NATCo II; (3) transmission operations
12 benefits; and (4) employee, environmental, social, and governance benefits. Although each
13 of the benefits identified by the Joint Applicants may not be specifically quantifiable, they
14 will positively impact the public generally. Each of the other witnesses also addresses
15 various benefits from their respective expertise areas.

16 **a. Continuity Benefits**

17 **Q. You previously described the current operations of the Joint Applicants. Will the**
18 **Transaction have an adverse impact upon the operations of these entities?**

19 A. No, it will not. In addition to the commitments contained in the PSA that these entities
20 continue to provide safe, reasonable, and reliable transmission service during the time
21 between the PSA’s execution and closing of the Transaction, the Joint Applicants are
22 committed to continuing to provide safe, reasonable, and reliable transmission service after
23 the Transaction closes.

1 **Q. Please describe the commitments contained in the PSA that provide for the continuity**
2 **of operations.**

3 A. The continuity agreements outlined in the PSA among FirstEnergy, FET, NATCo II, and
4 the Brookfield Guarantors, include the obligations and commitments of each party during
5 the interim period leading up to the closing of the Transaction. Specifically, FirstEnergy is
6 required to ensure that FET and the Joint Applicants each continue to operate in the
7 ordinary course of business, maintain their insurance policies and permits, and preserve
8 their goodwill. Among other commitments, the PSA also includes provisions for sharing
9 information and accessing documents to facilitate due diligence for access to information
10 and records.

11 **Q. Please describe the Joint Applicants' commitments that, after the Transaction closes,**
12 **the Joint Applicants will continue to provide safe, reasonable, and reliable**
13 **transmission service and facilities in Pennsylvania.**

14 A. FirstEnergy and Brookfield are committed to supporting continued investment in the ATSI,
15 MAIT and TrAILCo transmission systems. This investment will improve reliability and
16 resiliency while also providing for renewable generation connection and capacity to add
17 new customer loads.

18 **b. Operations Benefits**

19 **Q. Please describe the benefits of joint ownership in FET by FirstEnergy and NATCo II**
20 **from an operational perspective.**

21 A. As explained in the direct testimony of Mr. Jeffrey Rosenthal (Joint Applicants Statement
22 No. 3), Brookfield is one of the world's largest infrastructure investors that owns and
23 operates assets across the transport, data, utilities, and midstream sectors. Brookfield is a

1 valuable partner to the Joint Applicants and has accumulated operational best practices
2 shared across its portfolio companies. Relative to the operation of the Joint Applicants,
3 Brookfield can share with FirstEnergy its knowledge of operational best practices with
4 respect to optimal capital deployment, process excellence, and portfolio planning and
5 analytics with respect to FET and the Joint Applicants.

6 **Q. How did NATCo II's initial investment of 19.9% impact capital investment?**

7 A. NATCo II's initial equity investment in FET provided financial flexibility for FirstEnergy
8 to deploy additional capital across FirstEnergy's regulated utilities, including the
9 Pennsylvania electric utilities and the Joint Applicants.

10 **Q. Will NATCo II's purchase of an incremental 30% interest in FET have similar**
11 **beneficial impacts?**

12 A. Yes, the Transaction is expected to have similar beneficial impacts with respect to FET's
13 and the Joint Applicants' abilities to attract debt and equity capital for the reasons explained
14 in greater detail in the direct testimony of Mr. Staub (Joint Applicants Statement No. 2).
15 This will provide further financial flexibility that will permit more efficient capital
16 deployment for distribution and transmission operations, and permit FirstEnergy to further
17 enhance the reliability of the distribution and transmission grids and support wholesale
18 customers.

19 **Q. Will the transmission facilities of the Joint Applicants remain under the operational**
20 **control of PJM after the Transaction closes?**

21 A. Yes.

1 **Q. How will the proposed Transaction improve the safety, reliability, and quality of**
2 **existing service?**

3 A. The proceeds from the Transaction will support and provide the ability for FirstEnergy to
4 deploy continued capital investments in its distribution and transmission systems.
5 Increased capital investments in the transmission system will enhance and strengthen
6 reliability through upgraded and new infrastructure and technology, thus improving the
7 safety and reliability of existing service. The Transaction will also support improving the
8 operational flexibility of FirstEnergy's transmission system, enhancing its reliability,
9 robustness, security, and resistance to extreme weather events.

