

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

GLOSSARY OF TERMS

The following abbreviations and acronyms may be used in this report to identify American Transmission Systems, Incorporated and its current and former affiliated companies:

AE Supply	Allegheny Energy Supply Company, LLC, a wholly owned unregulated generation subsidiary of FE
AGC	Allegheny Generating Company, a wholly owned generation subsidiary of MP
ATSI	American Transmission Systems, Incorporated, a wholly owned transmission subsidiary of FET
CEI	The Cleveland Electric Illuminating Company, a wholly owned Ohio electric power company subsidiary of FE
Electric Companies	OE, CEI, TE, FE PA, JCP&L, MP and PE
FE	FirstEnergy Corp., a public electric power holding company
FE PA	FirstEnergy Pennsylvania Electric Company, a wholly owned Pennsylvania electric power company 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 and Valley Link
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
JCP&L	Jersey Central Power & Light Company, a wholly owned New Jersey electric power company subsidiary of FE
KATCo	Keystone Appalachian Transmission Company, a wholly owned transmission subsidiary of FE
MAIT	Mid-Atlantic Interstate Transmission, LLC, a wholly owned transmission subsidiary of FET
ME	Metropolitan Edison Company, a former wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024
MP	Monongahela Power Company, a wholly owned West Virginia electric power company subsidiary of FE
OE	Ohio Edison Company, a wholly owned Ohio electric power company 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 wholly owned Maryland and West Virginia electric power company subsidiary of FE
Penn	Pennsylvania Power Company, a former wholly owned Pennsylvania electric power company 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 wholly owned Pennsylvania electric power company subsidiary of FE, which merged with and into FE PA on January 1, 2024
TE	The Toledo Edison Company, a wholly owned Ohio electric power company subsidiary of FE
TrAIL	Trans-Allegheny Interstate Line Company, a wholly owned transmission subsidiary of FET
Transmission Companies	ATSI, MAIT, TrAIL and KATCo
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
Valley Link	Valley Link Transmission Company, LLC, a holding company formed by FET, DominionHV and Transource on November 24, 2024
WP	West Penn Power Company, a former wholly owned Pennsylvania electric power company 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 this report:

A&R FET LLC Agreement	Fourth Amended and Restated Limited Liability Company Operating Agreement of FET
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
CO ₂	Carbon Dioxide
COVID-19	Coronavirus disease
DCR	Delivery Capital Recovery
DMR	Distribution Modernization Rider
DominionHV	Dominion High Voltage Mid-Atlantic, Inc., an affiliate of VEPCO
DPA	Deferred Prosecution Agreement entered into on July 21, 2021 between FE and the U.S. Attorney's Office for the S.D. Ohio
EEl	The Edison Electric Institute
EmPOWER Maryland	EmPOWER Maryland Energy Efficiency Act
ENEC	Expanded Net Energy Cost
EPA	U.S. Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
Exchange Act	Securities and Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
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
FMB	First Mortgage Bond
FPA	Federal Power Act
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gas
HB 6	House Bill 6, as passed by Ohio's 133rd General Assembly
IRS	Internal Revenue Service
kV	Kilovolt
kWh	Kilowatt-hour
LOC	Letter of Credit
LTIIP	Long-Term Infrastructure Improvement Plan
MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
NERC	North American Electric Reliability Corporation
NOL	Net Operating Loss
NUG	Non-Utility Generation
OBABA	One Big Beautiful Bill Act of 2025, as signed into law on July 4, 2025
OCC	Ohio Consumers' Counsel
ODSA	Ohio Development Service Agency
OPEB	Other Postemployment Benefits
OVEC	Ohio Valley Electric Corporation
PJM	PJM Interconnection, LLC, an RTO serving the PJM Region
PJM Tariff	PJM Open Access Transmission Tariff
PP&E	Property, Plant and Equipment

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
SOFR	Secured Overnight Financing Rate
SOS	Standard Offer Service
SPE	Special Purpose Entity
TCJA	Tax Cuts and Jobs Act adopted December 22, 2017
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 American Transmission Systems, Incorporated

Opinion

We have audited the accompanying financial statements of American Transmission Systems, Incorporated (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, 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, 2025 and 2024, 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 16, 2026

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF INCOME

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
REVENUES	\$ 1,079	\$ 1,000
OPERATING EXPENSES:		
Other operating expenses	175	196
Provision for depreciation	199	183
Amortization of regulatory assets, net	5	5
General taxes	287	264
Total operating expenses	666	648
OPERATING INCOME	413	352
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	3	3
Pension and OPEB mark-to-market adjustment	13	3
Interest expense	(83)	(76)
Capitalized financing costs	37	27
Total other expense	(30)	(43)
INCOME BEFORE INCOME TAXES	383	309
INCOME TAXES	19	63
NET INCOME	\$ 364	\$ 246

