

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
AUDITED CONSOLIDATED 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 The Toledo Edison Company and its current and former subsidiaries and 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
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
SEET	Significantly Excessive Earnings Test
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 The Toledo Edison Company

Opinion

We have audited the accompanying consolidated financial statements of The Toledo Edison Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income and comprehensive income, of common stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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
April 9, 2026

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
REVENUES:		
Electric sales	\$ 485	\$ 437
Excise and gross receipts tax collections	27	27
Total revenues	512	464
OPERATING EXPENSES:		
Purchased power	87	78
Other operating expenses	241	230
Provision for depreciation	52	50
Deferral of regulatory assets, net	(14)	(18)
General taxes	76	67
Ohio settlement charges (Note 10.)	52	—
Impairment of assets (Note 1.)	54	—
Total operating expenses	548	407
OPERATING INCOME (LOSS)	(36)	57
OTHER INCOME (EXPENSE):		
Miscellaneous income, net	5	4
Pension and OPEB mark-to-market adjustment	7	7
Interest expense	(30)	(30)
Capitalized financing costs	1	1
Total other expense	(17)	(18)
INCOME (LOSS) BEFORE INCOME TAXES (BENEFITS)	(53)	39
INCOME TAXES (BENEFITS)	(15)	7
NET INCOME (LOSS)	\$ (38)	\$ 32
COMPREHENSIVE INCOME (LOSS)	\$ (38)	\$ 32

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

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<i>(In millions, except share amounts)</i>	December 31, 2025	December 31, 2024
ASSETS		
CURRENT ASSETS:		
Restricted cash	\$ 2	\$ 3
Receivables -		
Customers	55	50
Less — Allowance for uncollectible customer receivables	2	2
	53	48
Affiliated companies	27	36
Other	10	13
Notes receivable from affiliated companies	21	—
Prepaid taxes and other	2	2
	115	102
PROPERTY, PLANT AND EQUIPMENT:		
In service	1,428	1,459
Less — Accumulated provision for depreciation	712	717
	716	742
Construction work in progress	39	33
	755	775
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	501	501
Regulatory assets	26	58
Property taxes	37	40
Other	18	9
	582	608
TOTAL ASSETS ⁽¹⁾	\$ 1,452	\$ 1,485
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 3	\$ 2
Short-term borrowings - affiliated companies	—	61
Accounts payable -		
Affiliated companies	30	28
Other	9	8
Accrued taxes	43	41
Accrued interest	4	3
Other	27	21
	116	164
NONCURRENT LIABILITIES:		
Long-term debt and other long-term obligations	543	447
Accumulated deferred income taxes, net	101	115
Retirement benefits	16	22
Property taxes	44	40
Other	171	169
	875	793
TOTAL LIABILITIES ⁽¹⁾	991	957
COMMON STOCKHOLDER'S EQUITY:		
Common stock, \$5 par value, 60,000,000 shares authorized - 29,402,054 shares outstanding	147	147
Other paid-in capital	332	331
Accumulated other comprehensive loss	(1)	(1)
Retained earnings (accumulated deficit)	(17)	51
TOTAL COMMON STOCKHOLDER'S EQUITY	461	528
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 11.)		
TOTAL LIABILITIES AND COMMON STOCKHOLDER'S EQUITY	\$ 1,452	\$ 1,485

⁽¹⁾ As of December 31, 2025 and 2024, the combined assets of TE's VIE were \$24 million and \$28 million respectively, that can only be used to settle obligations of the VIE. As of December 31, 2025 and 2024, these assets include, respectively: Restricted cash of \$2 million and \$3 million, and Regulatory assets of \$22 million and \$25 million. The consolidated liabilities as of December 31, 2025 and 2024, include \$25 million and \$27 million, respectively, of liabilities of the VIE whose creditors have no recourse to TE. As of December 31, 2025 and 2024, these liabilities include, respectively: Currently payable long-term debt of \$3 million and \$2 million, Accounts payable to associated companies of \$1 million in 2025 and 2024, and Long-term debt and other long-term obligations of \$21 million and \$24 million.

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

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

<i>(In millions, except share amounts)</i>	<u>Common Stock</u>			AOCI	Retained Earnings (Accumulated Deficit)	Total Common Stockholder's Equity
	Number of Shares	Carrying Value	Other Paid-In Capital			
Balance, January 1, 2024	29,402,054	\$ 147	\$ 330	\$ (1)	\$ 36	\$ 512
Net income					32	32
Stock-based compensation ⁽¹⁾			1			1
Cash dividends declared on common stock					(17)	(17)
Balance, December 31, 2024	29,402,054	\$ 147	\$ 331	\$ (1)	\$ 51	\$ 528
Net loss					(38)	(38)
Stock-based compensation ⁽¹⁾			1			1
Cash dividends declared on common stock					(30)	(30)
Balance, December 31, 2025	<u>29,402,054</u>	<u>\$ 147</u>	<u>\$ 332</u>	<u>\$ (1)</u>	<u>\$ (17)</u>	<u>\$ 461</u>

⁽¹⁾ In the form of FE common equity granted to certain TE employees primarily related to the 401(k) Savings Plan.

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

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In millions)</i>	For the Years Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (38)	\$ 32
Adjustments to reconcile net income (loss) to net cash from operating activities-		
Depreciation and amortization	37	31
Impairment of assets	54	—
Deferred income taxes and investment tax credits, net	(18)	6
Employee benefit costs, net	(2)	(1)
Pension and OPEB mark-to-market adjustment	(7)	(7)
Change in current assets and liabilities-		
Receivables	7	(14)
Accounts payable	—	8
Accrued taxes	9	1
Ohio Settlement Charges	52	—
Other current liabilities	2	(3)
Collateral, net	1	6
Employee benefit plan funding and related payments	(1)	(1)
Other	(2)	11
Net cash provided from operating activities	94	69
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital investments	(72)	(55)
Loans to affiliated companies, net	(21)	—
Asset removal costs	(7)	(5)
Net cash used for investing activities	(100)	(60)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	100	—
Short-term borrowings - affiliated companies, net	—	12
Redemptions and repayments-		
Long-term debt	(2)	(3)
Short-term borrowings - affiliated companies, net	(61)	—
Common stock dividend payments	(30)	(17)
Other	(2)	—
Net cash provided from (used for) financing activities	5	(8)
Net change in cash, cash equivalents, and restricted cash	(1)	1
Cash, cash equivalents, and restricted cash at beginning of period	3	2
Cash, cash equivalents, and restricted cash at end of period	\$ 2	\$ 3
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year:		
Interest (net of amounts capitalized)	\$ 28	\$ 28
Income taxes, net of refunds	\$ 4	\$ 1
Significant non-cash transactions:		
Accrued capital investments	\$ 5	\$ 2

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

**THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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.

TE, together with its consolidated subsidiary is a wholly owned subsidiary of FE, and is incorporated in Ohio. TE owns property and does business as an electric public utility in Ohio, providing distribution services to approximately 0.3 million customers in northwestern Ohio. TE has 281 employees and serves an area that has a population of approximately 0.7 million. TE complies with the regulations, orders, policies and practices prescribed by FERC and the PUCO.

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. TE has evaluated events and transactions for potential recognition or disclosure through April 9, 2026, the issuance date of the financial statements.

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, TE 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. TE 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 TE'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 TE's results of operations, cash flow and financial condition.

Impairments

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.