10 **Q. What benefits can FET gain from Brookfield's experience?**

11 A. Brookfield deploys significant capital across its many investments both in the infrastructure
12 space and other segments such as real estate and renewable power. With respect to its
13 initial investment in FET, Brookfield has collaborated with FET management on several
14 topics such as portfolio planning, project delivery, and asset strategy. FET expects this
15 collaboration to continue and grow. Brookfield brings best practices from the other
16 industries and, through a cooperative working partnership, helps FET to optimize its
17 practices. Brookfield also has relationships with engineering companies, major equipment
18 suppliers and field service contractors. These relationships and expertise are expected to
19 help FET and the Joint Applicants leverage cost and delivery improvements beyond what
20 we could achieve on our own.

1 **Q. Could the Transaction beneficially impact the implementation of renewable projects**
2 **in Pennsylvania moving forward?**

3 A. Yes. Transmission system investment can provide improved operational flexibility and
4 system performance that may allow for more efficient connection and utilization of new
5 generating sources such as renewable energy.

6 **Q. Please explain how enhanced investments in transmission facilities could increase**
7 **service reliability at the transmission, sub-transmission and distribution levels across**
8 **Pennsylvania.**

9 A. A strong resilient transmission system is the backbone for its connected wholesale
10 customers. Continued investment to improve the system performance and operational
11 flexibility will inherently positively impact the performance of the connected loads,
12 including the distribution systems. This impact can include enhanced networking of
13 transmission lines serving wholesale customers, margin to accommodate new or increased
14 customer loads, and flexibility to connect and utilize new renewable or low emitting
15 generating units.

16 **c. Employee, Environmental, Social, and Governance Benefits**

17 **Q. Please describe FirstEnergy’s current employee, environmental, social, and**
18 **governance strategy.**

19 A. FirstEnergy’s Energizing the Future (“EtF”) Program, which launched in 2014, prioritizes
20 improvements that emphasize modern experiences, new growth, affordable energy bills,
21 and the transition to a clean, resilient, and secure electric grid. As part of the EtF Program,
22 FirstEnergy seeks to cultivate a more innovative, diverse, and sustainable company
23 centered on the pillars of employee, environmental, social, and governance (“EESG”)

1 priorities, which align with FirstEnergy’s core values of integrity, safety, diversity, equity
2 and inclusion, performance excellence, and stewardship. To date, FirstEnergy has pursued
3 its EESG initiatives by, among other things, investing in sustainable grid improvements
4 that support grid modernization, incremental renewable generation, and electric vehicle
5 infrastructure, securing diverse suppliers and an employee workforce that emphasizes the
6 importance of an inclusive and equitable culture, and ensuring that company leadership
7 adheres to FirstEnergy’s core values to foster a positive and inclusive work environment.
8 Altogether, FirstEnergy is comprised of a diverse team of employees who are committed
9 to making the environment better and communities stronger.

10 **Q. Please explain how the proposed Transaction would benefit the handling of EESG**
11 **matters for FET and its subsidiaries.**

12 A. FirstEnergy and its subsidiaries are dedicated to staying true to its mission and core values
13 while supporting its EESG priorities. Brookfield's incremental investment is expected to
14 facilitate the deployment of additional capital for strategic EESG initiatives in the regulated
15 transmission segment that will help enable a clean, reliable, resilient, and secure electric
16 grid, including initiatives related to transmission asset health, integrating digital
17 technology, exploring real time technologies in data collection, and smart investments to
18 modernize the grid to integrate future renewables. Moreover, Brookfield is committed to
19 its own ESG practices, which focus on, among other things, mitigating the impact to the
20 environment, ensuring a diverse and equitable work culture, and upholding strong
21 governance practices. FET and the Joint Applicants will benefit from working with a
22 collaborative partner to achieve FirstEnergy’s EESG goals and the sharing of ESG best
23 practices by Brookfield.

