TRANS-ALLEGHENY INTERSTATE LINE COMPANY

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

GLOSSARY OF TERMS

The following abbreviations and acronyms may be used in these financial statements to identify Trans-Allegheny Interstate Line Company, and its current and former affiliated companies:

AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary of FE
AGC	Allegheny Generating Company, a generation subsidiary of MP
ATSI	American Transmission Systems, Incorporated, a transmission subsidiary of FET
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility subsidiary of FE
Electric Companies	OE, CEI, TE, JCP&L, MP, PE and FE PA (as successor-in-interest to Penn, ME, PN and WP)
FE	FirstEnergy Corp., a public utility holding company
FE PA	FirstEnergy Pennsylvania Electric Company, a Pennsylvania electric utility subsidiary of FirstEnergy Pennsylvania Holding Company LLC, a wholly owned subsidiary of FE
FESC	FirstEnergy Service Company, which provides legal, financial, and other corporate support services
FET	FirstEnergy Transmission, LLC a consolidated VIE of FE, and the parent company of ATSI, MAIT and TrAIL, and having a joint venture in PATH
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility subsidiary of FE
KATCo	Keystone Appalachian Transmission Company, a transmission subsidiary of FE
MAIT	Mid-Atlantic Interstate Transmission, LLC, a transmission subsidiary of FET
ME	Metropolitan Edison Company, a former Pennsylvania electric utility subsidiary of FE, which merged with and into FE PA on January 1, 2024
MP	Monongahela Power Company, a West Virginia electric utility subsidiary of FE
OE	Ohio Edison Company, an Ohio electric utility subsidiary of FE
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between FE and a subsidiary of AEP
PE	The Potomac Edison Company, a Maryland and West Virginia electric utility subsidiary of FE
Penn	Pennsylvania Power Company, a former Pennsylvania electric utility subsidiary of OE, which merged with and into FE PA on January 1, 2024
Pennsylvania Companies	ME, PN, Penn and WP, each of which merged with and into FE PA on January 1, 2024
PN	Pennsylvania Electric Company, a former Pennsylvania electric utility subsidiary of FE, which merged with and into FE PA on January 1, 2024
TE	The Toledo Edison Company, an Ohio electric utility subsidiary of FE
TrAIL	Trans-Allegheny Interstate Line Company, a transmission subsidiary of FET
Transmission Companies	ATSI, KATCo, MAIT and TrAIL
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a former Pennsylvania electric utility subsidiary of FE, which merged with and into FE PA on January 1, 2024

The following abbreviations and acronyms may be used to identify frequently used terms in these financial statements:

A&R FET LLC Agreement	Fourth Amended and Restated Limited Liability Company Operating Agreement of FET
ACE	Affordable Clean Energy
AEP	American Electric Power Company, Inc.
AFSI	Adjusted Financial Statement Income
AFUDC	Allowance for Funds Used During Construction
AMI	Advanced Metering Infrastructure
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BRA	Base Residual Auction
Brookfield	North American Transmission Company II L.P., a controlled investment vehicle entity of Brookfield Infrastructure Partners

CAA	Clean Air Act
CCR	Coal Combustion Residual
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFIUS	Committee on Foreign Investments in the United States
CFR	Code of Federal Regulations
CO_2	Carbon Dioxide
COVID-19	Coronavirus disease
CPP	EPA's Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DCR	Delivery Capital Recovery
DMR	Distribution Modernization Rider
DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and the U.S. Attorney's Office for the S.D. Ohio
DSIC	Distribution System Improvement Charge
EEI	The Edison Electric Institute
EGU	Electric Generation Unit
EH	Energy Harbor Corp.
ELG	Effluent Limitation Guidelines
EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP IV	Electric Security Plan IV
ESP V	Electric Security Plan V
Exchange Act	Securities and Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FE Board	FE Board of Directors
FERC	Federal Energy Regulatory Commission
FET Board	FET Board of Directors
FET LLC Agreement	Third Amended and Restated Limited Liability Company Operating Agreement of FET
FET P&SA II	Purchase and Sale Agreement entered into on February 2, 2023, by and between FE, FET, Brookfield, and the Brookfield Guarantors
Fitch	Fitch Ratings Service
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly
IRA of 2022	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
kV	Kilovolt
LTIIP	Long-Term Infrastructure Improvement Plan
MDPSC	Maryland Public Service Commission
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
MWh	Megawatt-hour
N.D. Ohio	Federal District Court, Northern District of Ohio
NERC	North American Electric Reliability Corporation

NOL	Net Operating Loss
NOx	Nitrogen Oxide
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
OAG	Ohio Attorney General
OCC	Ohio Consumers' Counsel
ODSA	Ohio Development Service Agency
OOCIC	Ohio Organized Crime Investigations Commission, which is composed of members of the Ohio law enforcement community and is chaired by the OAG
OPEB	Other Postemployment Benefits
OVEC	Ohio Valley Electric Corporation
PA Consolidation	Consolidation of the Pennsylvania Companies
PEER	FirstEnergy's Program for Enhanced Employee Retirement, as announced in 2023
PJM	PJM Interconnection, LLC, an RTO
PJM Tariff	PJM Open Access Transmission Tariff
POLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RFC	ReliabilityFirst Corporation
ROE	Return on Equity
RTO	Regional Transmission Organization
S.D. Ohio	Federal District Court, Southern District of Ohio
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan(s) under the CAA
SLC	Special Litigation Committee of the FE Board
SO_2	Sulfur Dioxide
SOFR	Secured Overnight Financing Rate
SOS	Standard Offer Service
SPE	Special Purpose Entity
S&P	Standard & Poor's Ratings Service
Tax Act	Tax Cuts and Jobs Act adopted December 22, 2017
TMI-1	Three Mile Island Unit 1
VEPCO	Virginia Electric and Power Company, a subsidiary of Dominion Energy, Inc.
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVPSC	Public Service Commission of West Virginia