In the fourth quarter of 2025, TE recognized a \$54 million pre-tax charge, included within "Impairment of assets" on TE's Consolidated Statements of Income, as a result of the November 2025 Ohio Base Rate Case order that disallowed from future recovery certain previously capitalized amounts at the Ohio Companies. See Note 10., "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional details.

ACCOUNTING FOR THE EFFECTS OF REGULATION

TE 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.

TE 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, TE 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, TE will write off that regulatory asset as a charge against earnings. TE 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 TE's Consolidated Balance Sheets. See Note 10., "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional information.

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Net Regulatory Assets (Liabilities) by Source	As of December, 31		
	2025	2024	Change
	<i>(In millions)</i>		
Customer payables for future income taxes	\$ (41)	\$ (44)	\$ 3
Asset removal costs	(57)	(50)	(7)
Deferred transmission costs	10	9	1
Deferred generation costs	90	85	5
Deferred distribution costs	27	19	8
Storm-related costs	36	33	3
Energy efficiency program costs	7	5	2
Ohio settlement charges	(48)	—	(48)
Other	2	1	1
Net Regulatory Assets included on the Consolidated Balance Sheets	\$ 26	\$ 58	\$ (32)

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.

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.

Deferred transmission costs- Primarily relates to the recovery of non-market based costs or fees imposed on or charged to TE by various regulatory bodies including FERC and PJM. These costs can include PJM charges and credits for service including, but not limited to, procuring transmission services and transmission enhancement.

Deferred generation costs - Primarily relates to regulatory assets associated with the securitized recovery of certain fuel and purchased power regulatory assets that are amortized through 2034.

Deferred distribution costs - Primarily relates to the deferral of certain distribution-related expenses, including interest (amortized through 2034).

Storm-related costs - Relates to the recovery of storm costs, none of which are currently being recovered through rates.

Energy efficiency program costs - Relates to the recovery or refund of costs associated with energy efficiency programs including the Ohio Companies' Demand Side Management and Energy Efficiency Rider.

Ohio settlement charges - Reflects refunds and restitution owed to customers associated with the Ohio Companies' PUCO-approved settlement order. See Note 10., "Regulatory Matters," of the Notes to Consolidated Financial Statements for additional details.

The following table provides information about the composition of net regulatory assets that do not earn a current return as of December 31, 2025 and 2024, none of which are currently being recovered through rates:

Regulatory Assets by Source Not Earning a Current Return	As of December 31,		
	2025	2024	Change
	<i>(In millions)</i>		
Deferred distribution costs	\$ 1	\$ —	\$ 1
Vegetation management costs	2	—	2
Regulatory Assets Not Earning a Current Return	\$ 3	\$ —	\$ 3

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GOODWILL

In a business combination, the excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed is recognized as goodwill. Goodwill is evaluated for impairment annually on July 31 and more frequently if indicators of impairment arise. In evaluating goodwill for impairment, qualitative factors are assessed to determine whether it is more likely than not (that is, likelihood of more than 50%) that the fair value of the reporting unit is less than its carrying value (including goodwill). If it is concluded that it is not more likely than not that the fair value of the reporting unit is less than its carrying value, then no further testing is required. However, if management concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying value or bypasses the qualitative assessment, then the quantitative goodwill impairment test is performed to identify a potential goodwill impairment and measure the amount of impairment to be recognized, if any.

No impairment of goodwill was indicated in 2025 or 2024. In 2025 and 2024, a qualitative assessment was performed, assessing economic, industry and market considerations in addition to TE's overall financial performance. Key factors used in the assessment included: growth rates, interest rates, expected investments, utility sector market performance, regulatory and legal developments, and other market considerations. It was determined that the fair values of the reporting unit were, more likely than not, greater than their carrying values and a quantitative analysis was not necessary.

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.

TE 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 3.5% of average depreciable property in 2025 and 2024.

For the year ended December 31, 2025 and 2024, capitalized financing costs on TE's Consolidated Statements of Income include \$1 million of capitalized interest.

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 4., "Taxes," of the Notes to Consolidated 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

TE 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. TE has elected to exclude sales taxes and other similar taxes collected on behalf of third parties from revenue as prescribed in the new standard. As a result, tax collections and remittances within the scope of this election are excluded from recognition in the income statement and instead recorded through the balance sheet. Gross receipts taxes that are assessed on TE are not subject to the election and are included in revenue. TE 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.

TE's principal business is providing electric service to customers in Ohio. TE's distribution customers are metered on a cycle basis. An estimate of unbilled revenues is calculated to recognize electric service provided from the last meter reading through the end of the month. This estimate includes many factors, among which are historical customer usage, load profiles, estimated weather impacts and prices in effect for each class of customer. In each accounting period, TE accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Customer payments are generally due within 30 days. Retail generation sales relate to generation sales in Ohio that are regulated by the PUCO.

Distribution services revenue relates to the distribution of electricity. TE earns revenue from state-regulated rate tariffs under which it provides distribution services to residential, commercial and industrial customers in its service territory. TE is obligated under the regulated construct to deliver power to customers reliably, as it is needed, which creates an implied monthly contract with the end-use customer. See Note 10., "Regulatory Matters," for additional information on rate recovery mechanisms. Distribution and electric revenues are recognized over time as electricity is distributed and delivered to the customer and the customers consume the electricity immediately as delivery occurs.

Retail generation sales relate to default service requirements in Ohio. TE has default service obligations to provide power to non-shopping customers who have elected to continue to receive service under regulated retail tariffs. The volume of these sales varies depending on the level of shopping that occurs. Default service for TE is provided through a competitive procurement process approved by state commission. Retail generation revenues are recognized over time as electricity is delivered and consumed immediately by the customer.

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2025 and 2024, by type of service:

Revenues by Type of Service	For the Years Ended December 31,	
	2025	2024
	<i>(In millions)</i>	
Distribution services and retail generation		
Residential	\$ 274	\$ 257
Commercial	126	120
Industrial	69	53
Street lighting	7	7
Other ⁽¹⁾	31	22
Total revenues from contracts with customers	\$ 507	\$ 459
Other revenue unrelated to contracts with customers ⁽¹⁾	5	5
Total revenues	\$ 512	\$ 464

⁽¹⁾ Includes amounts collected from customers to repay bonds associated with the Ohio Securitization (See Note 6., "Variable Interest Entities"), intercompany lease revenues from ATSI (See Note 5., "Leases") and pole attachment revenue.

RECEIVABLES

TE's principal business is providing electric service to customers in Ohio. TE's retail customers are metered on a cycle basis. Electric revenues are recorded based on energy delivered through the end of the calendar month. An estimate of unbilled revenues is calculated to recognize electric service provided from the last meter reading through the end of the month. This estimate includes many factors, among which are historical customer usage, load profiles, estimated weather impacts, customer

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

shopping activity and prices in effect for each class of customer. In each accounting period, TE accrues the estimated unbilled amount as revenue and reverses the related prior period estimate. Unbilled customer receivables were \$30 million and \$27 million as of December 31, 2025 and 2024, respectively. Receivables from customers include distribution and retail electric sales to residential, commercial and industrial customers.

The allowance for uncollectible customer receivables is based on historical loss information comprised of a rolling 36-month average net write-off percentage of revenues, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if allowances for uncollectible customer receivables should be further adjusted in accordance with the accounting guidance for credit losses.

The allowance for uncollectible customer receivables is reviewed utilizing a quantitative and qualitative assessment. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, customer credit factors, amount of receivable balances that are past-due, payment options and programs available to customers, and the methods that are able to be utilized to ensure payment.