1 **V. STANDARDS OF CONDUCT AND EFFECTS ON COMPETITION**

2 **Q. What impact does the proposed Transaction have on Standards of Conduct?**

3 A. However, under the LLCA, NATCo II (and any Co-Investors and their respective
4 Representatives as defined in the PSA) will be bound by the FERC Standards of Conduct
5 and affiliate restrictions, will be required to complete training regarding the FERC
6 Standards of Conduct and affiliate restrictions, and will be required to annually maintain
7 full compliance with the FERC Standards of Conduct and affiliate restrictions. In addition,
8 neither FET nor the Joint Applicants will be required to disclose or otherwise provide
9 information to the extent such information is required to be kept confidential by FERC's
10 Standards of Conduct or affiliate restrictions in accordance with applicable law. These
11 provisions are further explained in the LLCA, which is provided as Joint Applicants
12 Exhibit SRS-2 and discussed in further detail by Steven Staub.

13 **Q. What impact does the proposed Transaction have on competition?**

14 A. NATCo II's purchase of an incremental 30% equity interest in FET is not expected to have
15 an adverse effect on competition in the wholesale power market. The Joint Applicants will
16 continue to be transmission-only public utilities subject to regulation by FERC and
17 applicable state regulatory authorities. Moreover, because the underlying transmission
18 facilities will remain under the functional control of PJM under PJM's OATT following
19 the Transaction's approval (as is presently the case), the Transaction will have no adverse
20 effect on competition in the wholesale power market.

1 **Q. What effect will the Transaction have on electric competition in the Commonwealth**
2 **of Pennsylvania?**

3 A. The Transaction will have no effect on electric competition for customers of FirstEnergy's
4 subsidiaries operating in Pennsylvania, nor electric generation suppliers. Existing contracts
5 will be maintained and customers of each of FirstEnergy's Pennsylvania subsidiaries will
6 continue to have access to the same competitive market as they do today.

7 **VI. CONCLUSION**

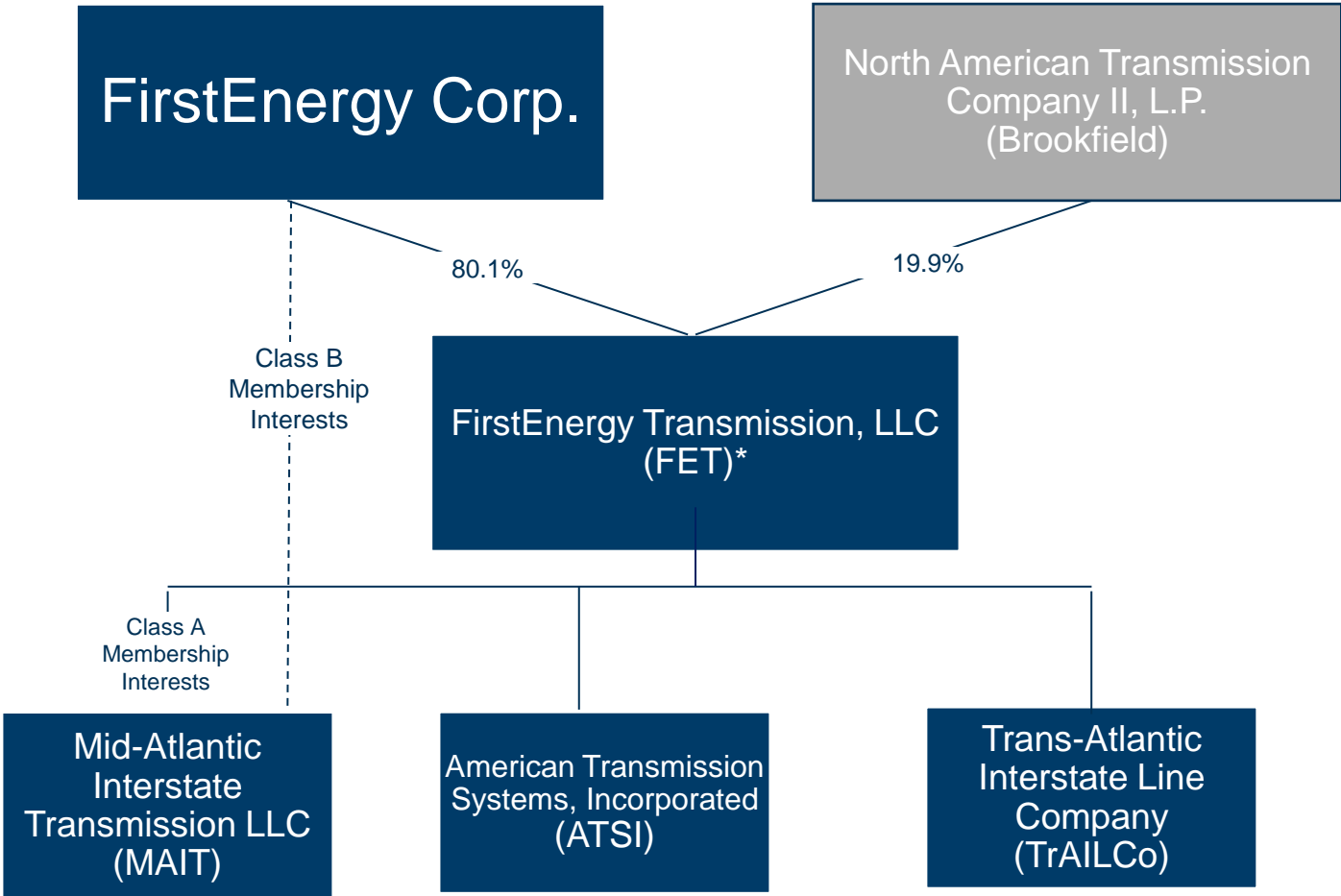
8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