Report of Independent Auditors

To Management and the Board of Directors of Trans-Allegheny Interstate Line Company

Opinion

We have audited the accompanying financial statements of Trans-Allegheny Interstate Line Company (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, of common stockholder’s equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
March 24, 2025

TRANS-ALLEGHENY INTERSTATE LINE COMPANY
STATEMENTS OF INCOME

(In millions)	For the Years Ended December 31, 2024	2023
REVENUES	$ 274	$ 279
OPERATING EXPENSES:		
Other operating expenses	32	30
Provision for depreciation	58	55
General taxes	15	15
Total operating expenses	105	100
OPERATING INCOME	169	179
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	1	5
Pension and OPEB mark-to-market adjustment	1	(7)
Interest expense	(25)	(25)
Capitalized financing costs	3	2
Total other expense	(20)	(25)
INCOME BEFORE INCOME TAXES	149	154
INCOME TAXES	41	42
NET INCOME	$ 108	$ 112

The accompanying Notes to Financial Statements are an integral part of these financial statements.

TRANS-ALLEGHENY INTERSTATE LINE COMPANY
BALANCE SHEETS

(In millions)	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Receivables-		
Affiliated companies	$ 8	$ —
Other	24	24
Notes receivable from affiliated companies	73	17
Prepaid taxes and other	15	14
	120	55
PROPERTY, PLANT AND EQUIPMENT:		
In service	2,420	2,374
Less — Accumulated provision for depreciation	460	413
	1,960	1,961
Construction work in progress	35	28
	1,995	1,989
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	6	6
Other	10	8
	16	14
TOTAL ASSETS	$ 2,131	$ 2,058
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Currently payable long-term debt	$ 625	$ —
Accounts payable - affiliated companies	—	3
Accrued taxes	23	20
Accrued interest	2	2
	650	25
NONCURRENT LIABILITIES:		
Long-term debt and other long-term obligations	—	624
Accumulated deferred income taxes, net	355	307
Regulatory liabilities	167	141
Property taxes	6	6
Other	—	1
	528	1,079
TOTAL LIABILITIES	1,178	1,104
EQUITY:		
Common stockholder's equity-		
Common stock and other paid-in capital, $1 par value, authorized 5,000 share - 1,000 shares outstanding	943	943
Retained earnings	10	11
TOTAL EQUITY	953	954
COMMITMENTS, GUARANTEES AND CONTINGENCIES (NOTE 8)		
TOTAL LIABILITIES AND EQUITY	$ 2,131	$ 2,058

The accompanying Notes to Financial Statements are an integral part of these financial statements.

TRANS-ALLEGHENY INTERSTATE LINE COMPANY
STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Common Stock			
(In millions, except share amounts)	Outstanding Shares	Other Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance, January 1, 2023	1,000	$ 943	$ 13	$ 956
Net income			112	112
Common stock dividends declared			(114)	(114)
Balance, December 31, 2023	1,000	$ 943	$ 11	$ 954
Net income			108	108
Common stock dividends declared			(109)	(109)
Balance, December 31, 2024	1,000	$ 943	$ 10	$ 953

The accompanying Notes to Financial Statements are an integral part of these financial statements.

TRANS-ALLEGHENY INTERSTATE LINE COMPANY
STATEMENTS OF CASH FLOWS

(In millions)	For the Years Ended December 31, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 108	$ 112
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	54	49
Deferred income taxes, net	49	6
Transmission revenue collections, net	20	(8)
Pension and OPEB mark-to-market adjustment	(1)	7
Allowance for funds used during construction - equity	(2)	(1)
Changes in current assets and liabilities-		
Receivables	(8)	(5)
Prepaid taxes and other current assets	(1)	—
Accounts payable - affiliated companies	(4)	(6)
Accrued taxes	3	(28)
Other	(2)	1
Net cash provided from operating activities	216	127
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital investments	(49)	(35)
Loans to affiliated companies, net	(56)	23
Other	(2)	(1)
Net cash used for investing activities	(107)	(13)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock dividend payments	(109)	(114)
Net cash used for financing activities	(109)	(114)
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$ —	$ —
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) during the year:		
Interest (net of amounts capitalized)	$ 24	$ 24
Income taxes, net of refunds	$ 2	$ 65
Significant non-cash transactions:		
Accrued capital investments	$ 5	$ 5

The accompanying Notes to Financial Statements are an integral part of these financial statements.

TRANS-ALLEGHENY INTERSTATE LINE COMPANY
NOTES TO FINANCIAL STATEMENTS

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1. ORGANIZATION AND BASIS OF PRESENTATION

Unless otherwise indicated, defined terms and abbreviations used herein have the meanings set forth in the accompanying Glossary of Terms.

TrAIL is a wholly owned subsidiary of FET, a consolidated VIE of FE. TrAIL owns high-voltage transmission facilities in PJM, which consists of 269 circuit miles of transmission lines with nominal voltages of 500 kV, 345 kV, 230 kV, 138 kV, including a 500 kV transmission line extending approximately 150 miles from southwestern Pennsylvania through West Virginia to a point of interconnection with VEPCO in northern Virginia. TrAIL plans, operates, and maintains its transmission system in accordance with NERC reliability standards, and other applicable regulatory requirements. In addition, TrAIL complies with the regulations, orders, policies and practices prescribed by FERC and the PPUC, MDPSC, VSCC and WVPSC.