Activity associated with the allowance for uncollectible customer receivables is as follows for the years ended December 31, 2025 and 2024:

<i>(In millions)</i>	2025	2024
Customer Receivables:		
Beginning of year balance	\$ 2	\$ 2
Charged to income ⁽¹⁾	5	3
Charged to other accounts ⁽²⁾	2	2
Write-offs	(7)	(5)
End of year balance	<u>\$ 2</u>	<u>\$ 2</u>

⁽¹⁾ Customer receivable amounts charged to income include approximately \$4 million and \$2 million deferred for future recovery for the years ended December 31, 2025 and 2024, respectively.

⁽²⁾ Represents recoveries and reinstatements of accounts previously written off for uncollectible accounts.

3. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

FirstEnergy provides qualified benefit plans (the FirstEnergy Master Pension Plan and the FirstEnergy Welfare Plan) that cover substantially all employees and non-qualified defined benefit plans that cover certain employees, including employees of TE. FirstEnergy's pension and OPEB plans are neither multiemployer nor multiple-employer plans.

The pension plans provide defined benefits based on years of service and compensation levels. Under the cash-balance portion of the pension plan (for employees hired on or after January 1, 2014), FirstEnergy credits amounts to eligible employee notional cash-balance accounts based on a pay credit and an interest credit.

In addition, FirstEnergy provides a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance to a closed group of retired employees. Health care benefits, which include certain employee contributions, deductibles and co-payments, are also available upon retirement to certain employees, their dependents and, under certain circumstances, their survivors. FirstEnergy also has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

TE recognizes its allocated portion of the expected cost of providing pension and OPEB to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits. TE also recognizes its allocated portion of obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

TE's net periodic benefit costs (credits) for pension and OPEB were as follows:

For The Years Ended	Pension		OPEB	
	2025	2024	2025	2024
	<i>(In millions)</i>			
TE's share of FirstEnergy funded status ⁽¹⁾	\$ (3)	\$ (8)	\$ (12)	\$ (13)
TE's share of net periodic benefit credits ⁽²⁾	\$ (5)	\$ (6)	\$ (1)	\$ —
Allocated net periodic benefit costs from affiliates ⁽³⁾	\$ —	\$ 2	\$ —	\$ —

⁽¹⁾ Excludes \$95 million and \$98 million as of December 31, 2025 and 2024, respectively, of affiliated noncurrent liabilities included within "Other" noncurrent liabilities on TE's Balance Sheets related to pension and OPEB mark-to-market costs allocated to TE and amounts associated with a reallocation of OPEB assets among certain FirstEnergy companies in 2022.

⁽²⁾ Includes pension and OPEB mark-to-market adjustments and amounts capitalized. TE's pension and OPEB mark-to-market adjustment gains for the years ended December 31, 2025 and 2024, were \$5 million and \$7 million, respectively.

⁽³⁾ Includes amounts capitalized. Included in these net periodic benefit costs/(credits) from affiliates are \$2 million of mark-to-market adjustment gains, for the years ended December 31, 2025.

Pension and OPEB costs are affected by employee demographics (including age, compensation levels and employment periods), the level of contributions made to the plans and earnings on plan assets. Pension and OPEB costs may also be affected by changes in key assumptions, including anticipated rates of return on plan assets, the discount rates and health care trend rates used in determining the projected benefit obligations for pension and OPEB costs. FirstEnergy uses a December 31 measurement date for its pension and OPEB plans or whenever a plan is determined to qualify for a remeasurement. The fair value of the plan assets represents the actual market value as of the measurement date.

Net Periodic Benefit Costs (Credits) - 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. Service costs, net of capitalization, are reported within Other operating expenses. Non-service costs, other than the pension and OPEB mark-to-market adjustment, which is separately shown, are reported within Miscellaneous income, net, within Other Income (Expense).

Discount Rate - In selecting an assumed discount rate, FirstEnergy considers currently available rates of return on high-quality fixed income investments expected to be available during the period to maturity of the pension and OPEB obligations. The assumed rates of return on plan assets consider historical market returns and economic forecasts for the types of investments held by FirstEnergy's pension trusts. The long-term rate of return is developed considering the portfolio's asset allocation strategy. FirstEnergy utilizes a spot rate approach in the estimation of the components of benefit cost by applying specific spot rates along the full yield curve to the relevant projected cash flows. The discount rate for pension obligations was 5.59% and 5.72% as of December 31, 2025 and 2024, respectively. The discount rate for OPEB obligations was 5.37% and 5.60% as of December 31, 2025 and 2024, respectively.

Expected Return on Plan Assets - The expected return on pension and OPEB assets is based on input from investment consultants, including the trusts' asset allocation targets, the historical performance of risk-based and fixed income securities and other factors. The gains or losses generated as a result of the difference between expected and actual returns on plan assets is recognized as a pension and OPEB mark-to-market adjustment in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement. The expected return on pension plan assets was 8.50% and 8.00% for 2025 and 2024, respectively. The expected return on OPEB assets was 7.00% in 2025 and 2024.

4. TAXES

TE 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.

TE's consolidated financial statements include its allocated amount of current and deferred tax expense for all years presented. For federal income tax purposes, TE files as a member of the FirstEnergy consolidated group. TE is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities.

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 TE is not materially impacted by tax incentives associated with wind and solar projects, TE does not expect to be materially impacted by the OBBBA.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

While FirstEnergy 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. TE is party to an intercompany income tax allocation agreement with FirstEnergy and, accordingly, may be allocated a share of any corporate AMT paid by the FirstEnergy consolidated tax group. FirstEnergy 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 TE'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 (BENEFITS):	For the Years Ended December 31,	
	2025	2024
	<i>(In millions)</i>	
Currently payable -		
Federal	\$ 3	\$ 1
	3	1
Deferred, net -		
Federal	(17)	3
State and municipal	(1)	3
	(18)	6
Total income taxes (benefits)	\$ (15)	\$ 7

TE's tax rates are affected by permanent items 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, 2025 and 2024:

<i>(In millions)</i>	For the Years Ended December 31,			
	2025		2024	
	Amount	%	Amount	%
Income (loss) before income taxes (benefits)	\$ (53)		\$ 39	
Federal statutory income tax	\$ (11)	21.0 %	\$ 8	21.0 %
Federal:				
Other -				
Excess deferred tax amortization	(3)	5.7 %	(3)	(7.7)%
Other	(1)	1.9 %	1	2.6 %
State and municipal income taxes, net of federal effect ^{(1) (2)}	—	— %	1	2.6 %
Total income taxes (benefits) ⁽³⁾	\$ (15)	28.3 %	\$ 7	17.9 %

⁽¹⁾ Valuation allowances have been established for certain state NOL carryforwards that reduce deferred tax assets to an amount that will be realized on a more-likely-than-not basis. The net change in the total valuation allowance is included in state income taxes, net of federal income tax effect, in the above table.

⁽²⁾ Ohio's municipalities make up TE's respective domestic state and municipal income taxes, net of federal effect.

⁽³⁾ There were no amounts for the years ended December 31, 2025 or 2024 at TE related to tax credits, nontaxable and nondeductible items, 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	\$ 103	\$ 109
Regulatory asset/liability	26	34
Pension and OPEB	(24)	(26)
Nuclear fuel disposal costs	(9)	(8)
Loss and credit carryforwards	(5)	(5)
Valuation allowances	4	4
Other	6	7
Accumulated deferred income tax liabilities, net	\$ 101	\$ 115

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

TE 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, 2025, TE's loss carryforwards primarily consisted of approximately \$275 million (\$4 million, net of tax) of state and municipal NOL carryforwards, none of which are expected to be utilized based on current estimates and assumptions prior to expiration, which will begin in 2026.