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

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
BALANCE SHEETS

<i>(In millions, except share amounts)</i>	December 31, 2025	December 31, 2024
ASSETS		
CURRENT ASSETS:		
Receivables -		
Affiliated companies	\$ 12	\$ 9
Other	48	42
Notes receivable from affiliated companies	225	119
Prepaid taxes and other	5	5
	<u>290</u>	<u>175</u>
PROPERTY, PLANT AND EQUIPMENT:		
In service	7,379	6,881
Less — Accumulated provision for depreciation	1,754	1,630
	<u>5,625</u>	<u>5,251</u>
Construction work in progress	594	408
	<u>6,219</u>	<u>5,659</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	308	283
Operating lease right-of-use asset	411	411
Other	16	19
	<u>735</u>	<u>713</u>
TOTAL ASSETS	<u>\$ 7,244</u>	<u>\$ 6,547</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 75	\$ —
Accounts payable - affiliated companies	35	48
Accrued taxes	305	275
Accrued interest	26	23
Other current liabilities	5	6
	<u>446</u>	<u>352</u>
NONCURRENT LIABILITIES:		
Long-term debt and other long-term obligations	1,937	1,786
Accumulated deferred income taxes, net	754	698
Property taxes	315	283
Regulatory liabilities	276	275
Noncurrent operating lease obligation	405	406
Other	7	7
	<u>3,694</u>	<u>3,455</u>
TOTAL LIABILITIES	<u>4,140</u>	<u>3,807</u>
COMMON STOCKHOLDER'S EQUITY:		
Common stock, no par value, 850 shares authorized - 1 share outstanding	1,555	1,555
Retained earnings	1,549	1,185
TOTAL COMMON STOCKHOLDER'S EQUITY	<u>3,104</u>	<u>2,740</u>
COMMITMENTS, GUARANTEES AND CONTINGENCIES (NOTE 9.)		
TOTAL LIABILITIES AND COMMON STOCKHOLDER'S EQUITY	<u>\$ 7,244</u>	<u>\$ 6,547</u>

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

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

<i>(In millions, except share amounts)</i>	Common Stock		Retained Earnings	Total Stockholder's Equity
	Number of Shares	Carrying Value		
Balance, January 1, 2024	1	\$ 1,555	\$ 939	\$ 2,494
Net income			246	246
Balance, December 31, 2024	1	\$ 1,555	\$ 1,185	\$ 2,740
Net income			364	364
Balance, December 31, 2025	1	\$ 1,555	\$ 1,549	\$ 3,104

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

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
STATEMENTS OF CASH FLOWS

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 364	\$ 246
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation, amortization and impairments	204	193
Pension and OPEB mark-to-market adjustment	(13)	(3)
Deferred income taxes and investment tax credits, net	(29)	67
Transmission revenue collections, net	100	114
Allowance for funds used during construction - equity	(29)	(20)
Changes in current assets and liabilities-		
Receivables	(9)	—
Accounts payable - affiliated companies	17	37
Accrued taxes	37	33
Accrued interest	3	3
Other	5	(5)
Net cash provided from operating activities	650	665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital investments	(711)	(579)
Loans to affiliated companies, net	(106)	(119)
Asset removal costs	(52)	(37)
Other	(4)	—
Net cash used for investing activities	(873)	(735)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	225	150
Redemptions and repayments-		
Short-term borrowings - affiliated companies, net	—	(79)
Other	(2)	(1)
Net cash provided from financing activities	223	70
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 during the year:		
Interest (net of amounts capitalized)	\$ 70	\$ 65
Income taxes, net of refunds	\$ 41	\$ 4
Significant non-cash transactions:		
Accrued capital investments	\$ 32	\$ 47

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

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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.

ATSI is a wholly owned subsidiary of FET, a consolidated VIE of FE. ATSI owns high-voltage transmission facilities in PJM, which consist of 7,965 circuit miles of transmission lines with nominal voltages of 345 kV, 138 kV and 69 kV in Ohio and Pennsylvania. ATSI plans, operates, and maintains its transmission system in accordance with NERC reliability standards, and other applicable regulatory requirements. In addition, ATSI complies with the regulations, orders, policies and practices prescribed by FERC, the PUCO, and PPUC.

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. As a result of the closing 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. FET continues to be consolidated in FirstEnergy's financial statements. 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 the 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. ATSI has evaluated events and transactions for potential recognition or disclosure through March 16, 2026, the date the financial statements were issued.

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

Economic Conditions

While supply lead times have not fully returned to levels prior to the COVID-19 pandemic, ATSI continues to monitor the situation in light of demand increases across the industry, including due to data center usage, and the imposition of tariffs and retaliatory tariffs that have been, and may be, imposed by the U.S. government in response. ATSI continues to implement mitigation strategies to address supply constraints and do 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 ATSI's results of operations, cash flow and financial condition.