On May 31, 2022, Brookfield acquired 19.9% of the issued and outstanding membership interests of FET. On March 25, 2024, Brookfield acquired an additional incremental 30% equity interest in FET. FET continues to be consolidated in FirstEnergy's financial statements. As a result of the consummation of the transaction, Brookfield's interest in FET increased from 19.9% to 49.9%, while FE retained the remaining 50.1% ownership interests of FET. Pursuant to the terms of the FET P&SA II, in connection with the closing, Brookfield, FET and FE entered into the A&R FET LLC Agreement, which amended and restated in its entirety the Third Amended and Restated Limited Liability Company Agreement of FET. The A&R FET LLC Agreement, among other things, provides for the governance, exit, capital and distribution, and other arrangements for FET from and following the closing. Under the A&R FET LLC Agreement, as of the closing, the FET Board consists of five directors, two of whom are appointed by Brookfield and three of whom are appointed by FE.

The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not necessarily indicative of results of operations for any future period. TrAIL has evaluated events and transactions for potential recognition or disclosure through March 24, 2025, the date the financial statements were issued.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Economic Conditions

Economic conditions have stabilized across numerous material categories, but not all lead times have returned to pre-pandemic levels. Several key suppliers have seen improvements with capacity, but TrAIL continues to monitor the situation as demand increases across the industry, including due to data center usage. Inflationary pressures have moderated, which has improved the cost of materials, but certain categories have remained elevated. TrAIL continues to implement mitigation strategies to address supply constraints and does not expect any corresponding service disruptions or any material impact on its capital investment plan. However, the situation remains fluid and a prolonged continuation or further increase in demand, or the continuation of uncertain or adverse macroeconomic conditions, including inflationary pressures and new or increased existing tariffs, could lead to an increase in supply chain disruptions that could, in turn, have an adverse effect on TrAIL's results of operations, cash flow and financial condition.

In February 2025, the new U.S. presidential administration announced the imposition of widespread and substantial tariffs on imports, with plans for additional tariffs to potentially be adopted in the future. Although certain of these tariffs were subsequently temporarily stayed, the situation is dynamic and subject to rapid change. The imposition of these or any other new or increased tariffs or resultant trade wars could have an adverse effect on TrAIL's results of operations, cash flow and financial condition.

ACCOUNTING FOR THE EFFECTS OF REGULATION

TrAIL is subject to regulation that sets the prices (rates) that TrAIL is permitted to charge customers based on costs that the regulatory agencies determine are permitted to be recovered. At times, regulatory agencies permit the future recovery of costs that would be currently charged to expense by an unregulated company. The ratemaking process results in the recording of regulatory assets and liabilities based on anticipated future cash inflows and outflows.

TrAIL reviews the probability of recovery of regulatory assets, and settlement of regulatory liabilities, at each balance sheet date and whenever new events occur. Factors that may affect probability include changes in the regulatory environment, issuance of a regulatory commission order, or passage of new legislation. Upon material changes to these factors, where applicable, TrAIL will record new regulatory assets or liabilities and will assess whether it is probable that currently recorded regulatory assets and liabilities will be recovered or settled in future rates. If recovery of a regulatory asset is no longer probable, TrAIL will write off that regulatory asset as a charge against earnings. TrAIL considers the entire regulatory asset balance as the unit of account for the purposes of balance sheet classification rather than the next years recovery and as such net regulatory assets and liabilities are presented in the noncurrent section on TrAIL's Balance Sheets. See Note 7, "Regulatory Matters," of the Notes to Financial Statements for additional information.

The following table provides information about the composition of net regulatory assets and liabilities as of December 31, 2024 and 2023, and the changes during the year ended December 31, 2024:

	As of December 31,		
Net Regulatory Assets (Liabilities) by Source	**2024**	**2023**	**Change**
		(In millions)	
Customer payables for future income taxes	$ (168)	$ (170)	$ 2
Asset removal costs	(112)	(103)	(9)
Deferred transmission costs	113	133	(20)
Other	—	(1)	1
Net Regulatory Liabilities included on the Balance Sheets	$ (167)	$ (141)	$ (26)

The following is a description of the regulatory assets and liabilities described above:

Customer payables for future income taxes - Reflects amounts to be recovered or refunded through future rates to pay income taxes that become payable when rate revenue is provided to recover items such as AFUDC-equity and depreciation of property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to federal and state tax rate changes such as the Tax Act. These amounts are being amortized over the period in which the related deferred tax assets reverse, which is generally over the expected life of the underlying asset.

Asset removal costs - Reflects amounts to be recovered or refunded through future rates to pay for the cost of activities to remove assets that are expected to be incurred at the time of retirement.

Deferred transmission costs - Reflects differences between revenues earned based on actual costs for TrAIL's formula transmission rate and the amounts billed, including amounts at December 31, 2023 expected to be refunded to, or recoverable from, wholesale transmission customers resulting from the FERC Audit, as further described below, which amounts are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

There are no net regulatory assets that do not earn a current return as of December 31, 2024 and 2023.