Joint Applicants Exhibit
MDM-1

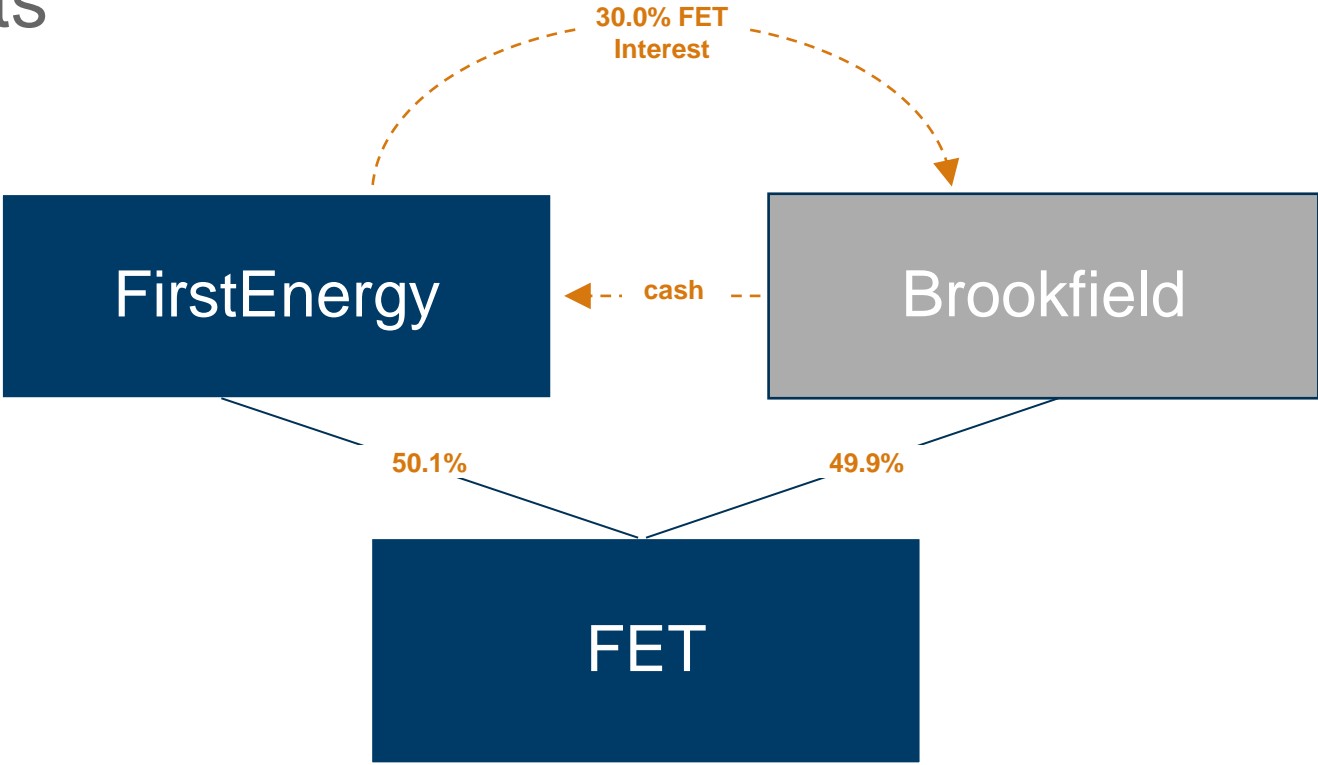
Current FirstEnergy Organization

(Pertinent In-Scope Entities Only)