TE accounts for uncertainty in income taxes recognized in its financial statements. A recognition threshold and measurement attribute are 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, TE's total unrecognized income tax benefits were immaterial.

TE 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. TE includes interest expense or income and penalties in the provision for income taxes. During 2025, TE 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.

TE is party to the FirstEnergy consolidated group for federal income taxes, and as a result, is included in FirstEnergy's consolidated federal income tax returns, which for years 2022 and forward remain open to potential IRS examination. TE's municipal income tax returns remain open to potential examinations from 2022 and forward.

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⁾	\$ 4	\$ 1
Total Federal	4	1
Total Income Taxes Paid (net of Refunds)	\$ 4	\$ 1

⁽¹⁾ TE is 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.

General Taxes

Details of general taxes for the years ended December 31, 2025 and 2024 are shown below:

<i>(In millions)</i>	2025	2024
kWh excise	\$ 25	\$ 25
Gross receipts	1	1
Real and personal property	47	38
Social security and unemployment	3	3
Total general taxes	\$ 76	\$ 67

5. LEASES

TE primarily leases vehicles as well as building space, office equipment, and other property and equipment under cancelable and noncancelable leases.

In addition, ATSI has a ground lease with TE under an operating lease agreement. Land use is rented to ATSI under the terms and conditions of a ground lease. TE reserves 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 company. ATSI purchases directly any new property acquired for transmission use. ATSI makes fixed quarterly lease payments for the ground lease to TE through December 31, 2049, unless terminated prior to maturity, or extended by ATSI for up to 10 additional successive periods of 50 years each. Revenue associated with this agreement was approximately \$2 million for 2025 and 2024.

TE 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 TE'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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. TE has elected a policy to not separate lease components from non-lease components for all asset classes.

For vehicles leased under certain master lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, TE is committed to pay the difference in the actual fair value and the residual value guarantee. TE does not believe it is probable that it will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

Finance leases for assets used in regulated operations are recognized in TE's Consolidated Statement of Income and Comprehensive 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. Operating lease expense was \$2 million for the years ended December 31, 2025 and 2024.

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	Financial Statement Line Item	As of December 31,	
		2025	2024
Assets			
Operating lease assets ⁽¹⁾	Deferred charges and other assets	\$ 14	\$ 7
Total leased assets		<u>\$ 14</u>	<u>\$ 7</u>
Liabilities			
<i>Current:</i>			
Operating	Other current liabilities	\$ 2	\$ 1
<i>Noncurrent:</i>			
Operating	Other noncurrent liabilities	11	5
Total leased liabilities		<u>\$ 13</u>	<u>\$ 6</u>

⁽¹⁾ Operating lease assets are recorded net of accumulated amortization of \$6 million and \$4 million as of December 31, 2025 and 2024, respectively.

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	6.2	5.3
<i>Weighted-average discount rate⁽¹⁾</i>		
Operating leases	4.62 %	4.21 %

⁽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 Years Ended December 31,	
	2025	2024
<i>Cash paid for amounts included in the measurement of lease liabilities</i>		
Operating cash flows from operating leases	\$ 2	\$ 1
Operating cash flows from finance leases	—	—
<i>Right-of-use assets obtained in exchange for lease obligations:</i>		
Operating leases	\$ 9	\$ 3

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

<i>(In millions)</i>	Operating Leases
2026	\$ 3
2027	3
2028	2
2029	2
2030	2
Thereafter	3
<i>Total lease payments</i>	15
Less imputed interest	2
<i>Total net present value</i>	<u>\$ 13</u>

As of December 31, 2025, additional operating leases agreements, primarily for vehicles, that have not yet commenced are \$1 million in estimated right-of-use obligation. These leases are expected to commence in the next 18 months with lease terms of 5 to 10 years.

6. VARIABLE INTEREST ENTITIES

TE performs qualitative analyses to determine whether a variable interest gives TE a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. TE consolidates a VIE when it is determined that it is the primary beneficiary.

Consolidated VIEs

VIEs in which TE is the primary beneficiary consist of the following (included in TE's consolidated financial statements):

- *Ohio Securitization* - In September 2012, TE formed TE Funding LLC as a separate, wholly owned limited liability SPE. The phase-in recovery bonds issued by the SPE are payable only from, and secured by, phase-in recovery property owned by the SPE (i.e. the right to impose, charge and collect irrevocable non-bypassable usage-based charges payable by retail electric customers in the service territories of TE) and the bondholder has no recourse to the general credit of FirstEnergy or TE. TE, as servicer of the SPE, manages and administers the phase-in recovery property including the billing, collection and remittance of usage-based charges payable by retail electric customers. The SPE is considered a VIE and is consolidated into the financial statements of TE. The cash collected from TE customers is used to service debt of the funding company and is reflected as restricted cash on the Consolidated Balance Sheets. As of December 31, 2025 and 2024, \$24 million and \$26 million of the phase-in recovery bonds were outstanding, respectively.

7. FAIR VALUE MEASUREMENTS

INVESTMENTS

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

LONG-TERM DEBT

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 Consolidated Balance Sheets at cost. Since these borrowings are short-term in nature, TE believes that their costs approximate their fair market value. The following table provides the approximate fair value and related carrying amounts of long-term debt, which excludes finance lease obligations and unamortized fair value adjustments:

<i>(In millions)</i>	December 31, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 549	\$ 572	\$ 451	\$ 457

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. CAPITALIZATION

COMMON STOCK

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

PREFERRED AND PREFERENCE STOCK

TE is authorized to issue preferred stock and preference stock as of December 31, 2025, as follows:

Preferred Stock		Preference Stock	
Shares Authorized	Par Value	Shares Authorized	Par Value
3,000,000	\$ 100	5,000,000	\$ 25
12,000,000	\$ 25		

As of December 31, 2025, and 2024, there were no preferred or preference shares outstanding.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The following table present outstanding long-term debt and finance lease obligations for TE as of December 31, 2025 and 2024:

	As of December 31, 2025		As of December 31,	
	Maturity Date	Interest Rate	2025	2024
			<i>(In millions)</i>	
FMBs	2028 - 2037	2.650% - 6.150%	\$ 525	\$ 425
Secured notes - fixed rate	2034	3.450%	24	26
Unamortized debt issuance costs			(3)	(2)
Currently payable long-term debt			(3)	(2)
Total long-term debt and other long-term obligations			<u>\$ 543</u>	<u>\$ 447</u>

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

Company	Type	Issuance Date	Interest Rate	Maturity	Amount (in Millions)	Description
Issuances						
TE	Senior Secured Notes	June, 2025	5.18%	2030	\$100	Proceeds were used to refinance existing debt, to finance capital expenditures, 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	\$3	\$3	\$128	\$3	\$103

Phase-In Recovery Bonds

In June 2013, the SPEs formed by the Ohio Companies issued pass-through trust certificates (TE - \$43 million) supported by phase-in recovery bonds to securitize the recovery of certain all electric customer heating discounts, fuel and purchased power regulatory assets. As of December 31, 2025 and 2024, \$24 million and \$26 million of the phase-in recovery bonds were outstanding at TE, respectively.

See Note 6., "Variable Interest Entities," for additional information on securitized bonds.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FMBs

TE has a first mortgage indenture under which it can issue FMBs secured by a direct first mortgage lien on substantially all of its property and franchises, other than specifically excepted property.