INVESTMENTS

All temporary cash investments purchased with an initial maturity of three months or less are reported as cash equivalents on the Balance Sheets, at cost, which approximates their fair market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment reflects original cost (net of any impairments recognized), including payroll and related costs such as taxes, employee benefits, administrative and general costs, and financing costs incurred to place the assets in service. The costs of normal maintenance, repairs and minor replacements are expensed as incurred. Liabilities for planned major maintenance projects are recognized as they are incurred.

TrAIL provides for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. Depreciation expense was approximately 2.4% and 2.3% of average depreciable property in 2024 and 2023, respectively.

TrAIL has been granted certain incentives by FERC, including the inclusion of Construction Work in Progress in rate base for most components of the TrAIL Line. As a result, AFUDC is not applicable to such components of the TrAIL Line.

For the year ended December 31, 2024, capitalized financing costs on TrAIL's Statements of Income include $3 million of allowance for equity funds used during construction. For the year ended December 31, 2023, capitalized financing costs on TrAIL's Statements of Income include $2 million of allowance for equity funds used during construction.

Long-lived assets classified as held and used are evaluated for impairment when events or changes in circumstances indicate that the carrying value of the long-lived assets may not be recoverable. First, the estimated undiscounted future cash flows attributable to the assets is compared with the carrying value of the assets. If the carrying value is greater than the undiscounted future cash flows, an impairment charge is recognized equal to the amount the carrying value of the assets exceeds its estimated fair value.

REVENUES AND RECEIVABLES

Under a formula rate mechanism approved by the FERC, TrAIL makes annual filings in order to recover incurred costs and an allowed return. An initial rate filing is made for each calendar year using estimated costs, which is used to determine the initial billings to customers. All prudently incurred allowable operation and maintenance costs, a return earned on rate base and income taxes are recovered or refunded through a subsequent true-up mechanism. As such, TrAIL recognizes revenue as it incurs recoverable costs and earns the allowed return. Any differences between revenues earned based on actual costs and the amounts billed based on estimated costs are recognized as a regulatory asset or liability and will be recovered or refunded, respectively, in subsequent periods.

Other receivables include PJM receivables resulting from transmission sales. Management believes TrAIL's uncollectible risk on PJM receivables is minimal due to the nature of PJM’s settlement process whereby members of PJM legally agree to share the cost of defaults and as a result there is no allowance for doubtful accounts.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Issued Pronouncements - The following new authoritative accounting guidance issued by the FASB has not yet been adopted. Unless otherwise indicated, such guidance is currently being assessed for the impact it may have on the financial statements and disclosures, as well as the potential to early adopt where applicable. New accounting standards not described below have been assessed and based upon current expectations will not significantly impact the financial statements.

ASU 2023-09, "*Income taxes (Topic 280): Improvements to Income Tax Disclosures* " (Issued in December 2023): ASU 2023-09 enhances disclosures primarily related to existing rate reconciliation and income taxes paid information to help investors better assess how a company’s operations and related tax risks and tax planning and operational opportunities affect the tax rate and prospects for future cash flows. Disclosure requirements include a tabular reconciliation using both percentages and amounts, separated out into specific categories with certain reconciling items at or above 5% of the statutory tax as well as by nature and/or jurisdiction. In addition, entities will be required to disclose income taxes paid (net of refunds received), broken out between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes are paid to such jurisdiction. For TrAIL, the guidance will be effective for fiscal years beginning after December 15, 2025, with early adoption permitted. The amendments within ASU 2023-09 are to be applied on a prospective basis, with retrospective application permitted.

2. REVENUE

TrAIL accounts for revenues from contracts with customers under ASC 606, Revenue from Contracts with Customers. Revenue from leases, financial instruments, other contractual rights or obligations and other revenues that are not from contracts with customers are outside the scope of the standard and accounted for under other existing GAAP.

TrAIL has elected the optional invoice practical expedient for most of its revenues and utilizes the optional short-term contract exemption for transmission revenues due to the annual establishment of revenue requirements, which eliminates the need to provide certain revenue disclosures regarding unsatisfied performance obligations.

TrAIL provides transmission infrastructure owned and operated by TrAIL to transmit electricity from generation sources to distribution facilities. TrAIL's transmission revenue is primarily derived from forward-looking formula transmission rates. Revenue requirements under forward-looking formula rates are updated annually based on a projected rate base and projected costs, which is subject to an annual true-up based on rate base and actual costs. Revenues and cash receipts for the stand-ready obligation of providing transmission service are recognized ratably over time.

For the years ended December 31, 2024 and 2023, revenues include transmission revenue from contracts with customers of $270 million and $275 million, respectively, and $4 million of non-customer revenue, respectively.

3. TAXES

TrAIL records income taxes in accordance with the liability method of accounting. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognized for tax purposes. Investment tax credits, which were deferred when utilized, are being amortized over the recovery period of the related property. Deferred income tax liabilities related to temporary tax and accounting basis differences and tax credit carryforward items are recognized at the statutory income tax rates in effect when the liabilities are expected to be paid. Deferred tax assets are recognized based on income tax rates expected to be in effect when they are settled.

TrAIL is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. However, for periods subsequent to the closing of the FET Equity Interest Sale, TrAIL is no longer a member of the FirstEnergy consolidated group for federal income tax purposes and, instead, will be included in the FET and subsidiaries consolidated federal income tax return and income tax allocation agreement.