The U.S. presidential administration has imposed widespread and substantial tariffs on imports, with additional tariffs to potentially be adopted in the future. The imposition of these or any other new or increased tariffs or resultant trade wars, and uncertainties associated with the same, could have an adverse effect on ATSI's cash flow and financial condition.

ACCOUNTING FOR THE EFFECTS OF REGULATION

ATSI is subject to regulation that sets the prices (rates) that it 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.

ATSI 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, ATSI 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, ATSI will write off that regulatory asset as a charge against earnings. ATSI 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 non-current section on ATSI's Balance Sheets. See Note 8., "Regulatory Matters," of the Notes to Financial Statements for additional information.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS, (Continued)

The following table provides information about the composition of net regulatory assets and liabilities as of December 31, 2025 and 2024, and the changes during the year ended December 31, 2025:

Net Regulatory Assets (Liabilities) by Source	As of December 31,		Change
	2025	2024	
	<i>(In millions)</i>		
Customer payables for future income taxes	\$ (220)	\$ (304)	\$ 84
MISO exit fee ⁽¹⁾	21	26	(5)
Asset removal costs	48	29	19
Vegetation management costs ⁽¹⁾	5	5	—
Deferred transmission costs	(130)	(31)	(99)
Net Regulatory Liabilities included on the Balance Sheets	<u>\$ (276)</u>	<u>\$ (275)</u>	<u>\$ (1)</u>

⁽¹⁾ These regulatory assets do not earn a current return, but they are currently being recovered by rates.

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 TCJA. 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.

MISO exit fee - Relates to the recovery of certain costs from the transfer of control of its transmission assets from MISO to PJM (amortized through 2030). See Note 8., "Regulatory Matters."

Asset removal costs - Reflects amounts to be recovered or refunded through future rates to pay for the cost of activities to remove assets, including obligations for which an ARO has been recognized, that are expected to be incurred at the time of retirement.

Vegetation management costs - Relates to regulatory assets associated with the recovery of certain transmission vegetation management costs (amortized through 2030).

Deferred transmission costs - Reflects differences between revenues earned based on actual costs for ATSI's formula transmission rate and the amounts billed, which amounts are recorded as a regulatory asset or liability and recovered or refunded, respectively, in subsequent periods.

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.

ATSI provides for depreciation on a straight-line basis at various rates over the estimated lives of property included in plant in service. The annual composite rates for ATSI's transmission facilities were 2.8% in 2025 and 2024.

For the years ended December 31, 2025 and 2024, capitalized financing costs on ATSI's Statements of Income includes \$29 million and \$20 million, respectively, of allowance for equity funds used during construction and \$8 million and \$7 million, respectively, of capitalized interest.

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.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS, (Continued)

REVENUES AND RECEIVABLES

Under a formula rate mechanism approved by FERC, ATSI 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, ATSI 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 is primarily related to PJM receivables resulting from transmission sales. Management believes ATSI'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 Adopted Pronouncements - 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. ASU 2023-09 was adopted as of December 31, 2025, see Note 3., "Taxes," of the Notes to Financial Statements for the applicable disclosures, which are provided for all periods presented.

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. Management has assessed other FASB issuances of new standards not described below based upon the current expectation that such new standards will not significantly impact the financial statements.

ASU 2025-06, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*" (Issued in September 2025): ASU 2025-06 amends the existing standard that refers to various stages of a software development project to align better with current software development methods, such as agile programming. Under the new standard, entities will start capitalizing eligible costs when (1) management has authorized and committed to funding the software project, and (2) it is probable that the project will be completed and the software will be used to perform the function intended. In evaluating whether it is probable the project will be completed; an entity is required to consider whether there is significant uncertainty associated with the development activities of the software. ASU 2025-06 is effective beginning with the financials for the first quarter of 2028. The guidance is permitted to be applied using a prospective, retrospective or modified transition approach. Early adoption is permitted.

ASU 2025-10, "*Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*" (Issued in December 2025): ASU 2025-10 establishes authoritative guidance for the recognition, measurement, presentation, and disclosure of government grants received by business entities. ASU 2025-10 requires that a government grant be recognized when it is probable that the entity will comply with the conditions of the grant and that the grant will be received and permits two approaches for asset related grants: (1) the cost reduction method (reduce the carrying amount of the asset) and (2) deferred income method (recognize income over the useful life of the asset). Income-related grants are recognized systematically in income as the related costs are incurred. ASU 2025-10 is effective beginning with financials for the first quarter of 2029, with early adoption permitted. The guidance is permitted to be applied using a modified prospective, modified retrospective or full retrospective approach.

2. REVENUE

ATSI 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.

ATSI 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.

ATSI provides transmission infrastructure owned and operated by ATSI to transmit electricity from generation sources to distribution facilities. ATSI's transmission revenue is primarily derived from forward-looking formula transmission rates. Revenue

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS, (Continued)

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, 2025 and 2024, revenues include transmission revenue from contracts with customers of \$1,059 million and \$980 million, respectively, and \$20 million and \$20 million, respectively, of other non-customer revenue.