Debt Covenant Default Provisions

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

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

9. SHORT-TERM BORROWINGS AND BANK LINES OF CREDIT

TE had no outstanding short-term borrowings as of December 31, 2025 and \$61 million of outstanding short-term borrowings as of December 31, 2024.

Short-Term Borrowings / Revolving Credit Facility

On October 27, 2025, the Ohio Companies entered into amendments to their \$800 million 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 each of the Amended Credit Facilities) based upon daily simple SOFR; and (iii) extend the maturity date of their credit facility for an additional one-year period from October 18, 2028 to October 18, 2029.

Borrowings under the Ohio Companies' 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 Ohio Companies' credit facility contains financial covenants requiring each borrower to maintain a consolidated debt-to-total-capitalization ratio (as defined under the Ohio Companies' credit facility) of no more than 65%, measured at the end of each fiscal quarter.

Under the credit facility, TE may borrow up to \$200 million, all of which was available to TE as of December 31, 2025. This short-term debt limitation is subject to the regulatory short-term debt authorization of \$300 million, which also includes amounts that may be borrowed under the regulated companies' money pool.

The Ohio Companies' 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 the credit facility are related to the credit ratings of the company borrowing the funds. Additionally, borrowings under the 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, 2025, TE had a debt-to-total-capitalization ratio of 53.0% which was in compliance with the applicable covenants under the Ohio Companies' credit facility.

FirstEnergy Money Pool

As a regulated money pool participant, TE 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.

10. REGULATORY MATTERS

STATE REGULATION

TE's retail rates, conditions of service, issuance of securities and other matters are subject to regulation in Ohio by the PUCO. In addition, under Ohio law, municipalities may regulate rates of a public utility, subject to appeal to the PUCO if not acceptable to the utility. The key terms of TE's current rate orders for distribution customer billings, which have been effective since January 2009, include an allowed debt/equity ratio of 51%/49% and an allowed ROE of 10.5%. On November 19, 2025, the PUCO issued an order in the Ohio Companies' base rate case that authorized a capital structure of 48.8% debt and 51.2% equity, and an ROE of 9.63%, which became effective March 1, 2026.

OHIO

Until the rates approved in the 2024 base rate case go into effect, the Ohio Companies will continue to operate under PUCO-approved base distribution rates that became effective in 2009. The Ohio Companies operated under ESP IV through May 31, 2024, which provided for the supply of power to non-shopping customers at a market-based price set through an auction process. From June 1, 2024, until January 31, 2025, the Ohio Companies operated under ESP V, as modified by the PUCO, and as further described below. On December 18, 2024, the PUCO approved the Ohio Companies' notice to withdraw ESP V and approved the Ohio Companies' proposal for returning to ESP IV, with modifications. ESP IV, as modified, continues the DCR rider, which supports continued investment related to the distribution system for the benefit of customers, with an annual revenue cap of \$390 million. In addition, ESP IV, as modified, includes: (1) continuation of a base distribution rate freeze until ESP VI becomes effective or the Ohio Companies' obtain the PUCO's staff agreement; (2) a goal across FirstEnergy to reduce CO2 emissions by 90% below 2005 levels by 2045; and (3) contributions, totaling \$6.39 million per year, to: (a) fund energy conservation, economic development and job retention programs in the Ohio Companies' service territories; and (b) establish fuel-funds in each of the Ohio Companies' service territories to assist low-income customers.

On April 5, 2023, the Ohio Companies filed an application with the PUCO for approval of ESP V, for an eight-year term beginning June 1, 2024, and continuing through May 31, 2032. On May 15, 2024, the PUCO issued an order approving ESP V with modifications, which became effective June 1, 2024, and would have continued through May 31, 2029. ESP V, as modified by the PUCO, provided for, among other things, the continuation of existing riders related to purchased power, transmission and uncollectibles, the continuation of the DCR rider with proposed annual revenue cap increases until new base rates are established, the continuation of the AMI rider, and the addition of new riders for recovery of storm and vegetation management expenses. Many of the terms and conditions were to be reconsidered in the base rate case. The ESP V order additionally directed the Ohio Companies to file another base distribution rate case not later than May 31, 2028, contribute \$32.5 million during the term of ESP V to fund low-income customer bill assistance programs and bill assistance for income-eligible senior citizens, and to develop an electric vehicle education program to assist customers in transitioning to electric vehicles. Due to the risks and uncertainty resulting from the Ohio Companies' application for rehearing being denied by operation of law, on October 29, 2024, the Ohio Companies filed a notice of their intent to withdraw ESP V and proposed the terms under which they would resume operating under ESP IV. On December 18, 2024, the PUCO approved the Ohio Companies' notice of withdrawal. Also on December 18, 2024, the PUCO approved the Ohio Companies' proposal for returning to ESP IV, with modifications. Consistent with ESP IV, the PUCO authorized the Ohio Companies' reinstatement of the DCR rider, with an annual revenue cap of \$390 million, and denied the Ohio Companies' request to continue ESP IV's DCR rider revenue cap increases of \$15 million per year. Additionally, the PUCO ordered that storm costs deferred under ESP V since June 1, 2024, remain on the Ohio Companies' books and subject to review in a future case. The PUCO also denied the Ohio Companies' request to lift the base rate freeze in ESP IV, permitting the Ohio Companies' pending base rate case to continue, but prohibiting new rates from going into effect until either the effective date of ESP VI, or the staff agrees that the freeze be lifted and new rates be implemented. On January 22, 2025, the PUCO approved the Ohio Companies' revised ESP IV tariffs, effective February 1, 2025, at which time the Ohio Companies resumed operating under ESP IV. On April 7, 2025, certain intervenors filed an appeal to the Supreme Court of Ohio challenging the Ohio Companies' return to ESP IV. On May 22, 2025, the Ohio Supreme Court granted the Ohio Companies' motion to intervene in the appeal. On July 7, 2025, OCC and NOAC filed their Appellants' brief. Appellees, including the PUCO and the Ohio Companies, filed their briefs on August 26, 2025, to which OCC and NOAC replied on September 15, 2025.

On January 31, 2025, the Ohio Companies filed an application with the PUCO for ESP VI, for a term beginning on the date new base distribution rates from the pending base rate case go into effect, in an effort to align with the ongoing base distribution rate case, and continuing through May 31, 2028. ESP VI proposed to continue providing power to non-shopping customers at market-based prices set through an auction process, and proposed to continue riders supporting investment in the Ohio Companies' distribution system, including Rider DCR with annual reliability performance-based revenue cap increases of \$37 million to \$43 million, and an AMI rider for recovery of approved grid modernization investments. ESP VI additionally proposed riders to support continued maintenance of the distribution system, including recovery of vegetation management and storm restoration operations and maintenance expenses. In addition, ESP VI proposed energy efficiency programs for low-income customers, and included a commitment to spend \$6.5 million annually over the ESP VI term, without recovery from customers, on initiatives to assist low-income customers, as well as education and incentives to help ensure customers have good experiences with electric vehicles. On May 15, 2025, the Ohio Governor signed HB 15, which repealed the statute authorizing ESPs in Ohio, effective August 14, 2025. On December 17, 2025, the PUCO dismissed the Ohio Companies' application for ESP VI due to the repeal of the ESP statute.