The IRA of 2022, among other things, imposes a new 15% corporate AMT based on AFSI applicable to corporations with a three-year average AFSI over $1 billion. The AMT is effective for the 2023 tax year and, if applicable, corporations must pay the greater of the regular corporate income tax or the AMT. The IRA of 2022 requires the U.S. Treasury to provide regulations and other guidance necessary to administer the AMT, including further defining allowable adjustments to determine AFSI, which directly impacts the amount of AMT to be paid. On September 12, 2024, the U.S. Treasury issued proposed regulations for the AMT for comments. FET and TrAIL are assessing the proposed regulations but continue to believe that it is more likely than not they will be subject to AMT, however, the completion of the U.S. Treasury's rulemaking process and the future issuance of final regulations, as well as potential future federal tax legislation or presidential executive orders, could significantly change FET's and/or TrAIL's AMT estimates or their conclusion as to whether they are AMT payers at all. Additionally, the regulatory treatment of the IRA of 2022 may also be subject to regulation by FERC and/or applicable state regulatory authorities. Any adverse development in the IRA of 2022, including guidance from the U.S. Treasury and/or the IRS or unfavorable regulatory treatment, could negatively impact TrAIL's cash flows, results of operations, and financial condition.

TrAIL is evaluating the potential requirement to transition to stand-alone treatment of NOL carryforwards for ratemaking purposes. Currently, TrAIL has not transitioned to stand-alone treatment. TrAIL expects that if transitioning is required, it will make appropriate regulatory filings to include the NOL carryforward deferred tax asset in rate base and revenue requirement, which could have a material impact on future net income.

The following table provides the composite of income taxes for the years ended 2024 and 2023:

	For the Years Ended December 31,	
INCOME TAXES:	**2024**	**2023**
	(In millions)	
Currently payable (receivable) -		
Federal	$ (18)	$ 28
State	10	8
	(8)	36
Deferred, net-		
Federal	48	4
State	1	2
	49	6
Total income taxes	$ 41	$ 42

TrAIL's tax rates are affected by permanent items, such as AFUDC equity, as well as discrete items that may occur in any given period, but are not consistent from period to period. The following table provides a reconciliation of federal income tax expense at the federal statutory rate to the total income taxes for the years ended December 31, 2024 and 2023:

	For the Years Ended December 31,	
(In millions)	**2024**	**2023**
Book income before income taxes	$ 149	$ 154
Federal income tax expense at statutory rate (21%)	$ 31	$ 32
Increases (reductions) in taxes resulting from-		
State income tax, net of federal income tax benefit	9	9
Excess deferred tax amortization due to the Tax Act	1	2
Valuation allowances	—	(1)
Total income taxes	$ 41	$ 42
Effective income tax rate	27.5 %	27.3 %

Accumulated deferred income taxes as of December 31, 2024 and 2023, were as follows:

	As of December 31,	
(In millions)	2024	2023
Property basis differences	$ 316	$ 311
Regulatory asset/liability	44	50
Loss and credit carryforwards	(25)	(73)
Valuation allowances on NOL carryforwards	20	20
Other	—	(1)
Accumulated deferred income tax liabilities, net	$ 355	$ 307

TrAIL has recorded as deferred income tax assets the effect of NOLs and tax credits that will more likely than not be realized through future operations and through the reversal of existing temporary differences. As of December 31, 2024, TrAIL's loss carryforwards consisted primarily of $420 million ($21 million, net of tax) of state NOL carryforwards, of which approximately $23 million ($1 million, net of tax) is expected to be utilized based on current estimates and assumptions prior to expiration, which will begin in 2029.

TrAIL accounts for uncertainty in income taxes recognized in its financial statements. A recognition threshold and measurement attribute is utilized for financial statement recognition and measurement of tax positions taken or expected to be taken on a company's tax return. As of December 31, 2024 and 2023, TrAIL's unrecognized tax benefits were immaterial. As of December 31, 2024, TrAIL does not anticipate any of the unrecognized tax benefits will be resolved during 2025.

TrAIL recognizes interest expense or income and penalties related to uncertain tax positions in income taxes. That amount is computed by applying the applicable statutory interest rate to the difference between the tax position recognized and the amount previously taken or expected to be taken on the tax return. During 2024 and 2023, TrAIL did not record any interest related to uncertain tax positions, nor did TrAIL have a cumulative net interest payable recorded on its balance sheets.

TrAIL has tax returns under review by state taxing authorities at the audit or appeals level for tax years 2021-2023.

General Taxes

General taxes associated with real and personal property taxes for the years ended December 31, 2024 and 2023 were $15 million.

4. FAIR VALUE MEASUREMENTS

All borrowings with initial maturities of less than one year are defined as short-term financial instruments under GAAP and are reported as Short-term borrowings on the Balance Sheets at cost. Since these borrowings are short-term in nature, TrAIL believes that their costs approximates their fair market value. The following table provides the approximate fair value and related carrying value of long-term debt, which excludes net unamortized debt issuance costs:

	December 31, 2024		December 31, 2023	
(In millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 625	$ 622	$ 625	$ 612

The fair value of long-term debt reflects the present value of the cash outflows relating to those securities based on the current call price, the yield to maturity or the yield to call, as deemed appropriate at the end of each respective period. The yields assumed were based on securities with similar characteristics offered by corporations with credit ratings similar to those of TrAIL. TrAIL classified long-term debt as Level 2 in the fair value hierarchy as of December 31, 2024 and 2023.