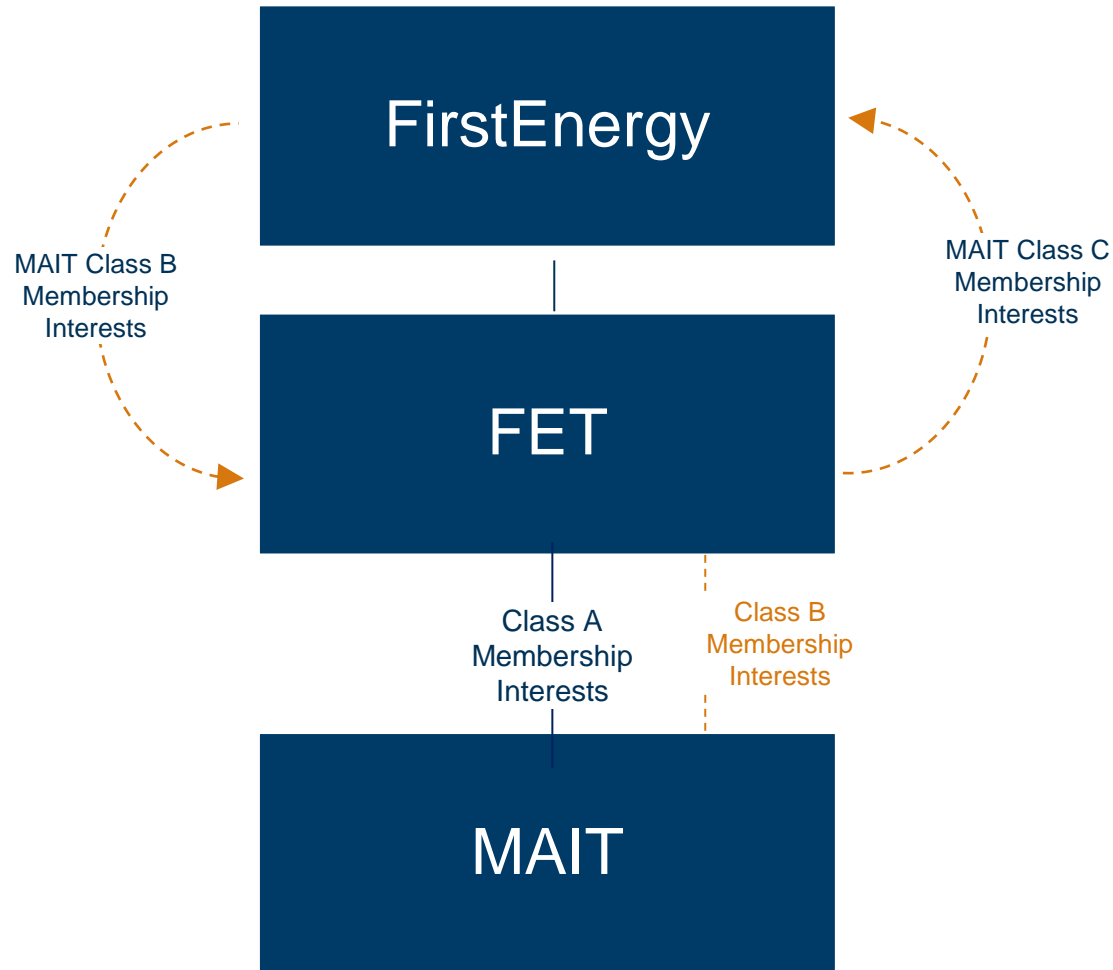


*FET also owns Potomac-Appalachian Transmission Highline, LLC ("PATH"), which is not a jurisdictional entity.