3. TAXES

ATSI 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.

ATSI's financial statements include its allocated amount of current and deferred tax expense for all years presented. ATSI is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. For periods subsequent to the closing of the FET Equity Interest Sale, ATSI 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.

During 2025, FERC issued orders to a non-affiliate concluding that, based on certain previously issued IRS private letter rulings, certain NOL carryforward deferred tax assets, as computed on a separate return basis, should be included in rate base for ratemaking purposes. ATSI determined in the third quarter of 2025 that these rulings and orders also would apply, resulting in a benefit from a reduction in regulatory liabilities, reflected in the effective tax rate reconciliation table below as the remeasurement of excess deferred income taxes, and an increase in accumulated deferred income tax assets for ratemaking purposes, which will increase overall rate base. ATSI made the appropriate updates in its annual formula rates.

On July 4, 2025, President Trump signed into law the OBBBA, which, among other things, makes permanent certain corporate tax incentives that were set to expire in the TCJA and terminates tax credits for most wind and solar projects placed in service after 2027. Because many of the provisions of the TCJA will be continued under the OBBBA, and as ATSI is not materially impacted by tax incentives associated with wind and solar projects, ATSI does not expect to be materially impacted by the OBBBA.

While FET continues to believe, more likely than not, it will be subject to corporate AMT, additional IRS guidance issued on February 18, 2026, provides certain tax repair deductions in calculating corporate AMT, which may reduce or otherwise significantly change FirstEnergy's AMT estimates or its conclusions as to whether it is an AMT payer. ATSI is party to an intercompany income tax allocation agreement with FET and, accordingly, may be allocated a share of any corporate AMT paid by the FET and subsidiaries consolidated tax group. FET continues to evaluate this most recent AMT guidance, as well as prior guidance issued by the U.S. Treasury and/or IRS. Any adverse developments concerning corporate AMT liability, including guidance from the U.S. Treasury and/or the IRS or unfavorable regulatory treatment by FERC and/or applicable state regulatory authorities, could negatively impact ATSI's cash flows, results of operations and financial condition.

The following table provides the composite of income taxes for the years ended 2025 and 2024:

INCOME TAXES:	For the Years Ended December 31,	
	2025	2024
	<i>(In millions)</i>	
Currently payable (receivable) -		
Federal	\$ 45	\$ (7)
State	3	3
	48	(4)
Deferred, net -		
Federal	(32)	67
State	3	—
	(29)	67
Total income taxes	\$ 19	\$ 63

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NOTES TO FINANCIAL STATEMENTS, (Continued)

ATSI's tax rates are affected by permanent items, such as AFUDC equity and other flow-through items, as well as discrete items that may occur in any given period but are not consistent from period to period. The following tables provide a reconciliation of federal income tax expense at the federal statutory rate to the total income taxes for the years ended December 31, 2025 and 2024:

<i>(In millions)</i>	For the Years Ended December 31			
	2025		2024	
	Amount	%	Amount	%
Income before income taxes	\$ 383		\$ 309	
Federal statutory income tax	\$ 80	21.0 %	\$ 65	21.0 %
Federal:				
Tax credits	(1)	(0.3)%	1	0.3 %
Nontaxable and Nondeductible -				
AFUDC equity income	(6)	(1.6)%	(4)	(1.3)%
AFUDC equity depreciation	1	0.3 %	1	0.3 %
Other -				
Excess deferred tax amortization	3	0.8 %	(2)	(0.6)%
Remeasurement of excess deferred income taxes	(64)	(16.7)%	—	— %
Other	1	0.3 %	(2)	(0.6)%
State and municipal income taxes, net of federal effect ⁽¹⁾	5	1.3 %	4	1.3 %
Total income taxes ⁽²⁾	<u>\$ 19</u>	<u>5.0 %</u>	<u>\$ 63</u>	<u>20.4 %</u>

⁽¹⁾ Ohio's municipalities make up the majority of ATSI's respective domestic state and municipal income taxes, net of federal effect.

⁽²⁾ There were no amounts for the years ended December 31, 2025 or 2024 at ATSI related to changes in valuation allowances, cross-border tax laws, changes in laws or rates, foreign tax effects, or changes in unrecognized tax benefits.

Accumulated deferred income taxes as of December 31, 2025 and 2024, are as follows:

<i>(In millions)</i>	As of December 31,	
	2025	2024
Property basis differences	\$ 754	\$ 689
Regulatory asset/liability	1	8
Loss and credit carryforwards	(4)	—
Other	3	1
Accumulated deferred income tax liabilities, net	<u>\$ 754</u>	<u>\$ 698</u>

ATSI has recorded as deferred income tax assets the effect of 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, 2025, ATSI's tax credit carryforwards consisted of AMT credits of approximately \$4 million, which have no expiration.