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On March 14, 2025, as directed by the PUCO in its December 18, 2024, order approving the Ohio Companies' revised ESP IV tariffs, the Ohio Companies filed with the PUCO a request to commence their statutorily required quadrennial review of ESP IV and establish a proposed schedule. On July 10, 2025, the Ohio Companies withdrew the request for the PUCO to establish a procedural schedule following the May 15, 2025 signing by the Ohio Governor of HB 15 ending the statutory mandate to conduct the quadrennial review, effective August 14, 2025. The OCC filed its response to the Ohio Companies' notice of withdrawal on July 25, 2025, to which the Ohio Companies replied on August 1, 2025. The matter remains pending before the PUCO.

On May 31, 2024, the Ohio Companies filed their application for an increase in base distribution rates based on a 2024 calendar year test period. The Ohio Companies requested a net increase in base distribution revenues of approximately \$94 million with a return on equity of 10.8% and capital structures of 44% debt and 56% equity for CEI, 46% debt and 54% equity for OE, and 45% debt and 55% equity for TE, which reflects a roll-in of current riders such as DCR and AMI. Key components of the base rate case filing included a proposal to change pension and OPEB recovery to the delayed recognition method and to implement a mechanism to establish a regulatory asset (or liability) to recover (or refund) net differences between the amount of pension and OPEB expense requested in the proceeding and the actual amount each year using this method. Additionally, the Ohio Companies requested recovery of certain incurred costs, including the impact of major storms, a program to convert streetlights to LEDs, and others. On June 14, 2024, the Ohio Companies filed supporting testimony and on July 31, 2024, filed an update with an adjusted net increase of base distribution revenues of approximately \$190 million and incorporated matters in the rate case as directed by the PUCO's ESP V order. On December 18, 2024, the PUCO issued an order approving the Ohio Companies' withdrawal of ESP V. On January 22, 2025, the PUCO approved the Ohio Companies' revised ESP IV tariffs, effective February 1, 2025, at which time the Ohio Companies resumed operating under ESP IV. On January 27, 2025, the Ohio Companies notified the PUCO of their intention to update their application for an increase in base distribution rates to remove ESP V related provisions from the base rate case. On November 19, 2025, the PUCO issued an order in the rate case lifting the rate freeze and approving a net increase in base distribution revenues of the Ohio Companies of approximately \$34 million, with a return on equity of 9.63% and a hypothetical capital structure of 48.8% debt and 51.2% equity for all three Ohio Companies, which reflects a roll-in of current riders such as DCR and AMI. The PUCO authorized continuance of Rider DCR with a cap increase commensurate with capital investments through January 31, 2025, and approved the Ohio Companies' proposal to change pension and OPEB recovery to the delayed recognition method. Additionally, the order authorizes recovery of certain deferred costs for storm restoration, operations and maintenance, and energy efficiency programs. As a result of the order, the Ohio Companies recognized a \$352 million pre-tax impairment charge (\$54 million at TE) related to future recovery disallowances of certain previously capitalized amounts. On November 26, 2025, the Ohio Companies filed proposed compliance tariffs. On December 19, 2025, the Ohio Companies and other parties filed applications for rehearing and on December 29, 2025, the Ohio Companies filed a memorandum against intervenors' applications for rehearing. On January 7, 2026, the PUCO issued an entry granting rehearing in order to determine whether its November 19, 2025 base rate case opinion and order should be affirmed, abrogated, or modified on rehearing. On January 9, 2026, the Ohio Companies filed an expedited motion for ruling on the proposed compliance tariffs and on February 4, 2026, PUCO staff issued a letter recommending that most of the Ohio Companies' proposed compliance tariffs be approved. On February 18, 2026, the PUCO issued an entry on rehearing, which extended the amortization period for recovery of deferred storm restoration costs from five years to twenty-five years, subject to prudence review, and clarified the amount of the authorized increase in Rider DCR revenue caps. The entry further ordered the Ohio Companies to file revised final tariffs and approved the Ohio Companies' compliance tariffs, effective March 1, 2026. On March 20, 2026, the Ohio Companies and certain other parties filed with the PUCO second applications for rehearing of the February 18, 2026, entry on rehearing. The Ohio Companies cannot predict the outcome of the second rehearing.

On May 16, 2022, May 15, 2023, and May 15, 2024, the Ohio Companies filed their SEET applications for determination of the existence of significantly excessive earnings under ESP IV for calendar years 2021, 2022, and 2023, respectively. On May 15, 2025, the Ohio Companies filed their SEET application for determination of the existence of significantly excessive earnings under ESPs IV and V for calendar year 2024. Each application demonstrated that each of the individual Ohio Companies did not have significantly excessive earnings. These matters remain pending before the PUCO.

In the fourth quarter of 2020, motions were filed with the PUCO requesting that the PUCO amend the Ohio Companies' riders for collecting the OVEC-related charges required by HB 6 to provide for refunds in the event such provisions of HB 6 are repealed. Neither the Ohio Companies nor FE benefit from the OVEC-related charges the Ohio Companies collect. Instead, the Ohio Companies were further required by HB 6 to remit all the OVEC-related charges they collect to non-FE Ohio electric distribution utilities until August 14, 2025, at which time HB 15 became effective and the Ohio Companies stopped collecting OVEC-related charges. The Ohio Companies contested the motions, which are pending before the PUCO.

In 2020, the four proceedings below were opened by the PUCO relating to HB 6. The matters, described in full below, were resolved pursuant to the terms of an order issued by the PUCO on January 7, 2026. The order, which adopted without modification the terms of the stipulation and recommendation filed with the PUCO by the Ohio Companies and fourteen intervenors on December 19, 2026, vacated the approximately \$250 million in monetary penalties assessed by the PUCO in its order issued on November 19, 2025. Instead, the January 7, 2026 PUCO order directed the Ohio Companies to pay their customers, among other things, restitution and refunds totaling approximately \$275 million (\$213 million after-tax). \$52 million was attributable to TE, of which, approximately \$4 million is recorded in "Other current liabilities" and approximately \$48 million is recorded within "Regulatory Liabilities" on TE's Consolidated Balance Sheets. The refunds will be paid out over three billing cycles beginning in February 2026 and the matters are now resolved:

