

CLEVELAND ELECTRIC ILLUMINATING CO

Form S-3/A

June 04, 2013

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As filed with the Securities and Exchange Commission on June 4, 2013.

Registration Nos. 333-187692 and 333-187692-01 through -05

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3

to

Form S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CEI Funding LLC

OE Funding LLC

TE Funding LLC

(Registrants and Issuers of the Phase-In-Recovery Bonds)

(Exact name of registrant as specified in its charter)

Delaware

Delaware

Delaware

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(State or other jurisdiction of
incorporation or organization)
46-1367273
(I.R.S. Employer
Identification No.)

(State or other jurisdiction of
incorporation or organization)
46-1367425
(I.R.S. Employer
Identification No.)

(State or other jurisdiction of
incorporation or organization)
46-1367453
(I.R.S. Employer
Identification No.)

The Cleveland Electric

illuminating Company

Ohio Edison Company
(Registrants, Sponsors, Sellers, Initial Servicers and Depositors)

The Toledo Edison Company

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)
34-0150020
(I.R.S. Employer
Identification No.)

Ohio
(State or other jurisdiction of
incorporation or organization)
34-0437786
(I.R.S. Employer
Identification No.)

Ohio
(State or other jurisdiction of
incorporation or organization)
34-4375005
(I.R.S. Employer
Identification No.)

c/o FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308
(800) 736-3402

Rhonda S. Ferguson, Esq.
Vice President and Corporate Secretary

FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308
(800) 736-3402

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Lucas F. Torres, Esq.

Akin Gump Strauss Hauer & Feld LLP

One Bryant Park

New York, New York 10036

(212) 872-1000

Douglas E. Davidson, Esq.

Morgan, Lewis & Bockius LLP
101 Park Avenue

New York, New York 10178-0060

(212) 309-6000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Amount Proposed Proposed Amount of

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Securities to be Registered	to be Registered	Maximum Offering Price per Certificate(1)	Maximum Aggregate Offering Price(2)	Registration Fee(3)
Pass-Through Trust Certificates of FirstEnergy Ohio PIRB Special Purpose Trust 2013	\$505,000,000	100%	\$505,000,000	\$68,882
Phase-In-Recovery Bonds of CEI Funding LLC	(2)	(2)	(2)	None
Phase-In-Recovery Bonds of OE Funding LLC	(2)	(2)	(2)	None
Phase-In-Recovery Bonds of TE Funding LLC	(2)	(2)	(2)	None
Total	\$505,000,000	100%	\$505,000,000	\$68,882

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended.
- (2) No additional consideration will be paid by the purchasers of the Pass-Through Trust Certificates for the Phase-In-Recovery Bonds that secure the Pass-Through Trust Certificates.
- (3) Previously paid.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus supplement is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated June 4, 2013

Prospectus Supplement to Prospectus, dated _____, 2013

\$

FirstEnergy Ohio PIRB Special Purpose Trust 2013

Issuing Entity

Pass-Through Trust Certificates

CEI Funding LLC

OE Funding LLC

TE Funding LLC

Issuers of the Phase-In-Recovery Bonds

The Cleveland Electric Illuminating Company

Ohio Edison Company

The Toledo Edison Company

Sponsors, Sellers, Initial Servicers and Depositors

Tranche	Expected Weighted Average Life (Years)	Principal Amount Issued	Certificate Interest Rate	Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuing Entity (Before Expenses)	Scheduled Final Payment Date	Final Maturity Date
A-1		\$	%	%	%	%		
A-2		\$	%	%	%	%		
A-3		\$	%	%	%	%		

The total price to the public is \$ _____. The total amount of the underwriting discounts and commissions is \$ _____. The total amount of proceeds to the issuing entity after underwriting discounts and commissions and before deduction of expenses is \$ _____.

Investing in the pass-through trust certificates involves risks. Please read Risk Factors beginning on page 16 of the accompanying prospectus.

FirstEnergy Ohio PIRB Special Purpose Trust 2013, referred to herein as the **issuing entity**, is offering \$ _____ of pass-through trust certificates in three tranches, designated A-1, A-2 and A-3, referred to herein as the **certificates**. The certificates will represent fractional undivided beneficial interests in the phase-in-recovery bonds, collectively referred to herein as the **bonds**, of CEI Funding LLC, a wholly-owned subsidiary of The Cleveland Electric Illuminating Company, OE Funding LLC, a wholly-owned subsidiary of Ohio Edison Company, and TE Funding LLC, a wholly-owned subsidiary of The Toledo Edison Company and other

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specified property of the issuing entity constituting **trust property**. CEI Funding LLC, OE Funding LLC and TE Funding LLC are collectively referred to herein as the **bond issuers**. The bonds will be 100% owned by the issuing entity. The issuing entity will grant to the certificate trustee, for the benefit of the certificateholders, a lien on the bonds of each bond issuer and other trust property. The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company are the **sellers** of the phase-in-recovery properties (described below) and will serve as the **initial servicers** with regard to the bonds.

Each of the bonds will be secured primarily by the right to impose, charge and collect irrevocable nonbypassable usage-based charges payable by retail electric customers in the service territories of The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company, as the case may be. Each of the bonds will be a non-recourse obligation of CEI Funding LLC, OE Funding LLC or TE Funding LLC, as the case may be. Neither the bonds nor the certificates will be legal obligations of CEI, OE or TE, as the sponsors, sellers, initial servicers and depositors.

Payment on the bonds of each bond issuer and thus payment on the certificates will be supported by credit enhancement consisting principally of a semiannual true-up adjustment of phase-in-recovery charges intended to ensure recovery of amounts sufficient to timely pay scheduled principal and interest and other approved financing costs and amounts available in the capital subaccount under each bond indenture to the extent there are insufficient funds in the general subaccount and excess funds subaccount to pay interest and principal on the bonds.

Neither the certificates, the bonds nor the phase-in-recovery property securing the bonds is an obligation of the State of Ohio, the Public Utilities Commission of Ohio, or any political subdivision, governmental agency, authority or instrumentality of the State of Ohio or of FirstEnergy Corp., The Cleveland Electric Illuminating Company, Ohio Edison Company or The Toledo Edison Company or any of their respective affiliates, except for the bond issuers and the issuing entity.

Neither the full faith and credit nor the taxing power of the State of Ohio, nor the Public Utilities Commission of Ohio, nor any political subdivision, agency, authority or instrumentality of the State of Ohio is pledged to the payment of principal of, or interest on, the certificates or the bonds, or the payments securing the bonds. Furthermore, neither the State of Ohio, nor the Public Utilities Commission of Ohio, nor any political subdivision, agency, authority or instrumentality of the State of Ohio will appropriate any funds for the payment of any of the certificates or the bonds.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The underwriters expect to deliver the certificates through the book-entry facilities of The Depository Trust Company against payment in immediately available funds on or about _____, 2013. Each certificate will be entitled to interest on _____ and _____ of each year. The first scheduled payment date is _____, 2013. Interest will accrue from _____, 2013 and must be paid by the purchaser if the certificates are delivered after that date. There currently is no secondary market for the certificates, and we cannot assure you that one will develop.

Joint Bookrunning Managers

Citigroup

Credit Agricole Securities
Co-Managers

Goldman, Sachs & Co.

Barclays

BofA Merrill Lynch

RBS

Prospectus Supplement dated _____, 2013

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Until 90 days after the date of this prospectus supplement, all dealers that effect transactions in these securities, whether or not participating in the offering described in this prospectus supplement, may be required to deliver a prospectus supplement and prospectus. This is in addition to the dealers' obligation to deliver a prospectus supplement and prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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READING THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This prospectus supplement and the accompanying prospectus provide information about us, the certificates, the bonds, the bond issuers and The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company, as the **Ohio Companies, sponsors, sellers, initial servicers and depositors**.

The specific terms of the certificates are contained in this prospectus supplement. The accompanying prospectus provides general information about the certificates. You should read both of these documents in full before buying the certificates.

References in this prospectus supplement and the accompanying prospectus to the terms **we, us, our** or the **issuing entity** mean FirstEnergy Ohio PIRB Special Purpose Trust 2013, the entity which will issue the certificates. References to the **pass-through trust certificates** or the **certificates**, unless the context otherwise requires, means the trust certificates offered pursuant to this prospectus supplement. References to the **certificateholders** or the **holders**, unless the context otherwise requires, means the registered holders of the certificates. References to the **bond issuers** refer to CEI Funding LLC, OE Funding LLC and TE Funding LLC, as the case may be. References to the **phase-in-recovery bonds** or the **bonds** refer to the phase-in-recovery bonds issued by the bond issuers. The Ohio Companies are also sometimes referred to respectively as CEI, OE and TE. FirstEnergy Corp., the parent of the Ohio Companies, is referred to herein and in the accompanying prospectus as **FirstEnergy**. References to the **Securitization Act** refer to Sections 4928.23 through 4928.2318 of the Ohio Revised Code, passed by the Ohio House of Representatives and the Ohio Senate in December 2011, and effective March 2012, which Securitization Act created the regulatory structure that allows electric utilities to issue bonds to securitize certain phase-in costs. Unless the context otherwise requires, the term **customer** or **retail customer** means a retail end user of electricity and related services provided by a retail electric service provider via the transmission and distribution system of an electric distribution utility. References to the **Ohio commission** or the **PUCO** refer to the Public Utilities Commission of Ohio. You can find a glossary of certain defined terms used in this prospectus supplement and the accompanying prospectus on page 110 of the accompanying prospectus.