ATSI 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, 2025 and 2024, ATSI's unrecognized tax benefits were approximately \$2 million, all of which would impact the effective tax rate if ultimately recognized in future years.

ATSI recognizes interest expense or income and penalties related to uncertain tax positions 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 income tax return. ATSI includes interest expense or income and penalties in the provision for income taxes. During 2025, ATSI recognized an immaterial amount of interest associated with its unrecognized tax benefits, and its cumulative net interest payable balance as of December 31, 2025 was also not material.

ATSI is party to the FET consolidated group for federal income taxes, and as a result, is included in the FET consolidated federal income tax returns, for which tax year 2024 is open to potential IRS examination. Prior to the closing of the FET Equity Interest Sale, ATSI was included in FirstEnergy's consolidated federal income tax returns and those returns for years 2022 and forward remain open to potential IRS examination. ATSI's state and local income tax returns remain open to potential examinations in various jurisdictions from 2022 and forward.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS, (Continued)

Income taxes paid, net of refunds, for the years ended December 31, 2025 and 2024, are as follows:

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
Federal payments -		
Internal Revenue Service ⁽¹⁾	\$ 38	\$ 3
Total Federal	38	3
State & Municipal payments -		
Ohio Municipalities	3	—
Pennsylvania	—	1
Total State & Municipal	3	1
Total Income Taxes Paid (net of Refunds)	\$ 41	\$ 4

⁽¹⁾ Prior to the closing of the FET Equity Interest Sale, ATSI was party to the FirstEnergy consolidated group for federal income taxes and a related intercompany income tax allocation agreement. As a result, federal income tax payments and refunds are made to, or received from, FirstEnergy affiliates. Subsequent to the FET Equity Interest Sale, ATSI is no longer a member of the FirstEnergy consolidated group for federal income tax purposes and, instead, is included in the FET and subsidiaries consolidated federal income tax return. Therefore, federal income tax payments and refunds are made to, or received from, FET affiliates.

General Taxes

General taxes associated with real and personal property for the years ended December 31, 2025 and 2024 were \$287 million and \$264 million, respectively.

4. LEASES

ATSI primarily leases fiber optics, land and other property and equipment under cancelable and noncancelable leases.

ATSI has a ground lease with OE, Penn, CEI and TE under an operating lease agreement. Land use is rented to ATSI under the terms and conditions of a ground lease. ATSI, OE, Penn, CEI, and TE reserve the right to use (and to permit authorized others to use) the land for any purpose that does not cause a violation of electrical safety code or applicable law, or does not impair ATSI's ability to satisfy its service obligations. Additional uses of such land for ATSI's facilities requires prior written approval from the applicable operating companies. ATSI purchases directly any new property acquired for transmission use. ATSI makes fixed quarterly lease payments for the ground lease of approximately \$5 million through December 31, 2049, unless terminated prior to maturity, or extended by ATSI for up to 10 additional successive periods of 50 years each.

ATSI accounts for leases under, "Leases (Topic 842)". Leases with an initial term of 12 months or less are recognized as lease expense on a straight-line basis over the lease term and not recorded on the balance sheet. Most leases include one or more, options to renew, with renewal terms that can extend the lease term from 1 to 40 years, and certain leases include options to terminate. The exercise of lease renewal options is at ATSI's sole discretion. Renewal options are included within the lease liability if they are reasonably certain based on various factors relative to the contract. Certain leases also include options to purchase the leased property. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. ATSI has elected a policy to not separate lease components from non-lease components for all asset classes.

Finance leases for assets used in regulated operations are recognized in ATSI's Statement of Income such that amortization of the right-of-use asset and interest on lease liabilities equals the expense recorded for ratemaking purposes. All operating lease expenses are recognized in Other operating expense. The components of lease expense were as follows:

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (Continued)

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
Operating lease costs ⁽¹⁾	\$ 42	\$ 34
Finance lease costs:		
Amortization of right-of-use assets	1	1
Total finance lease cost	1	1
Total lease cost	\$ 43	\$ 35

⁽¹⁾ Includes \$21 million and \$13 million of short-term lease costs for the years ended December 31, 2025 and 2024, respectively.

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	Financial Statement Line Item	As of December 31, 2025	As of December 31, 2024
Assets			
Operating lease assets ⁽¹⁾	Operating lease right-of-use asset	\$ 411	\$ 411
Finance lease assets ⁽²⁾	Property, plant and equipment	8	9
Total leased assets		\$ 419	\$ 420
Liabilities			
<i>Current:</i>			
Operating	Other current liabilities	\$ 6	\$ 6
<i>Noncurrent:</i>			
Operating	Noncurrent operating lease obligation	405	406
Total leased liabilities		\$ 411	\$ 412

⁽¹⁾ Operating lease assets are recorded net of accumulated amortization of \$3 million as of December 31, 2025 and 2024.

⁽²⁾ Finance lease assets are recorded net of accumulated amortization of \$3 million as of December 31, 2025 and 2024.