Step One – Brookfield Purchases Additional FET Interests

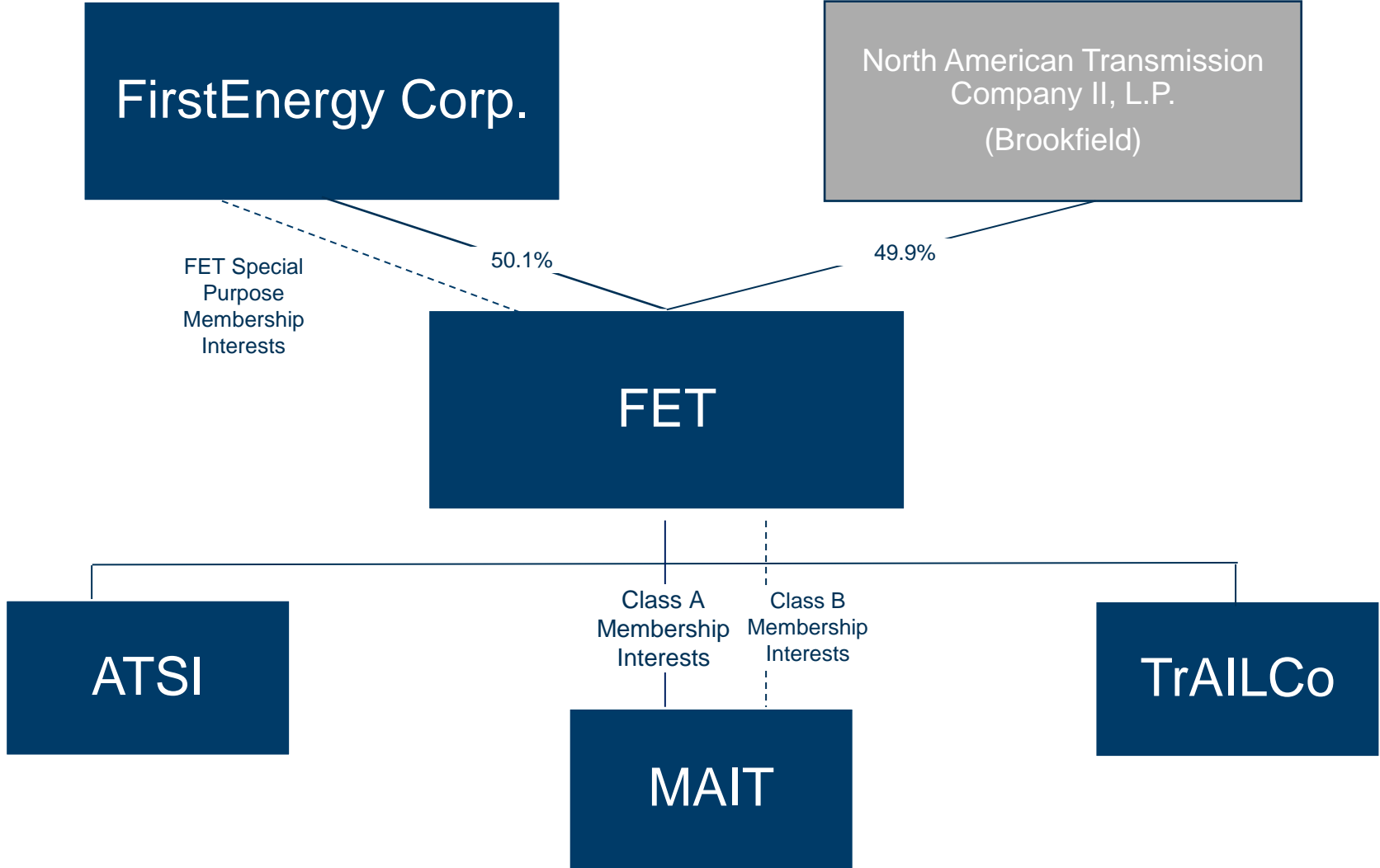


Step Two: FE Corp. Contributes MAIT Class B Interests to FET

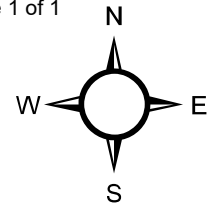


FirstEnergy Organization after Transaction

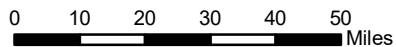
(Pertinent In-Scope Entities Only)