5. CAPITALIZATION

COMMON STOCK

TrAIL is authorized to issue 5,000 shares of common stock, $1.00 par value, as of December 31, 2024. As of December 31, 2024 and 2023, there were 1,000 common shares outstanding.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The following table presents outstanding long-term debt and other long-term obligations for TrAIL as of December 31, 2024 and 2023:

	As of December 31, 2024		As of December 31,	
	Maturity Date	Interest Rate	2024	2023
			(In millions)	
Unsecured notes - fixed rate	2025	3.76% - 3.85%	$ 625	$ 625
Unamortized debt issuance costs			—	(1)
Total long-term debt and other long-term obligations			$ 625	$ 624

The following table presents scheduled debt repayments for outstanding long-term debt, excluding finance leases and unamortized debt discounts and premiums, for the next five years as of December 31, 2024.

(In millions)	2025	2026	2027	2028	2029
Scheduled debt repayments	$625	$—	$—	$—	$—

TrAIL expects to refinance its $625 million of debt currently due in the first half of 2025 utilizing new long-term debt, cash on hand, short-term borrowings, or any combination of these options. TrAIL has $650 million of outstanding long-term debt authorization with FERC. In addition, TrAIL has a short-term borrowing limit of $400 million with FERC that it could use to repay a portion of the $625 million maturity through the money pool or up to $150 million in revolver borrowings.

Debt Covenant Default Provisions

TrAIL has various debt covenants under certain financing arrangements, including its revolving credit facility and term loans. The most restrictive of the debt covenants relate to the nonpayment of interest and/or principal on such debt and the maintenance of certain financial ratios. The failure by TrAIL to comply with the covenants contained in its financing arrangements could result in an event of default, which may have an adverse effect on TrAIL's financial condition. As of December 31, 2024, TrAIL remains in compliance with all debt covenant provisions.

Additionally, there are cross-default provisions in certain financing arrangements of FE and its subsidiaries, including TrAIL. These provisions generally trigger a default in the applicable financing arrangement of an entity if it or any of its significant subsidiaries default under another financing arrangement in excess of a certain principal amount, typically $100 million. Although such defaults by TrAIL would cross-default FE and FET financing arrangements containing these provisions, defaults by FE would generally not cross-default applicable TrAIL financing arrangements.

6. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

TrAIL had no outstanding short-term borrowings as of December 31, 2024 and 2023.

Revolving Credit Facility

On October 24, 2024, ATSI, MAIT and TrAIL entered into amendments to their $850 million credit facility to, among other things extend the maturity date for an additional one-year period, from October 18, 2027 to October 18, 2028.

Borrowings under the ATSI, MAIT and TrAIL credit facility may be used for working capital and other general corporate purposes. Generally, borrowings under their credit facility are available to each borrower separately and mature on the earlier of 364 days from the date of borrowing or the commitment termination date, as the same may be extended. Their credit facility contains financial covenants requiring each borrower to maintain a consolidated debt-to-total-capitalization ratio (as defined under the credit facility) of no more than 65% measured at the end of each fiscal quarter.

Subject to each borrower’s sublimit, certain amounts are available for the issuance of LOCs (subject to borrowings drawn under their credit facility) expiring up to one year from the date of issuance. The stated amount of outstanding LOCs will count against total commitments available under their credit facility and against the applicable borrower’s borrowing sublimit. As of December 31, 2024, TrAIL had $1 million in outstanding LOCs, all of which are issued under its facility.

Under its credit facility, TrAIL may borrow up to $150 million, $149 million of which was available to TrAIL as of December 31, 2024. This short-term debt limitation is subject to the regulatory short-term debt authorization of $400 million, which also includes amounts that may be borrowed under the regulated companies' money pool.

The ATSI, MAIT and TrAIL credit facility does not contain provisions that restrict the ability to borrow or accelerate payment of outstanding advances in the event of any change in credit ratings of the borrowers. Pricing is defined in “pricing grids,” whereby the cost of funds borrowed under their credit facility are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under their credit facility are subject to the usual and customary provisions for acceleration upon the occurrence of events of default, including a cross-default for other indebtedness in excess of $100 million.

As of December 31, 2024, TrAIL had a debt-to-total-capitalization ratio of 39.6% which was in compliance with the applicable covenants under its credit facility.

FirstEnergy Money Pool

As a regulated money pool participant, TrAIL has the ability to borrow from regulated affiliates and FE to meet its short-term working capital requirements. FESC administers these money pools and tracks surplus funds of FE and the respective regulated and unregulated subsidiaries, as the case may be, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal amount of the loan, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from their respective pool and is based on the average cost of funds available through the pool. The average interest rates for borrowings in 2024 and 2023 were 5.74% and 6.30% per annum, respectively.

7. REGULATORY MATTERS

FERC REGULATORY MATTERS

Under the FPA, FERC regulates rates for transmission of electric power, accounting and other matters. With respect to its transmission services and rates, TrAIL is subject to regulation by FERC. Under the FPA, FERC regulates rates for transmission of electric power, accounting and other matters. FERC regulations require TrAIL to provide open access transmission service at FERC-approved rates, terms and conditions. TrAIL's transmission facilities are subject to functional control by PJM and transmission service using TrAIL's transmission facilities is provided by PJM under the PJM Tariff. TrAIL's current FERC rate order in effect for transmission customer billings has been effective since July 1, 2008, and includes an actual (year-end) capital structure and allowed ROEs of 12.7% for TrAIL the Line & Black Oak Static Var Compensator and 11.7% for all other projects.