Lease terms and discount rates were as follows:

	As of December 31, 2025	As of December 31, 2024
<i>Weighted-average remaining lease terms (years)</i>		
Operating leases	73.8	74.8
Finance leases	14.1	15.0
<i>Weighted-average discount rate⁽¹⁾</i>		
Operating leases	5.00 %	5.00 %

⁽¹⁾ When an implicit rate is not readily determinable, an incremental borrowing rate is utilized, determining the present value of lease payments. The rate is determined based on expected term and information available at the commencement date.

Supplemental cash flow information related to leases was as follows:

<i>(In millions)</i>	For the Year Ended December 31, 2025	For the Year Ended December 31, 2024
<i>Cash paid for amounts included in the measurement of lease liabilities</i>		
Operating cash flows from operating leases	\$ 21	\$ 21

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (Continued)

Maturities of lease liabilities as of December 31, 2025 were as follows:

<i>(In millions)</i>	Operating Leases
2026	\$ 21
2027	21
2028	21
2029	21
2030	21
Thereafter	1,438
<i>Total lease payments</i>	1,543
Less imputed interest	1,132
<i>Total net present value</i>	<u>\$ 411</u>

5. 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, ATSI believes that their costs should approximate 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 and discounts:

<i>(In millions)</i>	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Long-term debt	\$ 2,025	\$ 1,929	\$ 1,800	\$ 1,631

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 ATSI. ATSI classified long-term debt as Level 2 in the fair value hierarchy as of December 31, 2025 and 2024.

6. CAPITALIZATION

COMMON STOCK

In addition to paying dividends from retained earnings, ATSI has authorization from the FERC to pay cash dividends to FE from paid-in capital accounts, as long as its FERC-defined equity-to-total-capitalization ratio remains above 35%.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The following table presents outstanding long-term debt for ATSI as of December 31, 2025 and 2024:

	<u>As of December 31, 2025</u>		<u>As of December 31,</u>	
	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2025</u>	<u>2024</u>
	<i>(In millions)</i>			
Unsecured notes - fixed rate	2026 - 2045	2.65% - 5.63%	\$ 2,025	\$ 1,800
Unamortized debt premiums/discounts			(3)	(4)
Unamortized debt issuance costs			(10)	(10)
Currently payable long-term debt			(75)	—
Total long-term debt and other long-term obligations			<u>\$ 1,937</u>	<u>\$ 1,786</u>

As of December 31, 2025, ATSI's net deficit in working capital (current assets less current liabilities) was primarily due to the current portion of long-term debt and accrued taxes. ATSI believes its cash from operations and available liquidity will be sufficient to meet its current working capital needs.

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NOTES TO FINANCIAL STATEMENTS, (Continued)

ATSI had the following issuance during the twelve months ended December 31, 2025.

Company	Type	Issuance Date	Interest Rate	Maturity	Amount (in Millions)	Description
Issuances						
ATSI	Senior Unsecured Notes	May, 2025	5.00%	2030	\$225	Proceeds were used to refinance existing debt, to finance capital expenditures, for working capital, and for other general corporate purposes.

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, 2025.

<i>(In millions)</i>	2026	2027	2028	2029	2030
Scheduled debt repayments	\$75	\$—	\$—	\$—	\$325

Debt Covenant Default Provisions

ATSI has various debt covenants under certain financing arrangements, including its 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 ATSI to comply with the covenants contained in its financing arrangements could result in an event of default, which may have an adverse effect on ATSI's financial condition. As of December 31, 2025, ATSI remains in compliance with all debt covenant provisions.

Additionally, there are cross-default provisions in certain financing arrangements of FE and its subsidiaries, including ATSI. 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 ATSI would cross-default FE and FET financing arrangements containing these provisions, defaults by FE would generally not cross-default applicable ATSI financing arrangements.

7. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

ATSI had no outstanding short-term borrowings as of December 31, 2025 and 2024.

Short-Term Borrowings / Credit Facility

On October 27, 2025, ATSI, MAIT and TrAIL entered into amendments to their credit facility to, among other things: (i) remove the 10 basis point credit spread adjustment from the interest rate calculation; (ii) permit a one-week interest period for any Term Benchmark Advance (as defined under the credit facility) based upon daily simple SOFR; and (iii) extend the maturity date of the credit facility for an additional one-year period from October 18, 2028 to October 18, 2029, for the ATSI, MAIT and TrAIL credit facility.

Borrowings under the 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. The 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, the amounts noted below are available for the issuance of LOCs (subject to borrowings drawn under the 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 the credit facility and against the borrowers' borrowing sublimit. As of December 31, 2025, ATSI had \$7 million in outstanding LOCs, none of which are issued under the credit facility.

Under the credit facility, ATSI may borrow up to \$350 million, all of which was available to ATSI as of December 31, 2025. This short-term debt limitation is subject to the regulatory short-term debt authorization of \$500 million, which also includes amounts that may be borrowed under the regulated companies' money pool.