Joint Applicants Exhibit
MDM-2



ATSI Territory - Pennsylvania

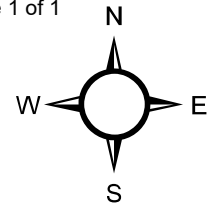


■ ATSI Territory

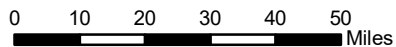
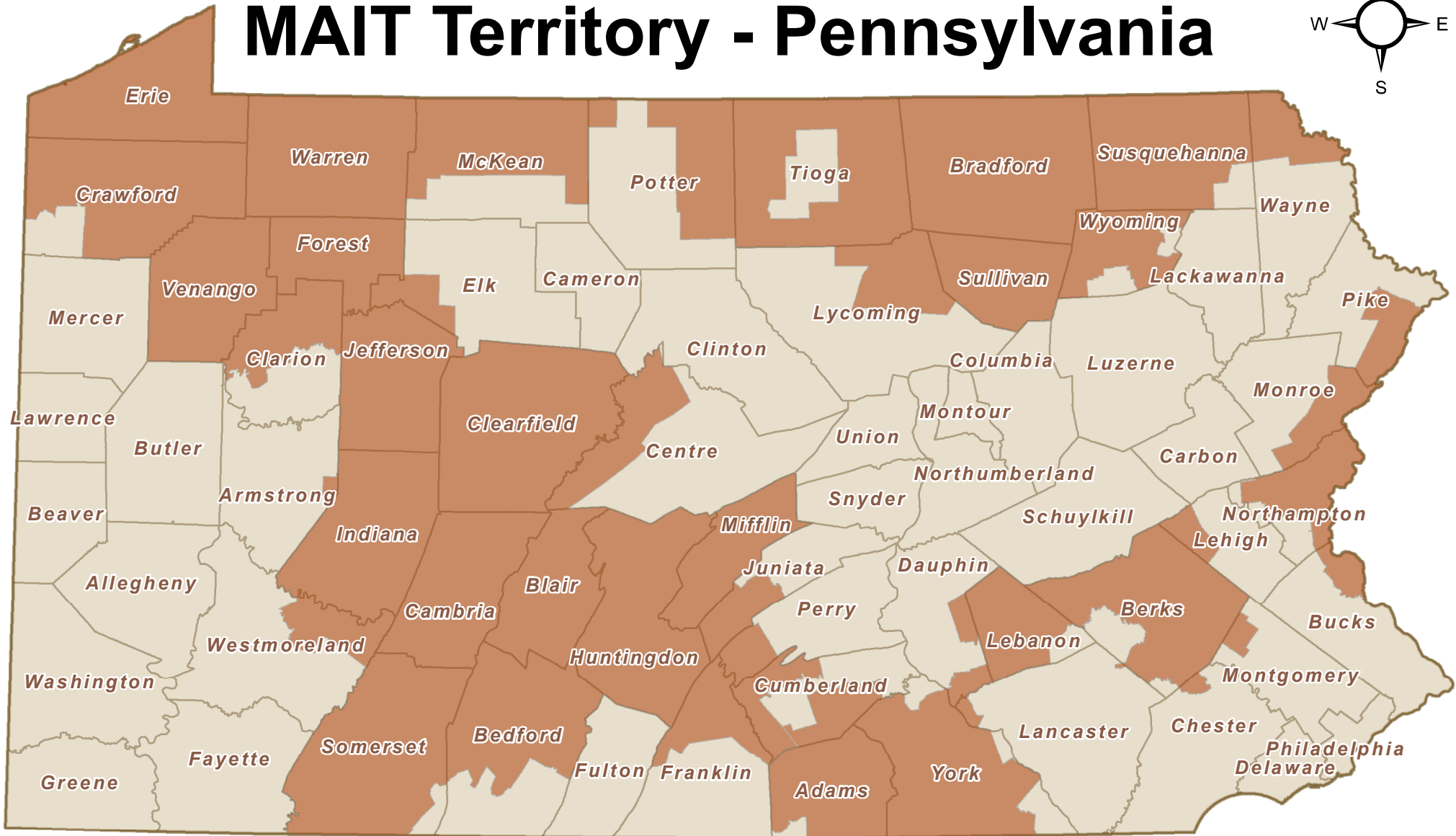
■ Counties