We have included cross-references to sections in this prospectus supplement and the accompanying prospectus where you can find further related discussions.

You should rely only on information about the certificates provided in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not offering to sell the certificates in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement is current only as of the date of this prospectus supplement.

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SUMMARY OF THE TERMS

The following section is a summary of selected information and will not provide you with all the information you will need to make your investment decision. You will find a detailed description of the offering of the certificates following this summary. To understand all of the terms of this offering of the certificates, carefully read the entire prospectus supplement and accompanying prospectus. This prospectus supplement and the accompanying prospectus contain terms, appearing in bold text at their first usage, that are specific to the regulated utility industry and to the certificates and may be technical in nature. Please refer to the Glossary of Defined Terms.

Securities Offered

§ FirstEnergy Ohio PIRB Special Purpose Trust 2013 Pass-Through Trust Certificates. The certificates offered will be issued in three tranches, tranche A-1, tranche A-2 and tranche A-3. No other tranches will be offered in this transaction.

Each tranche of certificates will represent fractional undivided beneficial interests in the bonds of each of the bond issuers and other trust property. Holders of each tranche of certificates will receive payments received by the issuing entity on the corresponding tranche of bonds of each bond issuer, which will be the primary source of distributions on a tranche of certificates. Please read Description of the Certificates and Description of the Bonds in this prospectus supplement and the accompanying prospectus. The issuing entity will be the initial sole holder of all of the bonds. While it is expected that the issuing entity will be at all times the sole holder of all of the bonds, it is possible that one or more bonds could be sold as a result of an event of default.

Issuing Entity and Capital Structure

FirstEnergy Ohio PIRB Special Purpose Trust 2013.

The issuing entity was formed by the bond issuers on May 7, 2013 specifically for the purpose of purchasing the bonds from the bond issuers and issuing the certificates offered hereby. The issuing entity is a Delaware statutory trust. The principal assets of the issuing entity will be the bonds. The declaration of trust does not permit the issuing entity to engage in any activities other than acquiring the bonds, holding the bonds, issuing the certificates and engaging in other related activities. The issuing entity may not issue additional certificates other than in connection with transfers, exchanges or replacements permitted under the certificate indenture.

Each bond issuer will be capitalized by an upfront cash deposit by CEI, in the case of CEI Funding LLC, OE, in the case of OE Funding LLC and TE, in the case of TE Funding LLC, of 0.50% or, in the case of TE Funding LLC, 0.60% of the initial principal amount of the bonds of the related bond issuer (to be held in the capital subaccount) and will have an excess funds subaccount to retain, until the next payment date, any amounts collected remaining after all payments on the bonds have been made (and otherwise in accordance with the priority of payments). Please read How Funds In The Collection Account Will Be Allocated in this prospectus supplement.

Relationship with the PUCO

Pursuant to the financing order:

the PUCO or its designated representative has a decision-making role co-equal with the sponsors with respect to the structuring

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and pricing of the certificates and all matters related to the structuring and pricing of the certificates will be determined through a joint decision of the sponsors and the PUCO or its designated representative or financial advisor;

the PUCO's financial advisor will participate fully in all plans and decisions related to the pricing, marketing and structuring of the bonds and certificates and will be provided timely information as necessary to fulfill its obligation to advise the PUCO in a timely manner but makes no representations as to any of the information contained herein; and

the servicers will file periodic adjustments to the phase-in-recovery charges with the PUCO on our and the bond issuers' behalf.

The bond issuers have agreed that certain reports concerning phase-in-recovery charge collections will be provided to the PUCO.

Our Address

76 South Main Street

Akron, Ohio 44308

c/o FirstEnergy Service Company

Our Telephone Number

(800) 736-3402

Bond Issuers

CEI Funding LLC, or **CEI Funding**, OE Funding LLC, or **OE Funding**, and TE Funding LLC, or **TE Funding**. The address of the bond issuers is c/o FirstEnergy Service Company, 76 South Main Street, Akron, Ohio 44308. The telephone number of the bond issuers is (800) 736-3402.

Trustees

U.S. Bank Trust National Association, a national banking association, will serve as the Delaware trustee of the issuing entity and U.S. Bank National Association, a national banking association, will serve as trustee under the certificate indenture and each bond indenture. Please read "The Trustees" in this prospectus supplement for a description of certain of the trustee's relevant prior experience and "The Trustees" in the accompanying prospectus for a description of the trustee's duties and responsibilities as certificate trustee under the certificate indenture and as bond trustee under each bond indenture. The Ohio Companies will serve as administrative trustees of the issuing entity under the declaration of trust.

Purpose of the Offering

The issuance of the bonds and the certificates is intended to enable the sponsors to recover certain previously approved costs, referred to as **phase-in costs**, on terms more favorable to customers than would be achievable through the recovery methods previously approved by the PUCO. Please read "The Securitization Act" in the accompanying prospectus.

Phase-In-Recovery Property

The phase-in-recovery property of each bond issuer generally consists of its irrevocable right to impose, charge and collect nonbypassable

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usage-based phase-in-recovery charges from retail electric customers in its sponsor's service territory. Each bond issuer will purchase its phase-in-recovery property from its seller. See "The Phase-In- Recovery Property" in this prospectus supplement and "Description of the Phase-In-Recovery Property" in the accompanying prospectus.

Sponsors, Sellers, Initial Servicers and Depositors The Cleveland Electric Illuminating Company, or **CEI**, is a public electric utility, which provides regulated electric distribution services in northeastern Ohio, and a wholly-owned subsidiary of FirstEnergy.

Ohio Edison Company, or **OE**, is a public electric utility, which provides regulated electric distribution services in central and northeastern Ohio, and a wholly-owned subsidiary of FirstEnergy.

The Toledo Edison Company, or **TE**, is a public electric utility, which provides regulated electric distribution services in northwestern Ohio, and a wholly-owned subsidiary of FirstEnergy.

Each of the Ohio Companies has an address at 76 South Main Street, Akron, Ohio 44308. The telephone number of the sponsors, sellers, initial servicers and depositors is (800) 736-3402.

CEI, OE and TE, acting as the initial servicers, and any successor servicer(s), referred to in this prospectus supplement and the accompanying prospectus as the **servicers**, will service the phase-in-recovery property securing the bonds under separate servicing agreements with the bond issuers. Please read "Servicing" and "The Sponsors, Sellers, Initial Servicers and Depositors" in the accompanying prospectus.

None of the Ohio Companies, FirstEnergy or any of their respective affiliates (other than the bond issuers and the issuing entity) is an obligor on the bonds or the certificates.

Servicing Fees

Each servicer will be entitled to receive an annual servicing fee in an amount equal to 0.10% of the initial principal balance of the bonds of the applicable bond issuer. If any servicer is replaced by a non-utility successor servicer, such non-utility successor servicer may be paid a servicing fee of up to 0.75% per year of the initial principal balance of the applicable bonds.

Each bond trustee will pay the unpaid servicing fees semiannually on each payment date to the extent of available funds prior to the distribution of any interest on and principal of its bonds.

Expected Settlement

, 2013, settling flat. DTC, Clearstream and Euroclear.

State of Ohio Pledge

The Securitization Act contains a pledge and agreement by the State of Ohio with the bondholders and bond issuers that the State of Ohio

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will not take or permit any action that impairs the value of phase-in-recovery property under a financing order or revises the phase-in-costs for which recovery is authorized under a financing order or, except for the approved adjustment mechanism authorized in a financing order and allowed under the Securitization Act, reduce, alter or impair phase-in-recovery charges until the bonds, all financing costs and all amounts to be paid under any ancillary agreement are paid or performed in full. The PUCO invoked this pledge on behalf of the State of Ohio in the financing order.

Optional Redemption

Neither the certificate indenture nor the bond indentures permit an optional redemption of the certificates or the bonds, respectively.

Minimum Denomination of the Certificates

\$100,000 or integral multiples of \$1,000 in excess thereof except for one certificate of each tranche, which may be of a smaller denomination.

Ratings

We expect the bonds and the certificates will receive credit ratings from three nationally recognized statistical rating organizations, or **NRSROs**. Please see Ratings in this prospectus supplement.

Initial Phase-In-Recovery Charges as a Portion of Customers Total Electricity Bill

Phase-in-recovery charges are nonbypassable in that such charges cannot be avoided by any customer or other person obligated to pay the charges. Subject to the methodology approved in the financing order, the phase-in-recovery charges will apply to all customers of CEI, OE and TE, as the case may be, for as long as they remain customers of such electric distribution utility. If a customer of the electric distribution utility purchases electric generation service from a competitive retail electric service provider, the electric distribution utility is authorized by the Securitization Act to collect the phase-in-recovery charges directly from that customer.

The phase-in-recovery charges are separate and apart from CEI s, OE s and TE s base rates, and are subject to adjustment semiannually (other than the initial adjustment, which will be completed within 12 months after the issuance date of the bonds, and adjustments during the period commencing with the start of the last year that the last maturing tranche of bonds of each bond issuer is expected to be outstanding and ending with the final maturity date, in which case adjustments as frequently as monthly may be necessary). See Phase-In-Recovery Property in this prospectus supplement and Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges in the accompanying prospectus.