The 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.

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NOTES TO FINANCIAL STATEMENTS, (Continued)

As of December 31, 2025, ATSI had a debt-to-total-capitalization ratio of 39.4% which was in compliance with the applicable covenants under its credit facility.

FirstEnergy Money Pools

As a regulated money pool participant, ATSI 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 2025 and 2024 were 4.51% and 5.74% per annum, respectively.

8. 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, ATSI is subject to regulation by FERC. FERC regulations require ATSI to provide open access transmission service at FERC-approved rates, terms and conditions. ATSI's transmission facilities are subject to functional control by PJM, and transmission service using ATSI's transmission facilities is provided by PJM under the PJM Tariff. The key terms of ATSI's rate orders in effect for transmission customer billings, which have been effective since January 1, 2015, include an actual (13 month average) capital structure and an allowed 9.88% ROE, which reflects a 0.5% reduction to the 10.38% approved ROE due to the January 2025 Sixth Circuit ruling eliminating the 50 basis point adder associated with RTO membership (see "*Transmission ROE Incentive*" below)

Federally enforceable mandatory reliability standards apply to the bulk electric system and impose certain operating, record-keeping and reporting requirements on ATSI. 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 ATSI, are located within RFC. FirstEnergy actively participates in the NERC and RFC stakeholder processes, and otherwise monitors and manages its companies, including ATSI, in response to the ongoing development, implementation and enforcement of the reliability standards implemented and enforced by RFC.

FirstEnergy, including ATSI, 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 ATSI, 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 ATSI, 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 ATSI'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 ATSI'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 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, ATSI recorded approximately \$24 million in expected customer refunds, plus interest, due to its wholesale transmission customers and reclassified approximately \$55 million of certain transmission capital assets to operating expenses for the audit period. ATSI fully recovered approximately \$53 million of these costs reclassified to operating expenses in its transmission formula rate revenue requirements as of December 31, 2024.

On December 8, 2023, FERC audit staff issued a letter advising that two unresolved audit matters, 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

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NOTES TO FINANCIAL STATEMENTS, (Continued)

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 a matter unrelated to ATSI, to which FirstEnergy responded. The FERC Office of Enforcement took no action with respect to the referred matters, and on December 23, 2025, FERC staff notified FirstEnergy that the audit is concluded.

Transmission ROE Incentive

On February 24, 2022, the OCC filed a complaint with FERC against ATSI, AEP's Ohio affiliate and American Electric Power Service Corporation, and Duke Energy Ohio, Inc. asserting that FERC should reduce the ROE utilized in the utilities' transmission formula rates by eliminating the 50 basis point adder associated with RTO membership, effective February 24, 2022. The OCC contends that this result is required because Ohio law mandates that transmission owning utilities join an RTO and that the 50 basis point adder is applicable only where RTO membership is voluntary. On December 15, 2022, FERC denied the complaint as to ATSI and Duke Energy Ohio, Inc., but granted it as to AEP's Ohio affiliate. AEP's Ohio affiliate and OCC appealed FERC's orders to the Sixth Circuit. On January 17, 2025, the Sixth Circuit ruled that the 50 basis point adder is available only where RTO membership is voluntary, that Ohio law requires Ohio's transmission utilities to be members of an RTO, and that it was unlawful for FERC to excise the adder from AEP's Ohio affiliate rates, but not from the Duke Energy Ohio, Inc. and ATSI rates. During 2024 ATSI recognized a \$46 million pre-tax charge, with interest, of which \$42 million is reported in "Revenues" and \$4 million is reported in "Miscellaneous income (expense), net" on its Statements of Income to reflect the expected refund owed to transmission customers back to February 24, 2022. On June 20, 2025 and June 24, 2025, ATSI and AEP's Ohio affiliate, respectively, applied for the Supreme Court of the U.S. to review the Sixth Circuit's decision. On November 10, 2025, the Supreme Court of the U.S. denied ATSI's petition for the court to review the case. On November 13, 2025, the Sixth Circuit issued a mandate sending the case back to FERC for further proceedings.

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; provided however, due to the Sixth Circuit's ruling in the Transmission ROE Incentive matter described above, ATSI is collecting the ROE incentive adder subject to refund.

Transmission Planning Supplemental Projects

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.

Local Transmission Planning Complaint

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 100 kV 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 is participating in this matter through a consortium of PJM transmission owners and through certain trade groups, including EEI. FirstEnergy, together with the PJM transmission owners, filed a motion to dismiss the complaint on March 20, 2025, which is pending before FERC. FirstEnergy is unable to predict the outcome or estimate the impact that this complaint may have on its Transmission Companies, however, whether this lawsuit moves forward could have a material impact on FirstEnergy and its transmission capital investment strategy.