Joint Applicants Exhibit
MDM-3



MAIT Territory - Pennsylvania

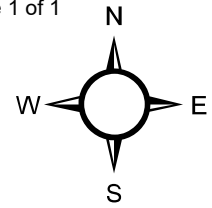


MAIT Territory

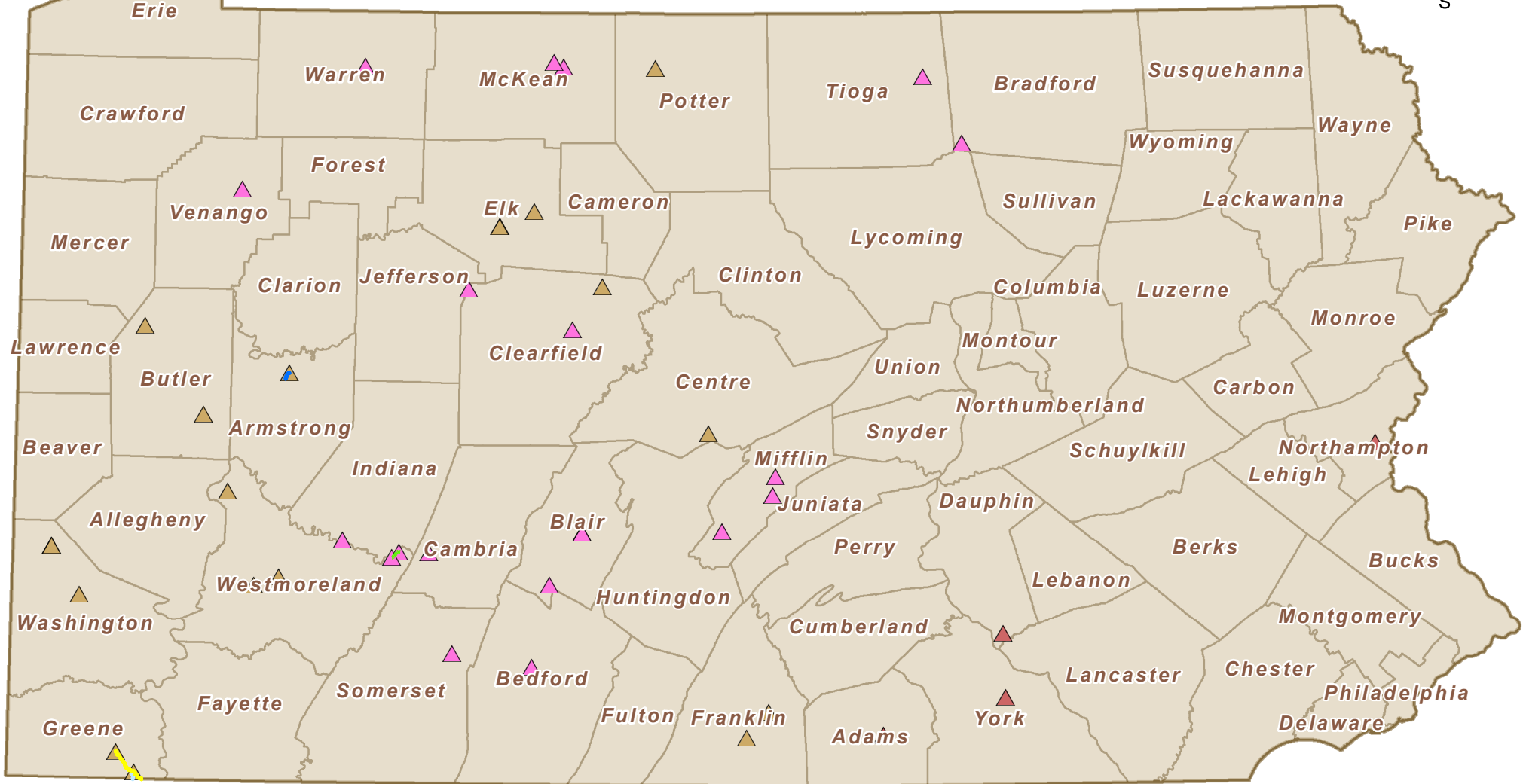
Counties



Joint Applicants Exhibit
MDM-4



TrAIL Co Assets - Pennsylvania



TrAIL Co owned Transmission Lines

Operating Voltage

- 500 kV
- 345 kV
- 230 kV
- 138 kV

TrAIL Co owned Substations

Operating Company

- ▲ Met-Ed
- ▲ Penelec
- ▲ West Penn Power

Counties