CEI customers are expected to have estimated initial phase-in-recovery charges of cents/kWh resulting in an estimated monthly cost of \$ for the typical residential bill (1,000 kWh), which represents approximately % of such monthly residential bill. Under current recovery methods, a 1,000 kWh residential customer would pay on average an estimated total monthly charge of cents/kWh resulting in a monthly cost of \$.

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OE customers are expected to have estimated initial phase-in-recovery charges of cents/kWh resulting in an estimated monthly cost of \$ for the typical residential bill (1,000 kWh), which represents approximately % of such monthly residential bill. Under current recovery methods, a 1,000 kWh residential customer would pay on average an estimated total monthly charge of cents/kWh resulting in a monthly cost of \$.

TE customers are expected to have estimated initial phase-in-recovery charges of cents/kWh resulting in an estimated monthly cost of \$ for the typical residential bill (1,000 kWh), which represents approximately % of such monthly residential bill. Under current recovery methods, a 1,000 kWh residential customer would pay on average an estimated total monthly charge of cents/kWh resulting in a monthly cost of \$.

The amounts shown above are dependent on a number of assumptions and based on estimates and market conditions as of , 2013. Such amounts will also periodically change throughout the recovery period in accordance with the approved adjustment mechanism described in the accompanying prospectus.

True-Up Adjustment Mechanism for Payments on the Bonds and other Financing Costs

Please read *Credit Enhancement* in this prospectus supplement and *Prospectus Summary Adjustments to the Phase-In-Recovery Charges* and *Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges* in the accompanying prospectus.

Pursuant to the Securitization Act, the PUCO provided a description in the financing order of the adjustment mechanism to be used in the imposition, charging and collection of the phase-in-recovery charges, such phase-in-recovery charges to be reviewed and adjusted semiannually as provided in the financing order, based on estimates of consumption for each customer class and other mathematical factors. The PUCO's review of these requests is limited to determining whether there is any mathematical error in the servicer's application of the adjustment mechanism to the phase-in-recovery charges, including the calculation of any proportionate charges allocated to governmental aggregation customers as directed in the financing order. Such adjustments will become automatically effective 60 days after the request is submitted unless otherwise ordered by the PUCO.

Priority of Payments

Please read *How Funds In The Collection Account Will Be Allocated* in this prospectus supplement for a description of how funds will be allocated under each bond issuer's bond indenture.

Except as noted below, to the extent funds are available (and subject to the priority of payments), each bond issuer will pay principal in respect of its bonds on each payment date in the following order of priority: first, to the holders of tranche A-1 bonds until the principal

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balance of that tranche is paid in full, second, to the holders of tranche A-2 bonds until the principal balance of that tranche is paid in full, and third, to the holders of tranche A-3 bonds until the principal balance of that tranche is paid in full.

So long as no event of default has occurred and is continuing, a bond issuer will not pay principal on a payment date of any tranche of bonds if making the payment would reduce the principal balance of that tranche to an amount lower than that specified in the expected amortization schedule for that tranche on that payment date.

Payments of principal due and payable on the bonds of a bond issuer as a result of an event of default (and assuming all bonds have been declared immediately due and payable), or upon final maturity, will be paid pro rata in accordance with that bond issuer's bond indenture. See "Description of the Bonds" in this prospectus supplement and in the accompanying prospectus.

Proceeds received by the certificate trustee from the sale of any bond or recoveries received by the certificate trustee as a result of the institution of certain judicial proceedings by the certificate trustee, in each case as a result of an event of default and subject to the terms of the certificate indenture, will be applied (after the payment of any interest owed on the certificates) to due and unpaid principal pro rata on each tranche of certificates based on the respective outstanding principal amount of the certificates of each tranche. See "Description of the Certificates" "Events of Default" in the accompanying prospectus.

Use of Proceeds

The issuing entity will use the entire proceeds received from the sale of the certificates, net of underwriting discounts, to purchase the bonds from the bond issuers. Each bond issuer will use the net proceeds from the sale of its bonds to pay its share of the expenses of the issuance and sale of the bonds and the certificates and to purchase the phase-in-recovery property from its seller. The sellers will use the net proceeds from the sale of the phase-in-recovery properties primarily to repay outstanding debt. Net proceeds may also be used by any seller for other general corporate purposes to the extent set forth in the financing order.

Up-front expenses incurred in connection with issuance and sale of the bonds and the certificates and the selection and acquisition of the phase-in-recovery property, net of underwriting discounts and expenses of \$, are expected to be approximately \$. An aggregate of approximately \$300,000 of such expenses are payable to the servicers in connection with set-up costs of such servicers, including costs incurred in connection with establishing the bond issuers and issuing entity and setting up the necessary information technology systems, processes and reports. In

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addition, approximately \$ _____ of such expenses are payable to an underwriter who previously acted as structuring advisor for the transaction as described under _____ Underwriting _____ in this prospectus supplement.

Security / Credit Enhancement

Each tranche of certificates will represent fractional undivided beneficial interests in the bonds of each of the bond issuers and other trust property. The issuing entity will grant to the certificate trustee, for the benefit of the certificateholders, a lien on the bonds of each of the bond issuers and other trust property. See _____ Description of the Certificates _____ in this prospectus supplement and in the accompanying prospectus. The bonds issued by each bond issuer will be secured primarily by the phase-in-recovery property of such bond issuer, which will generally consist of its irrevocable right to impose, charge and collect nonbypassable usage-based phase-in-recovery charges from retail electric customers in its sponsor's service territory. Credit enhancement for the bonds, through a true-up adjustment mechanism and capital subaccount, is intended to protect against losses or delays in scheduled payments on the bonds and accordingly, the certificates. Please read _____ The Phase-In-Recovery Property _____ and _____ Credit Enhancement _____ in this prospectus supplement, as well as _____ The Securitization Act _____ and _____ Description of the Phase-In-Recovery Property _____ in the accompanying prospectus.

Tax Status of the Certificates

For federal income tax purposes, the issuing entity will be treated as a grantor trust, and thus not taxable as a corporation, and each tranche of certificates will be treated as representing ownership of fractional undivided beneficial interests in the bonds of each of the bond issuers and other trust property. Interest and original issue discount, if any, on the certificates, and any gain on the sale of the certificates, generally will be included in gross income of certificateholders for federal income tax purposes. See _____ Material U.S. Federal Income Tax Consequences. _____ Interest on the certificates and any profit on the sale of the certificates are subject to Ohio personal income taxes. For taxpayers other than a limited class of financial institutions, Ohio does not currently impose a personal property tax to which the certificates would be subject. See _____ Ohio State Taxation _____ in the accompanying prospectus.

ERISA

See _____ Certain ERISA and Other Considerations, _____ which begins on page 104 of the accompanying prospectus.

Payment Dates and Interest Accrual

Interest will be distributed on the certificates semiannually, on _____ and _____. The first scheduled interest and principal distribution date is _____, 2013. If any interest distribution date is not a business day, distributions scheduled to be made on such date may be made on the next succeeding business day and no interest shall accrue upon such payment during the intervening period. On each distribution date, the certificate trustee will distribute interest on and principal of the certificates to the extent interest and principal is

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received on the corresponding tranches of bonds to the holders of each tranche of certificates as of the close of business on the record date. Interest on the bonds will be calculated on a 30/360 basis. See *Description of the Certificates* and *Description of the Bonds* in this prospectus supplement and the accompanying prospectus.

Interest is due on each distribution date and principal is due upon the final maturity date for each tranche of certificates.

Scheduled Final Distribution and Payment Dates; Final Maturity Dates The scheduled final distribution dates and final maturity dates of each tranche of certificates are listed below:

Tranche	Scheduled Final Distribution Date	Final Maturity Date
A-1		
A-2		
A-3		

The scheduled final payment dates and final maturity dates of each tranche of bonds are listed below:

Tranche	Scheduled Final Payment Date	Final Maturity Date
A-1		
A-2		
A-3		

Continuing Disclosure

Each bond issuer will or will cause its sponsor to, post on <http://www.firstenergycorp.com/investor>, a collective website to be used by all bond issuers, periodic reports containing the information required by the related bond indenture (which will include reports and other information required to be filed with the SEC and information regarding the phase-in-recovery charges). See *Description of the Bonds Website Disclosure* in the accompanying prospectus.

Information available on FirstEnergy's website, other than the reports and other information we, the bond issuers or the sponsors, solely in their capacity as sponsors, are required to file with the SEC that are incorporated by reference in this prospectus supplement and the accompanying prospectus, does not constitute a part of this prospectus supplement or the accompanying prospectus.

Events of Default

Events of default under each of the bond indentures include a default in the payment of interest on the applicable bonds and a default in the payment of unpaid principal on the final maturity date. An event of default under any of the bond indentures will constitute an event of default under the certificate indenture. Please read *Description of the Bonds Bond Events of Default; Rights on Bond Event of Default* and *Description of the Certificates Events of Default* in the accompanying prospectus. An event of default in respect of the bonds of one bond issuer will not constitute an event of default with respect to the bonds of any other bond issuers.

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Risk Factors

You should carefully consider the risk of investing in the certificates. See Risk Factors, which begins on page 16 of the accompanying prospectus.