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- On September 8, 2020, the OCC filed motions in the Ohio Companies' corporate separation audit and DMR audit dockets, requesting the PUCO to open an investigation and management audit, hire an independent auditor, and require FirstEnergy to show it did not improperly use money collected from consumers or violate any utility regulatory laws, rules or orders in its activities regarding HB 6. On December 30, 2020, in response to the OCC's motion, the PUCO reopened the DMR audit docket, and directed PUCO staff to solicit a third-party auditor and conduct a full review of the DMR to ensure funds collected from customers through the DMR were only used for the purposes established in ESP IV. On June 2, 2021, the PUCO selected an auditor, and the auditor filed the final audit report on January 14, 2022, which made certain findings and recommendations. The report found that spending of DMR revenues was not required to be tracked, and that DMR revenues, like all rider revenues, are placed into the regulated money pool as a matter of routine, where the funds lose their identity. Therefore, the report could not suggest that DMR funds were used definitively for direct or indirect support for grid modernization. The report also concluded that there was no documented evidence that ties revenues from the DMR to lobbying for the passage of HB 6, but also could not rule out with certainty uses of DMR funds to support the passage of HB 6. The report further recommended that the regulated companies' money pool be audited more frequently and the Ohio Companies adopt formal dividend policies. Final comments and responses were filed by parties during the second quarter of 2022. The proceeding was stayed in its entirety, including discovery and motions, continuously at the request of the U.S. Attorney for the Southern District of Ohio beginning in August 2022 and was lifted on February 26, 2024. On February 26, 2024, the Attorney Examiner consolidated this proceeding with the expanded DCR rider audit proceeding described below and on November 22, 2024, the administrative law judge ordered that the bifurcated portion of the corporate separation audit, discussed further below, be consolidated with the already-consolidated DMR audit and expanded DCR rider audit proceeding. Evidentiary hearings were held between June 10, 2025, and June 27, 2025. Initial and reply briefs were filed by the parties on July 21, 2025, and August 4, 2025, respectively.
- On September 15, 2020, the PUCO opened a new proceeding to review the political and charitable spending by the Ohio Companies in support of HB 6 and the subsequent referendum effort, and directed the Ohio Companies to show cause, demonstrating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers. The Ohio Companies initially filed a response stating that the costs of any political or charitable spending in support of HB 6, or the subsequent referendum effort, were not included, directly or indirectly, in any rates or charges paid by customers, but on August 6, 2021, filed a supplemental response explaining that, in light of the facts set forth in the DPA and the findings of the DCR rider audit report further discussed below, political or charitable spending in support of HB 6, or the subsequent referendum effort, affected pole attachment rates paid by approximately \$15,000. On October 26, 2021, the OCC filed a motion requesting the PUCO to order an independent external audit to investigate FE's political and charitable spending related to HB 6, and to appoint an independent review panel to retain and oversee the auditor. In November and December 2021, parties filed comments and reply comments regarding the Ohio Companies' original and supplemental responses to the PUCO's September 15, 2020, show cause directive. On May 4, 2022, the PUCO selected a third-party auditor to determine whether the show cause demonstration submitted by the Ohio Companies is sufficient to ensure that the cost of any political or charitable spending in support of HB 6 or the subsequent referendum effort was not included, directly or indirectly, in any rates or charges paid by ratepayers. The proceeding was stayed in its entirety, including discovery and motions, continuously at the request of the U.S. Attorney for the Southern District of Ohio beginning in August 2022 and the stay was lifted on February 26, 2024. On September 30, 2024, the third-party auditor's report was filed. The audit examined 53 payments totaling approximately \$75 million made in support of the passage of HB 6 and subsequent referendum efforts, and concluded that less than \$5 million was allocated to the Ohio Companies. The audit report affirmed the Ohio Companies' conclusion in its August 6, 2021 filing that a rate impact of less than \$15,000 was charged to the Ohio Companies' pole attachment customers associated with political and charitable spending in support of HB 6. On October 22, 2024, parties filed comments on the audit report, and on November 5, 2024, parties filed reply comments. On September 5, 2025, the administrative law judge set a procedural schedule, but stayed it on December 29, 2025.
- In connection with an ongoing audit of the Ohio Companies' policies and procedures relating to the code of conduct rules between affiliates, on November 4, 2020, the PUCO initiated an additional corporate separation audit as a result of the FirstEnergy leadership transition announcement made on October 29, 2020, as further discussed below. The additional audit is to ensure compliance by the Ohio Companies and their affiliates with corporate separation laws and the Ohio Companies' corporate separation plan. The additional audit is for the period from November 2016 through October 2020. The final audit report was filed on September 13, 2021. The audit report makes no findings of major non-compliance with Ohio corporate separation requirements, minor non-compliance with eight requirements, and findings of compliance with 23 requirements. Parties filed comments and reply comments on the audit report. The proceeding was stayed in its entirety, including discovery and motions, continuously at the request of the U.S. Attorney for the Southern District of Ohio beginning in August 2022 and the stay was lifted on February 26, 2024. On September 10, 2024, the Ohio Companies filed testimony describing their compliance with Ohio corporate separation laws and the implementation of the recommendations made in the audit reports. On September 20, 2024, intervenors filed testimony recommending fines for alleged violations of the Ohio

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corporate separation requirements. Evidentiary hearings were held on October 9 and 10, 2024; the scope of the hearings excluded allegations involving activities related to the passage of HB 6 and the former PUCO chairman, which were later addressed in hearings held between June 10, 2025, and June 27, 2025, as further described below. Initial and reply briefs have been filed by the Ohio Companies, PUCO staff and the intervening parties.

- In connection with an ongoing annual audit of the Ohio Companies' DCR rider for 2020, and as a result of disclosures in FirstEnergy's Form 10-K for the year ended December 31, 2020 (filed on February 18, 2021), the PUCO expanded the scope of the audit on March 10, 2021, to include a review of certain transactions that were either improperly classified, misallocated, or lacked supporting documentation, and to determine whether funds collected from customers were used to pay the vendors, and if so, whether or not the funds associated with those payments should be returned to customers through the DCR rider or through an alternative proceeding. On August 3, 2021, the auditor filed its final report on this phase of the audit, and the parties submitted comments and reply comments on this audit report in October 2021. Additionally, on September 29, 2021, the PUCO expanded the scope of the audit in this proceeding to determine if the costs of the naming rights for FirstEnergy Stadium have been recovered from the Ohio Companies' customers. On November 19, 2021, the auditor filed its final report, in which the auditor concluded that the FirstEnergy Stadium naming rights expenses were not recovered from Ohio customers. On December 15, 2021, the PUCO further expanded the scope of the audit to include an investigation into an apparent nondisclosure of a side agreement in the Ohio Companies' ESP IV settlement proceedings, but stayed its expansion of the audit until otherwise ordered by the PUCO. The proceeding was stayed in its entirety, including discovery and motions, continuously at the request of the U.S. Attorney for the Southern District of Ohio beginning in August 2022 and the stay was lifted on February 26, 2024. On February 26, 2024, the Attorney Examiner consolidated this proceeding with the Rider DMR audit proceeding described above, and further lifted the stay of the portion of the investigation relating to an apparent nondisclosure of a side agreement. On November 22, 2024, the administrative law judge ordered that the bifurcated portion of the corporate separation audit be consolidated with the already-consolidated DMR audit and the expanded DCR rider audit proceeding. Evidentiary hearings were held between June 10, 2025, and June 27, 2025. Initial and reply briefs were filed by the parties on July 21, 2025, and August 4, 2025, respectively.

See Note 11., "Commitments and Contingencies - Other Legal Proceedings" below for additional details on the government investigations and subsequent litigation surrounding the investigation of HB 6.

FERC REGULATORY MATTERS

With respect to its wholesale services and rates, TE is subject to regulation by FERC. Under the FPA, FERC regulates rates for interstate wholesale sales, accounting and other matters. FERC regulates the sale of power for resale in interstate commerce in part by granting authority to public utilities to sell wholesale power at market-based rates upon showing that the seller cannot exert market power in generation or transmission or erect barriers to entry into markets. TE has been authorized by FERC to sell wholesale power in interstate commerce at market-based rates and has a market-based rate tariff on file with FERC, although major wholesale purchases remain subject to review and regulation by the PUCO.

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

FirstEnergy, including TE, 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 TE, 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 TE, 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 TE'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 electric facilities that could have a material adverse effect on TE'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

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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.

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 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 TE, 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.

11. COMMITMENTS, GUARANTEES AND CONTINGENCIES

GUARANTEES AND OTHER ASSURANCES

TE has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include stand-by LOCs and surety bonds. TE enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party.

Collateral and Contingent-Related Features

In the normal course of business, TE may enter into physical or financially settled contracts for the sale and purchase of electric capacity, energy, fuel and emission allowances. Certain agreements contain provisions that require TE to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon TE's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. TE is holding \$4 million of net cash collateral as of December 31, 2025 from certain generation suppliers, and such amount is included in "Other current liabilities" on TE's Balance Sheets.