Federally enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on TrAIL. NERC is the ERO designated by FERC to establish and enforce these reliability standards, although NERC has delegated day-to-day implementation and enforcement of these reliability standards to six regional entities, including RFC. All of the facilities that FirstEnergy operates, including those of TrAIL, are located within RFC. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies, including TrAIL, in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy, including TrAIL, believes that it is in material compliance with all currently-effective and enforceable reliability standards. Nevertheless, in the course of operating its extensive electric utility systems and facilities, FirstEnergy, including TrAIL, occasionally learns of isolated facts or circumstances that could be interpreted as excursions from the reliability standards. If and when such occurrences are found, FirstEnergy, including TrAIL, develops information about the occurrence and develops a remedial response to the specific circumstances, including in appropriate cases “self-reporting” an occurrence to RFC. Moreover, it is clear that NERC, RFC and FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. Any inability on FirstEnergy’s, including TrAIL’s, part to comply with the reliability standards for its bulk electric system could result in the imposition of financial penalties, or obligations to upgrade or build transmission facilities, that could have a material adverse effect on TrAIL's financial condition, results of operations and cash flows.

FERC Audit

FERC's Division of Audits and Accounting initiated a nonpublic audit of FESC in February 2019. Among other matters, the audit is evaluating FirstEnergy's compliance with certain accounting and reporting requirements under various FERC regulations. On February 4, 2022, FERC filed the final audit report for the period of January 1, 2015 through September 30, 2021, which included several findings and recommendations that FirstEnergy has accepted. The audit report included a finding and related recommendation on FirstEnergy's methodology for allocation of certain corporate support costs to regulatory capital accounts under certain FERC regulations and reporting. Effective in the first quarter of 2022 and in response to the finding, FirstEnergy had implemented a new methodology for the allocation of these corporate support costs to regulatory capital accounts for its regulated distribution and transmission companies on a prospective basis. With the assistance of an independent outside firm, FirstEnergy completed an analysis during the third quarter of 2022 of these costs and how it impacted certain FERC-jurisdictional wholesale transmission customer rates for the audit period of 2015 through 2021. As a result of this analysis, TrAIL recorded in the third quarter of 2022 approximately $6 million in expected customer refunds, plus interest, due to its wholesale transmission customers and reclassified approximately $22 million of certain transmission capital assets to operating expenses for the audit period, of which $1 million is not expected to be recoverable and impacted TrAIL's earnings since they relate to capitalized interest costs that are nonrecoverable. TrAIL has recovered approximately $22 million of costs reclassified to operating expenses in its transmission formula rate revenue requirements as of December 31, 2024. These reclassifications also resulted in a reduction to TrAIL's rate base by approximately $17 million, which is not expected to materially impact TrAIL's future earnings. The expected wholesale transmission customer refunds were recognized as a reduction to revenue, and the amount of reclassified transmission capital assets that are not expected to be recoverable were recognized within "Other operating expenses" on TrAIL's Statements of Income.

On December 8, 2023, FERC audit staff issued a letter advising that two unresolved audit matters, primarily related to FirstEnergy's plan to recover the reclassified operating expenses in formula transmission rates, were being referred to other offices within FERC for further review. On July 5, 2024 and September 26, 2024, the FERC Office of Enforcement issued additional data requests related to the 2022 reclassification of operating expenses, to which FirstEnergy replied. On September 10, 2024, and January 13, 2025, the FERC Office of Enforcement issued further data requests related to the classification and recovery of a since terminated fuel consulting contract to which another FirstEnergy subsidiary was a party, to which FirstEnergy responded. If the FERC Office of Energy Market Regulation and the FERC Office of Enforcement were to successfully challenge the recovery of the 2022 reclassified operating expenses and formula transmission rates it could have material adverse effect on TrAIL's financial conditions, result of operations, and cash flows.

Transmission ROE Methodology

A proposed rulemaking proceeding concerning transmission rate incentives provisions of Section 219 of the 2005 Energy Policy Act was initiated in March of 2020 and remains pending before FERC. Among other things, the rulemaking explored whether utilities should collect an "RTO membership" ROE incentive adder for more than three years. FirstEnergy is a member of PJM, and its transmission subsidiaries could be affected by the proposed rulemaking. FirstEnergy participated in comments on the supplemental rulemaking that were submitted by a group of PJM transmission owners and by various industry trade groups. If there were to be any changes to FirstEnergy's transmission incentive ROE, such changes will be applied on a prospective basis.

Transmission Planning Supplemental Projects: Ohio Consumers Counsel v ATSI, et al.

On September 27, 2023, the OCC filed a complaint against ATSI, PJM and other transmission utilities in Ohio alleging that the PJM Tariff and operating agreement are unjust, unreasonable, and unduly discriminatory because they include no provisions to ensure PJM's review and approval for the planning, need, prudence and cost-effectiveness of the PJM Tariff Attachment M-3 "Supplemental Projects." Supplemental Projects are projects that are planned and constructed to address local needs on the transmission system. The OCC demands that FERC: (i) require PJM to review supplemental projects for need, prudence and cost-effectiveness; (ii) appoint an independent transmission monitor to assist PJM in such review; and (iii) require that Supplemental Projects go into rate base only through a "stated rate" procedure whereby prior FERC approval would be needed for projects with costs that exceed an established threshold. Subsequently, intervenors expanded the scope of this proceeding to all of the transmission utilities in PJM. ATSI and the other transmission utilities in Ohio and PJM filed comments and the complaint is pending before FERC.

Local Transmission Planning Complaint: Industrial Energy Consumers of America, et al. v. Avista Corporation, et al.