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Table of Contents**DESCRIPTION OF THE CERTIFICATES**

The certificates issued by the issuing entity will represent fractional undivided beneficial interests in the bonds of CEI Funding, OE Funding and TE Funding, and other trust property. The issuing entity will grant to the certificate trustee, for the benefit of the certificateholders, a lien on the bonds of each of the bond issuers and other trust property. Each tranche of CEI Funding bonds, OE Funding bonds and TE Funding bonds will have the same interest rate, scheduled final distribution date and final maturity date as the related tranche of certificates. Taken together, the tranches of bonds of each of the bond issuers corresponding to a tranche of certificates will have the same aggregate principal amount and expected amortization schedule as that tranche of certificates. See Description of the Bonds. The issuing entity will issue the certificates in minimum denominations of \$100,000 or in integral multiples of \$1,000 in excess thereof except for one certificate of each tranche, which may be of a smaller denomination. The initial principal amounts, the interest rates, the scheduled final distribution dates and final maturity dates of the certificates of each tranche are listed below:

Tranche	Expected Weighted Average Life (Years)	Principal Amount Issued	Certificate Interest Rate	Scheduled Final Distribution Date	Final Maturity Date
A-1		\$	%		
A-2		\$	%		
A-3		\$	%		

The scheduled final distribution date for a tranche of certificates is the date when the issuing entity expects to receive in full all interest on, and principal of, the corresponding tranche of bonds of each of the bond issuers, and distribute such amounts as payment of all interest on, and principal of, that tranche of certificates. The final maturity date for a tranche of certificates is the legal maturity date of that tranche. The failure to distribute the portion of principal of any tranche of certificates representing principal of either the CEI Funding bonds, the OE Funding bonds or the TE Funding bonds in full by the final maturity date for that tranche is an event of default with respect to the bonds of the defaulting bond issuer, and, if that occurs, the certificate trustee may vote all, and upon the written direction of the holders of at least a majority (greater than 50%) in principal amount of all outstanding certificates, will vote a corresponding majority, of the bonds of the defaulting bond issuer in favor of declaring the unpaid principal amount of all such bonds and accrued interest thereon to be due and payable. A foreclosure on the phase-in-recovery property securing the bonds of a defaulting bond issuer upon the acceleration of the unpaid principal amount of the bonds of such defaulting bond issuer may be an inadequate remedy due to the limited market for phase-in recovery property. See Risk Factors Risks Related to Limited Source of Payments and Credit Enhancement You could experience payment delays or losses as a result of limited sources of payment for the certificates and limited credit enhancement in the accompanying prospectus. A default on the bonds of one bond issuer will not constitute a default with respect to the bonds of any other bond issuer or the certificates to the extent that they represent fractional undivided interests in the bonds of any non-defaulting bond issuer. See Description of the Certificates Events of Default in the accompanying prospectus.

The fees and expenses related to retirement of the certificates will be allocated to the bond issuers pro rata based on the original principal amount of the bonds of each bond issuer.

Distributions and Allocations

Interest on each tranche of certificates will accrue from its issuance date at the interest rate listed in the preceding table. The certificate trustee is required to make distributions of interest on and principal of the certificates semiannually on and (or, if any distribution date is not a business day, the following business day) of each year, beginning on , 2013. On each distribution date, the certificate trustee will distribute interest on and principal of the certificates to the extent interest and principal is received on the corresponding tranches of bonds to the holders of each tranche of certificates as of the close of business on the record date. The record date for any distribution of interest on, and principal of, the certificates will be the

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business day immediately before the distribution date. Each distribution date will also be a payment date for interest on, and principal of, the bonds. The certificate trustee is scheduled to receive payments of interest on and principal of the bonds of each of the bond issuers on each payment date. The bond trustees will make payments on the bonds of the bond issuers on any payment date as described under **How Funds In The Collection Account Will Be Allocated**, **Description of the Bonds Interest** and **Description of the Bonds Principal** in this prospectus supplement and **Description of the Bonds Allocations and Payments** in the accompanying prospectus. After paying interest, to the extent funds are available, each bond issuer will pay principal in respect of its bonds on each payment date in the following order of priority: first, to the holders of the tranche A-1 bonds until the principal balance of that tranche is paid in full, second, to the holders of the tranche A-2 bonds until the principal balance of that tranche is paid in full, and third, to the holders of the tranche A-3 bonds until the principal balance of that tranche is paid in full; provided that a bond issuer will not pay principal on a payment date of any tranche of bonds if making the payment would reduce the principal balance of that tranche to an amount lower than that specified in the expected amortization schedule for that tranche on that payment date. See **Description of the Bonds Principal**. Payments of principal due and payable on the bonds of a bond issuer as a result of an event of default (and assuming all bonds have been declared immediately due and payable), or upon final maturity, will be paid pro rata based on the respective principal amounts of such bonds. See **Description of the Bonds** in this prospectus supplement and in the accompanying prospectus. Proceeds received by the certificate trustee from the sale of any bond or recoveries received by the certificate trustee as a result of the institution of certain judicial proceedings by the certificate trustee, in each case as a result of an event of default and subject to the terms of the certificate indenture, will be applied (after the payment of any interest owed on the certificates) to due and unpaid principal pro rata on each tranche of certificates based on the respective outstanding principal amount of the certificates of each tranche. See **Description of the Certificates Events of Default** in the accompanying prospectus.

Table of Contents**DESCRIPTION OF THE BONDS**

Each of CEI Funding, OE Funding and TE Funding will issue and sell its respective bonds to the issuing entity, in each case, in exchange for an allocable portion (based on the aggregate principal amount of the bonds of each bond issuer) of the net proceeds from the sale of the certificates by the issuing entity. Each tranche of bonds of CEI Funding, OE Funding and TE Funding will provide funds for the payment of an allocable portion of the related tranche of certificates and will have the same interest rate, scheduled maturity date and final maturity date as the related tranche of certificates. Taken together, the tranches of bonds of each of the bond issuers corresponding to a tranche of certificates will have the same aggregate principal amount and expected amortization schedule as the corresponding tranche of certificates.

The bonds will consist of the following tranches, in the initial principal amounts and bearing the interest rates and having the scheduled maturity dates and final maturity dates listed below:

CEI Funding LLC

Tranche	Expected Weighted Average Life (Years)	Principal Amount Issued	Bond Interest Rate	Scheduled Final Payment Date	Final Maturity Date
A-1		\$	%		
A-2		\$	%		
A-3		\$	%		

OE Funding LLC

Tranche	Expected Weighted Average Life (Years)	Principal Amount Issued	Bond Interest Rate	Scheduled Final Payment Date	Final Maturity Date
A-1		\$	%		
A-2		\$	%		
A-3		\$	%		

TE Funding LLC

Tranche	Expected Weighted Average Life (Years)	Principal Amount Issued	Bond Interest Rate	Scheduled Final Payment Date	Final Maturity Date
A-1		\$	%		
A-2		\$	%		
A-3		\$	%		

The scheduled final payment date for a tranche of bonds is the final date by which the bond issuer expects to distribute in full all interest on, and principal of, that tranche of bonds. The final maturity date for a tranche of bonds is the legal maturity date of that tranche.

Interest

Interest on each tranche of bonds will accrue from its issuance date at the interest rate listed in the preceding table. The bond issuers are required to pay interest to the issuing entity semiannually on _____ and _____ (or, if any payment date is not a business day, the following business day) of each year, beginning on _____, 2013.

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The bond issuers will pay interest on the bonds prior to paying principal of the bonds. See Description of the Bonds Allocations and Payments in the accompanying prospectus.

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On each payment date, each bond issuer will pay interest as follows:

if there has been a payment default in respect of any tranche of the bonds of the bond issuer, any unpaid interest payable on any prior payment dates, together with, to the extent lawful, interest at the applicable bond interest rate on any of this unpaid interest; and

accrued interest on the principal balance of each tranche of bonds of the bond issuer as of the close of business on the preceding payment date, or the date of the original issuance of the tranche of bonds, if applicable, after giving effect to all payments of principal made on the preceding payment date, or the date of the original issuance of the tranche of bonds, if applicable.

If there is a shortfall in the amounts necessary to make these interest payments, the related bond trustee will distribute interest pro rata on each such tranche of bonds of the related bond issuer based on the respective amounts of interest owed on the bonds of each such tranche. The distributions to the certificateholders of the corresponding tranches will be reduced by an amount equal to the shortfalls in respect of the corresponding tranches of bonds.

The bond issuers will calculate interest on the basis of a 360-day year of twelve 30-day months.

Principal

After paying interest as described above, to the extent funds are available, each bond issuer will pay principal in respect of its bonds on each payment date in the following order of priority:

- (1) to the holders of the A-1 bonds, until the principal balance of that tranche has been reduced to zero;
- (2) to the holders of the A-2 bonds, until the principal balance of that tranche has been reduced to zero; and
- (3) to the holders of the A-3 bonds, until the principal balance of that tranche has been reduced to zero.