ENVIRONMENTAL MATTERS

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

OTHER LEGAL PROCEEDINGS

United States v. Larry Householder, et al.

On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In March 2023, a jury found Mr. Householder and his co-defendant, Matthew Borges, guilty and in June 2023, the two were sentenced to prison for 20 and five years, respectively. Messrs. Householder and Borges have appealed their sentences; the Sixth Circuit recently rejected their appeal upholding their convictions. Also, on July 21, 2020, and in connection with the U.S. Attorney's Office's investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the Southern District of Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. On January 17, 2025, the U.S. Attorney's Office announced that a federal grand jury charged two former FirstEnergy senior officers with one count of participating in a Racketeer Influenced and Corrupt Organizations Act conspiracy. The allegations in the indictment are largely based on the conduct described in the DPA.

On July 21, 2021, FE entered into a three-year DPA with the U.S. Attorney's Office that, subject to court proceedings, resolves this matter as to FE. Under the DPA, FE agreed to the filing of a criminal information charging FE with one count of conspiracy to commit honest services wire fraud. The DPA required that FirstEnergy, among other obligations: (i) continue to cooperate with the U.S. Attorney's Office in all matters relating to the conduct described in the DPA and other conduct under investigation by the U.S. government; (ii) pay a criminal monetary penalty totaling \$230 million within sixty days, consisting of (x) \$115 million paid by FE to the U.S. Treasury and (y) \$115 million paid by FE to the ODSA to fund certain assistance programs, as determined by the ODSA, for the benefit of low-income Ohio electric utility customers; (iii) publish a list of all payments made in 2021 to either

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501(c)(4) entities or to entities known by FirstEnergy to be operating for the benefit of a public official, either directly or indirectly, and update the same on a quarterly basis during the term of the DPA; (iv) issue a public statement, as dictated in the DPA, regarding FE's use of 501(c)(4) entities; and (v) continue to implement and review its compliance and ethics program, internal controls, policies and procedures designed, implemented and enforced to prevent and detect violations of U.S. laws throughout its operations, and to take certain related remedial measures. The \$230 million payment will neither be recovered in rates or charged to FirstEnergy customers, nor will FirstEnergy seek any tax deduction related to such payment. The entire amount of the monetary penalty was recognized as an expense in the second quarter of 2021 and paid in the third quarter of 2021. As of July 22, 2024, FirstEnergy had successfully completed the obligations required within the three-year term of the DPA. Under the DPA, FirstEnergy has an obligation to continue: (i) publishing quarterly a list of all payments to 501(c)(4) entities and all payments to entities known by FirstEnergy operating for the benefit of a public official, either directly or indirectly; (ii) not making any statements that contradict the DPA; (iii) notifying the U.S. Attorney's Office of any changes in FirstEnergy's corporate form; and (iv) cooperating with the U.S. Attorney's Office until the conclusion of any related investigation, criminal prosecution, and civil proceeding brought by the U.S. Attorney's Office, including the aforementioned federal indictment against two former FirstEnergy senior officers. Within 30 days of those matters concluding, and FirstEnergy's successful completion of its remaining obligations, the U.S. Attorney's Office will dismiss the criminal information. On February 26, 2025, the U.S. Attorney's Office filed a status report confirming these commitments.

Legal Proceedings Relating to U.S. v. Larry Householder, et al.

Certain FE stockholders and FirstEnergy customers also filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, and the complaints in each of these suits is related to allegations in the complaint and supporting affidavit relating to HB 6 and the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. The plaintiffs in each of the below cases seek, among other things, to recover an unspecified amount of damages (unless otherwise noted).

- *In re FirstEnergy Corp. Securities Litigation* (S.D. Ohio); on July 28, 2020, and August 21, 2020, purported stockholders of FE filed putative class action lawsuits alleging violations of the federal securities laws. Those actions have been consolidated and a lead plaintiff, the Los Angeles County Employees Retirement Association, has been appointed by the court. A consolidated complaint was filed on February 26, 2021. The consolidated complaint alleges, on behalf of a proposed class of persons who purchased FE securities between February 21, 2017 and July 21, 2020, that FE and certain current or former FE officers violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions concerning FE's business and results of operations. The consolidated complaint also alleges that FE, certain current or former FE officers and directors, and a group of underwriters violated Sections 11, 12(a)(2) and 15 of the Securities Act as a result of alleged misrepresentations or omissions in connection with offerings of senior notes by FE in February and June 2020. On March 30, 2023, the court granted plaintiffs' motion for class certification. On April 14, 2023, FE filed a petition in the Sixth Circuit seeking to appeal that order. On August 13, 2025, the Sixth Circuit vacated the S.D. Ohio's order granting class certification. On November 6, 2025, the S.D. Ohio held oral argument to further consider class certification in light of the Sixth Circuit's decision. FE believes that it is probable that it will incur a loss in connection with the resolution of this lawsuit. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.
- *MFS Series Trust I, et al. v. FirstEnergy Corp., et al. and Brighthouse Funds II – MFS Value Portfolio, et al. v. FirstEnergy Corp., et al.* (S.D. Ohio); on December 17, 2021 and February 21, 2022, purported stockholders of FE filed complaints against FE, certain current and former officers, and certain then-current and former officers of Energy Harbor Corp. The complaints allege that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by issuing alleged misrepresentations or omissions regarding FE's business and its results of operations, and seek the same relief as the *In re FirstEnergy Corp. Securities Litigation* described above. FE believes that it is probable that it will incur losses in connection with the resolution of these lawsuits. Given the ongoing nature and complexity of such litigation, FE cannot yet reasonably estimate a loss or range of loss.

The outcome of any of these lawsuits is uncertain and could have a material adverse effect on FE's or its subsidiaries' reputation, business, financial condition, results of operations, liquidity, and cash flows.

Other Legal Matters

There are various lawsuits, claims (including claims for asbestos exposure) and proceedings related to TE's normal business operations pending against TE and its subsidiaries. The loss or range of loss in these matters is not expected to be material to TE or its subsidiaries. The other potentially material items not otherwise discussed above are described under Note 10., "Regulatory Matters."

TE 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 TE 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 TE or its subsidiaries have legal liability or are otherwise made subject to liability based on any of the matters referenced above, it could have a material adverse effect on TE's or its subsidiaries' financial condition, results of operations and cash flows.

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. TRANSACTIONS WITH AFFILIATED COMPANIES

TE's revenues, expenses, miscellaneous income and interest expenses include transactions with affiliated companies. These affiliated company transactions include support service billings, interest on affiliated company notes including the money pool and other transactions.

The primary affiliated company transactions for TE 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 ⁽¹⁾	\$ 2	\$ 2
Expenses:		
FESC support services ⁽²⁾	36	33
Other affiliate support services ⁽²⁾	(10)	(8)
Interest income	1	—
Interest expense	1	3

⁽¹⁾ Includes ground lease revenues from ATSI. See Note 5., "Leases", for additional information.

⁽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. TE can also receive charges from and charge affiliates other than FESC at cost.

TE recognizes an allocation of the net periodic pension and OPEB costs/credits from its affiliates, including FESC. See Note 3., "Pension and Other Postemployment Benefits" for additional information.

Under the FirstEnergy regulated money pool, TE 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 Consolidated 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 9., "Short-Term Borrowings and Bank Lines of Credit").

TE is party to an intercompany income tax allocation agreement with FirstEnergy that provides for the allocation of consolidated tax liabilities. See Note 4., "Taxes" for additional information.