On December 19, 2024, the Industrial Energy Consumers of America, a group representing large industrial customers, and state consumer advocates filed a complaint at FERC that asserts that transmission owners are overbuilding "local transmission facilities" with corresponding unjustified increases in transmission rates. The complaint demands that FERC: (i) prohibit transmission owners from planning "local transmission facilities" that are rated at 100kV or higher, (ii) appoint "independent transmission monitors" to conduct such planning, and (iii) condition construction of local transmission facilities on the facility having been planned by the "independent transmission monitor." FirstEnergy expects to participate in this matter through a consortium of PJM transmission owners and through certain trade groups, including EEI. FirstEnergy is unable to predict the outcome or estimate the impact that this complaint may have on TrAIL or its transmission capital investment strategy.

8. COMMITMENTS, GUARANTEES AND CONTINGENCIES

GUARANTEES AND OTHER ASSURANCES

TrAIL has various financial and performance guarantees and indemnifications which can be issued in the normal course of business. These contracts include performance guarantees, stand-by LOCs, debt guarantees, surety bonds and indemnifications. TrAIL enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. The maximum potential amount of future payments TrAIL could be required to make under these guarantees as of December 31, 2024 and 2023 was $8 million and $7 million, respectively, as summarized below:

Guarantees and Other Assurances	**Maximum Exposure**	
	As of December 31, 2024	**As of December 31, 2023**
	(In millions)	
Surety Bonds[1]	$ 7	$ 7
LOCs	1	—
Total Guarantees and Other Assurances	$ 8	$ 7

[1] Surety bonds are not tied to a credit rating, and their impact assumes maximum contractual obligations, which is 100% of the face amount of the surety bond, and typical obligations require 30 days to cure.

Collateral and Contingent-Related Features

In the normal course of business, TrAIL may enter into physical or financially settled contracts. Certain agreements contain provisions that require TrAIL to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon TrAIL's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. TrAIL has posted $1 million of collateral in the form of LOCs as of December 31, 2024.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate TrAIL with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While TrAIL’s environmental policies and procedures are designed to achieve compliance with applicable environmental laws and regulations, such laws and regulations are subject to periodic review and potential revision by the implementing agencies. TrAIL cannot predict the timing or ultimate outcome of any of these reviews or how any future actions taken as a result thereof may materially impact its business, results of operations, cash flows and financial condition.

OTHER LEGAL PROCEEDINGS

There are various lawsuits, claims and proceedings related to TrAIL's normal business operations pending against TrAIL. The loss or range of loss in these matters is not expected to be material to TrAIL. The other potentially material items not otherwise discussed above are described under Note 7, "Regulatory Matters."

TrAIL accrues legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. In cases where TrAIL determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss if such estimate can be made. If it were ultimately determined that TrAIL has legal liability or is otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on TrAIL's financial condition, results of operations and cash flows.

9. TRANSACTIONS WITH AFFILIATED COMPANIES

Affiliated-company transactions for TrAIL during the years ended December 31, 2024 and 2023 are as follows:

	For the Years Ended December 31,	
	2024	2023
	(In millions)	
Revenues	$ 4	$ 4
Expenses: [1]		
FESC support services [2]	25	24
Other affiliate support services [2]	7	6
Miscellaneous income	5	4
Pension and OPEB mark-to-market adjustment	1	(7)

[1] Amounts have been corrected to include $5 million of affiliated amounts for the year ended December 31, 2023 that were not previously disclosed. The correction was not material to the period impacted.
[2] Includes amounts capitalized.

FE does not bill directly or allocate any of its costs to any subsidiary company. FESC provides corporate support and other services, including executive administration, accounting and finance, risk management, human resources, corporate affairs, communications, information technology, legal services and other similar services at cost, in accordance with its cost allocation manual, to affiliated FirstEnergy companies under FESC agreements. Allocated costs are for services that are provided on behalf of more than one company, or costs that cannot be precisely identified and are allocated using formulas developed by FESC. Intercompany transactions are generally settled under commercial terms within thirty days.

As TrAIL does not have employees, employees from the Electric Companies perform maintenance and project work in support of TrAIL. Labor and overhead costs associated with these activities are charged by the affiliates to TrAIL at cost.

Under the FirstEnergy regulated money pool, TrAIL has the ability to borrow from its regulated affiliates and FE to meet its short-term working capital requirements. Affiliated company notes receivables and payables related to the money pool are reported as Notes receivable from affiliated companies or Short-term borrowings - affiliated companies on the Balance Sheets. Affiliate accounts receivable and accounts payable balances relate to intercompany transactions that have not yet settled through the FirstEnergy money pool (see Note 6, "Short-Term Borrowings and Bank Lines of Credit").

For federal income tax purposes, TrAIL files as a member of the FET consolidated group. For periods subsequent to the closing of the FET Equity Interest Sale, FET and its subsidiaries no longer are members of the FirstEnergy consolidated group for federal income tax purposes and, instead, will file their own consolidated federal income tax return and have their own income tax allocation agreement. See Note 3, "Taxes" for additional information.

In addition to service costs, interest on obligations, expected return on plan assets, and prior service costs, FirstEnergy recognizes in net periodic benefit costs a pension and OPEB mark-to-market adjustment for the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement. TrAIL is allocated a portion of net periodic benefit costs from affiliates. These amounts are expected to be refunded or recovered through formula transmission rates. During 2024 and 2023 TrAIL's allocated amount of the pension and OPEB mark-to-market adjustments from affiliates were (losses) of $1 million and $(7) million, respectively. Additionally, other pension and OPEB net periodic costs (credits) allocated to TrAIL from affiliates were approximately $2 million in 2024 and 2023.