A bond issuer will not pay principal, however, on a payment date of any tranche of bonds if making the payment would reduce the principal balance of that tranche to an amount lower than that specified in the expected amortization schedule for that tranche on that payment date. If an event of default under the bond indenture applicable to a bond issuer has occurred and is continuing, the bond trustee may declare the unpaid principal amount of all outstanding bonds of that bond issuer and accrued interest on such bonds to be due and payable. Payments of principal due and payable on the bonds of a bond issuer as a result of an event of default (and assuming all bonds have been declared immediately due and payable), or upon final maturity, will be paid pro rata based on the respective principal amounts of such bonds. An event of default under the bond indenture of one bond issuer will not constitute an event of default under the bond indenture of any other bond issuer.

The following expected amortization schedules list the scheduled outstanding principal balance for each tranche of bonds of the bond issuers on each payment date from the issuance date to the scheduled maturity date, after giving effect to the payments expected to be made on the payment dates. In preparing the following tables, we have assumed, among other things, that:

the bonds are issued on _____, 2013;

payments on the bonds are made on each payment date, commencing _____, 2013;

annual servicing fee will equal 0.10% of the initial principal amount of the bonds of the respective bond issuers;

there are no earnings on amounts on deposit in the collection accounts;

annual operating expenses are not expected to exceed \$270,000 in the case of CEI Funding, \$210,000 in the case of OE Funding, and \$50,000 in the case of TE Funding, including the administration fee,

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which, as to each administrator is expected to be its pro rata portion, based on bond issuance amount, of \$100,000, payable semiannually, amounts owed to the bond trustee, the Delaware trustee and the certificate trustee (which is not expected to exceed in the aggregate \$3,000 per year in the case of CEI Funding, \$3,000 per year in the case of OE Funding and \$3,000 per year in the case of TE Funding) and amounts owed to the independent directors of each bond issuer (which is not expected to exceed in the aggregate \$2,000 per year in the case of CEI Funding, \$2,000 per year in the case of OE Funding and \$2,000 per year in the case of TE Funding); and

collections from phase-in-recovery charges are deposited in the collection accounts of the bond issuers as expected.

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EXPECTED AMORTIZATION SCHEDULES

Outstanding Bond Balances

CEI Funding LLC

Date	Tranche A-1	Tranche A-2	Tranche A-3

OE Funding LLC

Date	Tranche A-1	Tranche A-2	Tranche A-3

TE Funding LLC

Date	Tranche A-1	Tranche A-2	Tranche A-3

Outstanding Certificate Balances

FirstEnergy Ohio PIRB Special Purpose Trust 2013

Date	Tranche A-1	Tranche A-2	Tranche A-3

We cannot assure you that the principal balances of the tranches of bonds of any of the bond issuers, and the related tranches of certificates, will be amortized according to the tables above. The actual amortization of principal may be slower (but cannot be faster) than that indicated in the tables. See **Risk Factors** in the accompanying prospectus for various factors that may, individually or in the aggregate, affect the expected amortization of the principal balances of any tranches of bonds and the related tranches of certificates.

On each payment date, the trustee will make principal payments on the bonds to the extent the principal balance of each tranche of the bonds exceeds the amount indicated for that payment date in the tables above and to the extent of funds available in the collection account after payment of certain fees and expenses and interest. The bonds will not be in default if principal is not paid as specified in the tables above unless the principal of any tranche is not paid in full on or before the final maturity date of that tranche.

Weighted Average Life Sensitivity

Weighted average life refers to the average amount of time from the date of issuance of a security until each dollar of principal of the security has been repaid to the investor. The rate of principal payments, the amount of each interest payment and the final maturity date for each tranche of bonds, and, thus, a related portion of the certificates, will be dependent on the rate and timing of receipt of phase-in-recovery charge collections supporting the payment of such bonds. Please read **Weighted Average Life and Yield Considerations for the Certificates** in the accompanying prospectus for further information. Changes in the expected weighted average

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lives of the respective tranches of the bonds on an aggregate basis, and, thus, a related portion of the certificates, in relation to variances in actual energy consumption levels (retail electric sales) from forecast levels are shown below.

Tranche	Expected Weighted Average	Forecast Error of 5%	Forecast Error of 15%
	Life (WAL) (Years)	WAL (yrs)	WAL (yrs)
		Change (days)*	Change (days)*

* Number is rounded to whole days.

Assumptions

For the purposes of preparing the above charts, the following assumptions, among others, have been made:

- (i) the forecast error stays constant over the life of the bonds and is equal to an over-estimate of electricity consumption of 5% or 15%;
- (ii) each servicer makes timely and accurate filings to true-up the phase-in-recovery charges semiannually (other than the initial adjustment, which will be completed within 12 months after the issuance date of the bonds, and the period commencing with the start of the last year that the last maturing tranche of bonds is expected to be outstanding and ending with the final maturity date, during which adjustments may be made as frequently as monthly);
- (iii) customer charge-off rates are held constant at 0.75% for each of CEI and TE and 0.55% for OE, in each case for all classes of customers;
- (iv) operating expenses are equal to projections;
- (v) there is no acceleration of the final maturity date of the bonds;
- (vi) a permanent loss of all customers has not occurred; and
- (vii) the closing date is _____, 2013.
- (viii) There can be no assurance that the weighted average lives of the bonds and, thus, a related portion of the certificates, will be as shown.

Fees and Expenses

As set forth in the table below, we are obligated to pay fees to the servicers, the trustees, the independent directors and the administrators from the phase-in-recovery charge collections and investment earnings. The following table illustrates this arrangement.

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Recipient

Each servicer

Bond trustee

Certificate trustee

Delaware trustee

Independent directors

Each administrator

Estimated Fees and Expenses Payable

An annual amount equal to 0.10% of the initial principal balance of the bonds of the applicable bond issuer (so long as such servicer is CEI, OE or TE or a successor electric distribution utility, as the case may be).

\$3,000 per annum plus expenses.

\$1,500 per annum plus expenses.

\$2,000 per annum plus expenses.

An aggregate of \$5,700 per annum plus expenses.

Its pro rata portion (based on bond issuance amount) of \$100,000 per annum.

If any servicer is replaced by a non-utility successor servicer, such non-utility successor servicer may be paid a servicing fee of up to 0.75% per year of the initial principal balance of the bonds.

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THE PHASE-IN-RECOVERY PROPERTY

The phase-in-recovery property of each bond issuer consists generally of its property, rights and interests under the financing order issued by the PUCO on October 10, 2012, as amended by the entry on rehearing, issued by the PUCO on December 19, 2012, and as further amended by the entry *nunc pro tunc* issued by the PUCO on January 9, 2013, collectively referred to herein as the **financing order**, including each bond issuer's right:

to impose, charge and collect irrevocable, nonbypassable phase-in-recovery charges from each retail customer within the service territory of CEI, OE or TE, as applicable, and

to adjust those phase-in-recovery charges, in accordance with the adjustment mechanism set forth in the financing order, in an amount sufficient to pay principal and interest on its bonds and, subject to the cap to the extent applicable, other financing costs approved under the financing order.

Each bond issuer will purchase its phase-in-recovery property from its seller. The bonds of each bond issuer are secured primarily by the phase-in-recovery property of such bond issuer. The phase-in-recovery property is not a receivable and, as the primary collateral securing the bonds of the bond issuer, is not a pool of receivables. Collections from the phase-in-recovery charges, as such charges may be adjusted pursuant to the adjustment mechanism, will be used to pay principal and interest on the bonds and, subject to the cap to the extent applicable, other financing costs approved under the financing order. These irrevocable nonbypassable charges will be included in the customer bills of CEI, OE or TE, as applicable, and will be collected until the applicable bonds and approved financing costs are paid in full. Phase-in-recovery charges may not be reduced, impaired or adjusted by the PUCO except for periodic adjustments, in accordance with the adjustment mechanism, to correct overcollections or undercollections to ensure the recovery of amounts sufficient to timely provide all payments of principal and interest on the bonds and, subject to the cap to the extent applicable, other approved financing costs. All revenues and collections from the phase-in-recovery charges provided for in the financing order are part of the phase-in-recovery property. Please read **Credit Enhancement** in this prospectus supplement and **Description of the Phase-In-Recovery Property** in the accompanying prospectus for more information relating to the phase-in-recovery property.

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THE TRUSTEES

U.S. Bank Trust National Association, a national banking association, or **U.S. Bank Trust**, will serve as Delaware trustee of the issuing entity. U.S. Bank National Association, a national banking association, or **U.S. Bank**, will serve as trustee under the certificate indenture and each bond indenture. U.S. Bank will also act as paying agent and registrar in each trustee capacity. U.S. Bank Trust is a wholly-owned subsidiary of U.S. Bank. U.S. Bancorp, with total assets exceeding \$354 billion as of December 31, 2012, is the parent of U.S. Bank, the fifth largest commercial bank in the United States. As of December 31, 2012, U.S. Bancorp served approximately 17 million customers and operated over 3,000 branch offices in 25 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, governments and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country with office locations in 48 domestic and three international cities. The certificate indenture and each bond indenture will be administered from U.S. Bank's corporate trust office located at 190 S. LaSalle Street, 7th Floor, Chicago, IL 60603.

U.S. Bank has provided corporate trust services since 1924. As of December 31, 2012, U.S. Bank was acting as trustee with respect to over 87,000 issuances of securities with an aggregate outstanding principal balance of over \$2.8 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

The certificate trustee shall make available to the certificateholders via the certificate trustee's website at www.usbank.com/abs all bond payments reports, certificate distribution reports, periodic reports and related information provided to the trustee by the respective bond issuers or their respective sponsors. Certificateholders with questions may direct them to the certificate trustee's bondholder services group at (800) 934-6802.