Abandonment Transmission Rate Incentive

On February 26, 2025, PJM completed its 2024 RTEP Open Window 1 process and, among other actions, designated each of ATSI and PE to construct certain transmission projects. On July 11, 2025, ATSI and PE filed a joint application for the abandonment incentive with FERC, which, was approved on September 9, 2025. Effective September 10, 2025, ATSI and PE

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NOTES TO FINANCIAL STATEMENTS, (Continued)

each became eligible to recover 50% of the project costs incurred prior to September 10, 2025, and 100% of the project costs incurred thereafter for any projects subsequently cancelled for reasons beyond the control of utility management.

Large Load Interconnection Rulemaking

On October 23, 2025, the U.S. Secretary of Energy directed FERC to conduct a rulemaking procedure to develop regulations that would speed interconnection to the transmission system of large loads, including “Artificial Intelligence” data centers and “hybrid” data center/electric generation facilities. The Energy Secretary advanced 14 principles to guide this outcome, including that such large loads should be responsible for paying the costs of any network transmission system upgrades required for interconnection of such large loads, and that these large loads should have the option for building such network transmission upgrades. The Energy Secretary requested that FERC take final action by April 30, 2026. On October 27, 2025, FERC noticed the Energy Secretary’s directive for comment, and subsequently established November 21, 2025 as the deadline for initial comments and December 5, 2025 as the deadline for reply comments. FET and its transmission affiliates, as well as over 150 other parties, filed comments on the established deadlines. FirstEnergy is unable to predict the outcome of this rulemaking procedure. To the extent the new regulations do not permit transmission utilities to fully recover costs associated with transmission network upgrades required to serve new large loads, our strategy of investing in transmission could be adversely affected.

9. COMMITMENTS, GUARANTEES AND CONTINGENCIES

GUARANTEES AND OTHER ASSURANCES

ATSI has various financial and performance guarantees and indemnifications which can be issued in the normal course of business. These contracts include stand-by LOCs and surety bonds. ATSI 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 ATSI could be required to make under these guarantees as of December 31, 2025 was \$31 million, as summarized below:

Guarantees and Other Assurances	Maximum Exposure
	<i>(In millions)</i>
Surety Bonds ⁽¹⁾	\$ 24
LOCs	7
Total Guarantees and Other Assurances	\$ 31

⁽¹⁾ Surety bonds are not tied to a credit rating, and their impact assumes maximum contractual obligations, which is ordinarily 100% of the face amount of the surety bond, except with respect to \$1 million as of December 31, 2025 of surety bond obligations for which the collateral obligation is capped at 60% of the face amount, and typical obligations require 30 days to cure.

Collateral and Contingent-Related Features

In the normal course of business, ATSI may enter into physical or financially settled contracts. Certain agreements contain provisions that require ATSI to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon ATSI’s credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. ATSI has posted \$7 million of collateral in the form of LOCs as of December 31, 2025.

ENVIRONMENTAL MATTERS

Various federal, state and local authorities regulate ATSI with regard to air and water quality, hazardous and solid waste disposal, and other environmental matters. While ATSI’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. ATSI 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.

On March 12, 2025, the EPA announced its intent to reevaluate or reconsider numerous environmental regulations, many of which apply to ATSI. The specific timing or outcome of this initiative remains unknown, but regular required rulemaking processes and procedures still apply, and litigation is also anticipated to occur. The disclosures herein do not attempt to discern potential impacts of these deregulatory actions until and unless formal rulemaking or other regulatory actions are announced and the potential impacts to operations can be discerned.

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OTHER LEGAL PROCEEDINGS

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to ATSI's normal business operations pending against ATSI. The loss or range of loss in these matters is not expected to be material to ATSI. The other potentially material items not otherwise discussed above are described under Note 8., "Regulatory Matters."

ATSI 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 ATSI 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 ATSI 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 ATSI's financial condition, results of operations and cash flows.

10. TRANSACTIONS WITH AFFILIATED COMPANIES

Affiliated company transactions during the years ended December 31, 2025 and 2024, are as follows:

	For the Years Ended December 31,	
	2025	2024
	<i>(In millions)</i>	
Revenues	\$ 20	\$ 19
Expenses:		
Ground lease expense ⁽¹⁾	21	21
FESC support services ⁽²⁾	146	134
Other affiliate support services ⁽²⁾	80	68
Interest income	4	2
Pension and OPEB mark-to-market adjustment	13	3
Interest expense	—	2

⁽¹⁾ See Note 4., "Leases".

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

Under the FirstEnergy regulated money pool, ATSI 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 7., "Short-Term Borrowings and Bank Lines of Credit").

For federal income tax purposes, ATSI 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. ATSI 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 2025 and 2024, ATSI's allocated amount of the pension and OPEB mark-to-market adjustments from affiliates were gains of \$13 million and \$3 million, respectively. Additionally, other pension and OPEB net periodic expenses allocated to ATSI from affiliates were approximately \$8 million and \$7 million in 2025 and 2024, respectively.