U.S. Bank and U.S. Bank Trust serve or has served as trustee, paying agent and registrar on several issues of similar asset-backed securities.

Except for the information set forth in this section titled "The Trustees," neither U.S. Bank nor U.S. Bank Trust has participated in the preparation of this prospectus supplement or the accompanying prospectus and assumes no responsibility for their contents.

The Ohio companies will serve as administrative trustees of the issuing entity under the declaration of trust.

None of the bond trustee, the Delaware trustee or the certificate trustee has any obligation with respect to the bonds or the certificates except for its express obligations under the bond indenture, the declaration of trust or the certificate indenture, as the case may be.

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CREDIT ENHANCEMENT

Credit enhancement for the bonds is intended to protect you against losses or delays in scheduled payments on the bonds and, thus, the certificates.

Statutory True-Up Adjustment Mechanism for Payment of Scheduled Principal and Interest and Other Financing Costs

Consistent with the Securitization Act and the irrevocable financing order, phase-in-recovery charges on all retail electric customers in the sponsors' respective service territories will be reviewed and adjusted within 12 months after the issuance of the bonds and then semiannually to ensure the recovery of amounts sufficient to timely provide payment of scheduled principal and interest on the bonds and other approved financing costs. During the period commencing with the start of the last year that the last maturing tranche of the bonds of each bond issuer is expected to be outstanding and ending with the final maturity date, adjustment of the phase-in-recovery charges may occur as frequently as monthly. The PUCO will act pursuant to the financing order to ensure the full and timely imposition, charging, collection and adjustment, pursuant to the approved adjustment mechanism, of the phase-in-recovery charges. The State of Ohio has pledged and agreed in the Securitization Act and the PUCO has pledged in the financing order not to take or permit any action that impairs the value of the phase-in-recovery property or, except as allowed under the Securitization Act, reduces, alters or impairs phase-in-recovery charges that are imposed, charged, collected or remitted until the bonds and all other approved financing costs are paid in full. The obligations of the PUCO and the State of Ohio in the final financing order are direct, explicit, irrevocable and unconditional upon issuance of the bonds and are legally enforceable by bondholders against the State of Ohio. Please read "The Phase-In-Recovery Property" in this prospectus supplement and "Description of the Phase-In-Recovery Property" and "The Securitization Act" in the accompanying prospectus.

While there is no cap on the level of phase-in-recovery charges that may be imposed on retail electric customers to pay on a timely basis scheduled principal and interest on the bonds and replenish capital subaccounts, there is a cap on certain approved financing costs that may be recovered through phase-in-recovery charges. Please read "How Funds in the Collection Account Will Be Allocated" "Cap on Certain Financing Costs" in this prospectus supplement and "Description of the Bonds" "Allocations and Payments" in the accompanying prospectus.

Collection Accounts and Subaccounts

The bond trustee for each bond issuer will establish a collection account to hold payments arising from the phase-in-recovery charges as well as the capital contributions made to that bond issuer. Each collection account will consist of three subaccounts:

a general subaccount;

a capital subaccount for the capital contributions to the bond issuer; and

an excess funds subaccount.

Withdrawals from, and deposits to, these subaccounts will be made as described under "Description of the Bonds" "Allocations and Payments" in the accompanying prospectus.

General Subaccount. The bond trustee for each bond issuer will deposit collected phase-in-recovery charges remitted to it by its servicer with respect to its bonds into the general subaccount. On each payment date, the bond trustee will allocate amounts in the general subaccount as described under "How Funds in the Collection Account Will Be Allocated" in this prospectus supplement and "Description of the Bonds" "Allocations and Payments" in the accompanying prospectus.

Capital Subaccount. Prior to the issuance of the bonds, CEI will contribute capital of \$_____ to CEI Funding, OE will contribute capital of \$_____ to OE Funding and TE will contribute capital of \$_____ to TE

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Funding, which amounts represent, in the case of each of CEI Funding LLC and OE Funding LLC, 0.50% of the initial principal amount of the bonds of each such bond issuer and, in the case of TE Funding LLC, 0.60% of the initial principal amount of the bonds of such bond issuer. The bond trustee for each bond issuer will deposit the capital into the capital subaccount of the bond issuer. A bond trustee will draw on amounts available in the capital subaccount of the related bond issuer, to the extent amounts available in the general subaccount and excess funds subaccount of that bond issuer are insufficient to pay interest on, and principal of, its bonds and, subject to the cap to the extent applicable, fees and expenses of servicing and retiring such bonds and an allocable portion of the certificates.

If a bond trustee uses amounts on deposit in a capital subaccount to make payments on the bonds of the related bond issuer on a payment date, then that capital subaccount will be replenished by the related bond issuer on subsequent payment dates to the extent the servicer remits payments arising from phase-in-recovery charges exceeding the amounts required to pay amounts having a higher priority of payment.

Excess Funds Subaccount. Each excess funds subaccount will be funded with collected phase-in-recovery charges and earnings on amounts in the collection account in excess of the amount necessary to:

subject to the cap to the extent applicable, pay fees and expenses (including any indemnity payments) related to the servicing and retirement of the bonds (including without limitation trustee, independent director and administration fees and expenses) of that bond issuer and the portion of the certificates allocable to that bond issuer;

pay interest on, and principal of, such bonds to the extent required to be paid on that payment date;

replenish the capital subaccount of that bond issuer to the required capital level; and

pay the return on investment due to that bond issuer's seller and pay any reimbursement amount due to that bond issuer's servicer pursuant to section 6.02 of the applicable servicing agreement.

A bond trustee will draw on amounts in the excess funds subaccount of a bond issuer to the extent amounts available in the bond issuer's general subaccount are insufficient to pay the amounts listed above.

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HOW FUNDS IN THE COLLECTION ACCOUNT WILL BE ALLOCATED

On each semiannual payment date, or for any amount payable under clauses (1) through (4) below, on any business day, a bond trustee will allocate or, subject to the cap (discussed below under **Cap on Certain Financing Costs**) if applicable, pay all amounts on deposit in the collection account of the related bond issuer, including earnings on those amounts, as follows and in the following order of priority:

- (1) first, all fees, costs, expenses (including legal fees and expenses) and indemnity amounts owed by that bond issuer to the related bond trustee, the certificate trustee and the Delaware trustee under the applicable basic documents will be paid to such bond trustee, certificate trustee and Delaware trustee (subject to section 6.07 of the bond indenture), respectively, and second, all fees, costs, expenses (including legal fees and expenses) and indemnity amounts owed by that bond issuer to the issuing entity under the applicable basic documents will be paid to the issuing entity; provided that the total of the foregoing amounts paid will not exceed \$100,000 annually;
- (2) the servicing fee and all unpaid servicing fees from any prior payment dates will be paid to that bond issuer's servicer;
- (3) the administration fee and all unpaid administration fees from prior payment dates and amounts due independent directors will be paid to that bond issuer's administrator and the independent directors, respectively;
- (4) payment of all other operating expenses, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the servicer under the related servicing agreement, and taxes and indemnities payable by that bond issuer will be paid to the persons entitled thereto;
- (5) first, any overdue semiannual interest on the bonds of that bond issuer (together with, to the extent lawful, interest on such overdue interest at the applicable bond interest rate) and second, semiannual interest then due and payable on such bonds will be paid to the certificate trustee, as bondholder, for distribution to the applicable certificateholders;
- (6) first, principal due and payable on the bonds of that bond issuer as a result of a bond event of default or on the final maturity date of a tranche of bonds of that bond issuer will be paid to the certificate trustee, as bondholder, for distribution to the applicable certificateholders and second, semiannual principal based on the priorities described above under **Description of the Bonds** Principal will be paid to the certificate trustee, as bondholder, for distribution to the applicable certificateholders according to the expected amortization schedule for each tranche of bonds;
- (7) unpaid operating expenses (including, without limitation, fees, expenses and indemnity amounts) owed by that bond issuer under the basic documents will be paid first, to the persons entitled thereto (other than the bond trustee, the Delaware trustee and certificate trustee) and second, to the bond trustee, Delaware trustee and certificate trustee;
- (8) the amount, if any, by which that bond issuer's capital subaccount needs to be funded to equal the required capital level as of such payment date will be allocated to that capital subaccount;
- (9) an amount equal to one-half of 6.85% of the required capital level will be paid to that bond issuer's seller;
- (10)

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reimbursement of the servicer for any amounts paid by that servicer to the bond trustee, Delaware trustee or certificate trustee pursuant to section 6.02(f) of the servicing agreement;

- (11) allocation of the remainder, if any, to the excess funds subaccount for distribution on subsequent payment dates; and

- (12) following, first, the payment of all principal of and interest on all bonds and all other approved financing costs, and, second, the payment of any unpaid amounts due the Delaware trustee, the certificate trustee and the related bond trustee under clause (1) above that exceeded the cap, then the balance, if any, will be paid to that bond issuer free from the lien of the bond indenture.

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If on any payment date, or for any amounts payable under clauses (1) through (4) above, on any business day, funds on deposit in the general subaccount of a bond issuer are insufficient to make the payments contemplated by clauses (1) through (6) above, the related bond trustee will:

first, draw from amounts on deposit in the excess funds subaccount of that bond issuer; and

second, draw from amounts on deposit in the capital subaccount of that bond issuer, up to the amount of the shortfall, in order to make the payments described above.

In addition, if on any payment date funds on deposit in the general subaccount of a bond issuer are insufficient to make the transfer described in clause (8) above, the related bond trustee will draw from amounts on deposit in the excess funds subaccount of that bond issuer to make the required transfer.

Payments of principal due and payable on the bonds of a bond issuer as a result of an event of default (and assuming all bonds have been declared immediately due and payable), or upon final maturity, will be paid pro rata based on the respective principal amounts of such bonds.

See Description of the Certificates Events of Default in the accompanying prospectus for a description of the allocation of proceeds from the sale of any bond by the certificate trustee or of amounts recovered by the certificate trustee as a result of the institution of certain judicial proceedings by the certificate trustee, in each case as a result of an event of default and subject to the terms of the certificate indenture.

Cap on Certain Financing Costs

Pursuant to the financing order, certain approved ongoing financing costs recoverable through phase-in recovery charges (including those referenced in clauses (1) through (4), (7), (9) and (10) above) may not exceed on an annual basis the aggregate amount approved for such ongoing financing costs by more than 5%. The sum of such approved annual ongoing financing costs (\$1,072,732) plus an amount equal to 5% of such costs is equal to \$1,126,369, which amount is referred to as the **cap**. The ongoing financing costs referenced in clauses (1) through (4), (7), (9) and (10) above, to the extent in excess of the cap for any given annual period, may be recovered in any subsequent annual period (subject to the annual cap in such subsequent period). Unused cap amounts in a given year will not be available for recovery of any ongoing financing costs in a subsequent year. In the case of a non-utility servicer with a servicing fee of 0.75% of the initial principal balance of the bonds (the maximum permitted to be paid to a non-utility servicer under the financing order), as compared to 0.10% to be paid to the initial servicer, the cap would be \$4,277,550.

The initial servicer of each bond issuer will agree in its servicing agreement to indemnify the bond trustee and, as to such bond issuer's allocable portion only (pro rata in proportion to the original principal amount of such bond issuer's bonds unless directly allocable to such bond issuer), the Delaware trustee and the certificate trustee, for all due and unpaid compensation, expenses and indemnity amounts (owed by such bond issuer to such trustee under, and to the extent set forth in, section 6.07 of the bond indenture, sections 1 through 4 of the fee and indemnity agreement and any applicable provisions of the other applicable basic documents), that exceed the cap. Each servicing agreement will provide that this initial servicer indemnity obligation will continue as an obligation of such initial servicer in the event a successor servicer is appointed.

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UNDERWRITING

The issuing entity, the bond issuers, CEI, OE, TE and the underwriters for the offering named below have entered into an underwriting agreement relating to the certificates. Assuming that conditions in the underwriting agreement are met, each underwriter has severally agreed to purchase the respective principal amount of certificates indicated in the following table.

Underwriters	Tranche A-1	Tranche A-2	Tranche A-3
Citigroup Global Markets Inc.			
Credit Agricole Securities (USA) Inc.			
Goldman, Sachs & Co.			
Barclays Capital Inc.			
Merrill Lynch, Pierce, Fenner & Smith			
Incorporated			
RBS Securities Inc.			

The underwriters are committed to take and pay for all of the certificates being offered, if any are taken. If an underwriter defaults, the underwriting agreement provides that the purchase commitment of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated, depending on the amount of certificates to which the default relates.

Certificates sold by the underwriters to the public will be initially offered at the initial public offering prices set forth on the cover of this prospectus supplement. We and the bond issuers have been advised that the underwriters propose initially to offer the certificates to dealers at the initial public offering prices, less a selling concession not to exceed the percentage of the certificate denomination set forth below, and that the underwriters may allow and dealers may reallocate a discount not to exceed the percentage of the certificate denomination set forth below:

Tranche	Selling Concession	Reallowance Discount

After the initial public offering, the public offering prices, selling concessions and reallowance discounts may change.

The certificates are a new issue of securities with no established trading market. We and the bond issuers have been advised by the underwriters that the underwriters intend to make a market in the certificates but are not obligated to do so and may discontinue market making at any time without notice. The certificates will not be listed on any securities exchange. No assurance can be given as to the ability of holders of the certificates to resell the certificates.

In connection with the offering, the underwriters may purchase and sell certificates in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of certificates than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the certificates while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased certificates sold by or for the account of such underwriter in stabilizing or short covering transactions.

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These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the certificates. As a result, the price of the certificates may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

The bond issuers estimate that their share of the total expenses of the offering of the certificates, excluding underwriting discounts and commissions, will be approximately \$ million.

The bond issuers and each of CEI, OE and TE have agreed to indemnify the underwriters and the issuing entity against certain liabilities, including liabilities under the Securities Act.

The underwriters or their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for CEI, OE and TE, for which they received or will receive customary fees and expenses. Goldman, Sachs & Co., previously served as the structuring advisor to CEI, OE and TE, and in such role, it has rendered certain structuring services to CEI, OE and TE in respect of the bond issuers and the issuing entity and received a fee for such services and reimbursement for certain expenses in connection with such services.

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RATINGS

We expect that the certificates will receive credit ratings from three **NRSROs**.

A security rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the assigning NRSRO. Each rating should be evaluated independently of any other rating. No person is obligated to maintain its rating on the certificates, and accordingly, we cannot assure you that a rating assigned to any tranche of the certificates upon initial issuance will not be revised or withdrawn by an NRSRO at any time thereafter. If a rating of any tranche of the certificates is revised or withdrawn, the liquidity of that tranche may be adversely affected. In general, ratings address credit risk and do not represent any assessment of the likelihood of any particular level of principal payments on the certificates other than payment in full of each tranche of the certificates by the applicable final maturity date, as well as the timely payment of interest.

Under Rule 17g-5 of the Exchange Act, NRSROs providing the sponsors with the requisite certification will have access to all information posted on a website by the sponsors for the purpose of determining the initial rating and monitoring the rating after the closing date in respect of the certificates. As a result, an NRSRO other than an NRSRO hired by the sponsor, referred to as a **hired NRSRO** may issue ratings on the certificates, or **Unsolicited Ratings**, which may be lower, and could be significantly lower, than the ratings assigned by a hired NRSRO. The Unsolicited Ratings may be issued prior to, or after, the closing date in respect of the certificates. Issuance of any Unsolicited Rating will not affect the issuance of the certificates. Issuance of an Unsolicited Rating lower than the ratings assigned by a hired NRSRO on the certificates might adversely affect the value of the certificates and, for regulated entities, could affect the status of the certificates as a legal investment or the capital treatment of the certificates. Investors in the certificates should consult with their legal counsel regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the rating of a hired NRSRO.

In addition to the fees paid by the Ohio Companies to a hired NRSRO at closing, the sponsors may pay a fee to the NRSRO for ongoing surveillance for so long as the certificates are outstanding. However, no NRSRO is under any obligation to continue to monitor or provide a rating on the certificates. There can be no assurance that the credit ratings will be maintained.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Based on certain assumptions and subject to certain qualifications, Akin Gump Strauss Hauer & Feld LLP will opine that (i) none of CEI, OE or TE will be treated as recognizing gross income upon the receipt of the financing order, the receipt of cash or other valuable consideration in exchange for the transfer of the phase-in-recovery property to the bond issuers, or the receipt of cash or other valuable consideration in exchange for the phase-in-recovery bonds issued by the bond issuers, (ii) the underlying bonds of each bond issuer will be treated as obligations of CEI, OE or TE, as the case may be, within the meaning of Revenue Procedure 2005-62, 2005-2 C.B. 507, (iii) the bond issuers will not be subject to U.S. federal income tax as entities separate from the sellers and (iv) the issuing entity will not be classified as a corporation or a publicly traded partnership treated as a corporation, but will be treated as a grantor trust. Please read **Material U.S. Federal Income Tax Consequences** in the accompanying prospectus.

LEGAL PROCEEDINGS

There are no legal or governmental proceedings pending against us, the sponsors, sellers, bond issuers, bond trustees, certificate trustee or servicers, or of which any property of the foregoing is subject, that is material to the holders of the certificates.

WHERE YOU CAN FIND MORE INFORMATION

To the extent that we are required to file such reports and information with the SEC under the Exchange Act, we will file (or any of the sponsors, in its capacity as sponsor, will file on our behalf) annual reports on Form 10-K, distribution reports on Form 10-D and current reports on Form 8-K with the SEC. We are incorporating by reference any future filings which we (file no. 333-187692-01 through -05) or any sponsor, but solely in its capacity as a sponsor, makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering of the certificates, excluding any information that is furnished to, and not filed with, the SEC. These reports will be filed under the issuing entity's name. Please also read **Where You Can Find More Information** in the accompanying prospectus. We may voluntarily suspend or terminate our filing obligations as issuing entity with the SEC to the extent permitted by law.

LEGAL MATTERS

Certain legal matters relating to the issuing entity, bond issuers, the bonds and the certificates, including certain U.S. federal income tax matters, will be passed on by Akin Gump Strauss Hauer & Feld LLP, New York, New York, counsel to the issuing entity, the sellers and the bond issuers. Certain legal matters relating to the bonds and Ohio law will be passed upon by Calfee, Halter & Griswold LLP, Cleveland, Ohio, special local counsel to the sellers and the bond issuers. Certain legal matters relating to the issuing entity, the bond issuers and the certificates will be passed upon by Richards, Layton & Finger, P.A., Wilmington, Delaware, Delaware counsel to the issuing entity and the bond issuers. Morgan, Lewis & Bockius LLP, New York, New York, is counsel to the underwriters. Morgan, Lewis & Bockius LLP has in the past represented, and continues to represent, the Ohio Companies and certain of their affiliates on other matters.

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OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS

NOTICE TO RESIDENTS OF SINGAPORE

EACH UNDERWRITER ACKNOWLEDGES THAT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS HAVE NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, EACH UNDERWRITER REPRESENTS, WARRANTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD ANY CERTIFICATES OR CAUSED THE CERTIFICATES TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, AND WILL NOT OFFER OR SELL ANY CERTIFICATES OR CAUSE THE CERTIFICATES TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, AND HAS NOT CIRCULATED OR DISTRIBUTED, NOR WILL IT CIRCULATE OR DISTRIBUTE THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF CERTIFICATES, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE SFA), OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1) OR ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE CERTIFICATES ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR THE BENEFICIARIES RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE CERTIFICATES PURSUANT TO AN OFFER MADE UNDER SECTION 275 EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR (FOR CORPORATIONS, UNDER SECTION 274 OF THE SFA) OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON PURSUANT TO AN OFFER THAT IS MADE ON TERMS THAT SUCH RIGHTS OR INTEREST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S\$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS, AND FURTHER FOR CORPORATIONS, IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW. THE PROSPECTUS RELATING TO THE CERTIFICATES (PROSPECTUS) WILL, PRIOR TO ANY SALE OF SECURITIES PURSUANT TO THE

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PROVISIONS OF SECTION 106D OF THE COMPANIES ACT (CAP.50), BE LODGED, PURSUANT TO SAID SECTION 106D, WITH THE REGISTRAR OF COMPANIES IN SINGAPORE, WHICH WILL TAKE NO RESPONSIBILITY FOR ITS CONTENTS. HOWEVER, NEITHER THIS PROSPECTUS SUPPLEMENT NOR THE PROSPECTUS HAS BEEN AND NOR WILL THEY BE REGISTERED AS A PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN SINGAPORE. ACCORDINGLY, THE CERTIFICATES MAY NOT BE OFFERED, AND NEITHER THIS PROSPECTUS SUPPLEMENT NOR ANY OTHER OFFERING DOCUMENT OR MATERIAL RELATING TO THE CERTIFICATES MAY BE CIRCULATED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC OR ANY MEMBER OF THE PUBLIC IN SINGAPORE OTHER THAN TO INSTITUTIONAL INVESTORS OR OTHER PERSONS OF THE KIND SPECIFIED IN SECTION 106C AND SECTION 106D OF THE COMPANIES ACT OR ANY OTHER APPLICABLE EXEMPTION INVOKED UNDER DIVISION 5A OF PART IV OF THE COMPANIES ACT. THE FIRST SALE OF SECURITIES ACQUIRED UNDER A SECTION 106C OR SECTION 106D EXEMPTION IS SUBJECT TO THE PROVISIONS OF SECTION 106E OF THE COMPANIES ACT.

NOTICE TO RESIDENTS OF THE PEOPLE'S REPUBLIC OF CHINA

THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES LAW OF THE PEOPLE'S REPUBLIC OF CHINA (AS THE SAME MAY BE AMENDED FROM TIME TO TIME) AND ARE NOT TO BE OFFERED OR SOLD TO PERSONS WITHIN THE PEOPLE'S REPUBLIC OF CHINA (EXCLUDING THE HONG KONG AND MACAU SPECIAL ADMINISTRATIVE REGIONS).

NOTICE TO RESIDENTS OF JAPAN

THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN (THE SEL), AND MAY NOT BE OFFERED OR SOLD IN JAPAN OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF JAPAN OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF JAPAN OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SEL, AND IN COMPLIANCE WITH THE OTHER RELEVANT LAWS AND REGULATIONS OF JAPAN. AS USED IN THIS PARAGRAPH, RESIDENT OF JAPAN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN.

NOTICE TO RESIDENTS OF HONG KONG

EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT:

IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY CERTIFICATES OTHER THAN (A) TO PERSONS WHOSE ORDINARY BUSINESS IS TO BUY OR SELL SHARES OR DEBENTURES (WHETHER AS PRINCIPAL OR AGENT); OR (B) TO PROFESSIONAL INVESTORS WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF THE LAWS OF HONG KONG AND ANY RULES MADE THEREUNDER; OR (C) IN CIRCUMSTANCES THAT DO NOT RESULT IN THE DOCUMENT BEING A PROSPECTUS AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32) OF THE LAWS OF HONG KONG OR THAT DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE; AND

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IT HAS NOT ISSUED OR HAD IN ITS POSSESSION FOR THE PURPOSE OF ISSUE, AND WILL NOT ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSE OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE CERTIFICATES, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO CERTIFICATES THAT ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO PROFESSIONAL INVESTORS AS DEFINED UNDER THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF THE LAWS OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE, WHICH WE REFER TO HEREIN AS A RELEVANT MEMBER STATE, EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE RELEVANT IMPLEMENTATION DATE), IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF CERTIFICATES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE CERTIFICATES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF CERTIFICATES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

(A) TO QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE;

(B) TO FEWER THAN 100 (OR, IF THE RELEVANT MEMBER STATE HAS IMPLEMENTED THE RELEVANT PROVISION OF THE 2010 PD AMENDING DIRECTIVE, 150) NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE) SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE REPRESENTATIVES FOR ANY SUCH OFFER; OR

(C) IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUING ENTITY OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN OFFER OF CERTIFICATES TO THE PUBLIC IN RELATION TO ANY CERTIFICATES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE CERTIFICATES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE CERTIFICATES, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE, THE EXPRESSION PROSPECTUS DIRECTIVE MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE AND THE EXPRESSION 2010 PD AMENDING DIRECTIVE MEANS DIRECTIVE 2010/73/EU.

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NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THE UNDERWRITER HAS REPRESENTED AND AGREED THAT:

(A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE FSMA)) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE CERTIFICATES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUING ENTITY; AND

(B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE CERTIFICATES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

THIS OFFERING DOCUMENT IS DIRECTED ONLY AT PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM OR (II) ARE INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 AS AMENDED (THE ORDER) OR (III) ARE HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER OR (IV) SUCH OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS RELEVANT PERSONS). THIS OFFERING DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated June 4, 2013

PROSPECTUS

FirstEnergy Ohio PIRB Special Purpose Trust 2013

Issuing Entity

Pass-Through Trust Certificates

CEI Funding LLC

OE Funding LLC

TE Funding LLC

Issuers of the Phase-In-Recovery Bonds

The Cleveland Electric Illuminating Company

Ohio Edison Company

The Toledo Edison Company

Sponsors, Sellers, Initial Servicers and Depositors

See Risk Factors beginning on page 16 to read about factors you should consider before buying the certificates.

The issuing entity will offer three tranches of certificates as described in the prospectus supplement. Each tranche of certificates will represent fractional undivided beneficial interests in the bonds of CEI Funding LLC, OE Funding LLC and TE Funding LLC held by the issuing entity. The principal assets of the issuing entity will be the bonds, which are known as phase-in-recovery bonds under Ohio law. The issuing entity will grant to the certificate trustee, for the benefit of certificateholders, a lien on the bonds of each bond issuer and other trust property.

Each of the bonds will be secured primarily by the right to impose, charge and collect irrevocable nonbypassable usage-based charges payable by retail electric customers in the service territories of CEI, OE or TE, as the case may be. Each of the bonds will be a non-recourse obligation of CEI Funding LLC, OE Funding LLC or TE Funding LLC, as the case may be. Neither the bonds nor the certificates will be legal obligations of CEI, OE or TE, as the sponsors, sellers, initial servicers and depositors.

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READING THIS PROSPECTUS

This prospectus provides information about us, the certificates, the bonds, the bond issuers and The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company, as the **Ohio Companies, sponsors, sellers, initial servicers and depositors**.

The specific terms of the certificates are contained in the prospectus supplement that accompanies this prospectus. This prospectus provides general information about the certificates. You should read both of these documents in full before buying the certificates.

References in this prospectus to the terms **we, us, our** or the **issuing entity** mean FirstEnergy Ohio PIRB Special Purpose Trust 2013, the entity which will issue the certificates. References to the **pass-through trust certificates** or the **certificates**, unless the context otherwise requires, means the trust certificates offered pursuant to this prospectus and the accompanying prospectus supplement. References to the **certificateholders** or the **holders**, unless the context otherwise requires, means the registered holders of the certificates. References to the **bond issuers** refer to CEI Funding LLC, OE Funding LLC and TE Funding LLC, as the case may be. References to the **phase-in-recovery bonds** or the **bonds** refer to the phase-in-recovery bonds issued by the bond issuers. The Ohio Companies are also referred to respectively as CEI, OE and TE. FirstEnergy Corp., the parent of the Ohio Companies, is referred to herein as **FirstEnergy**. References to the **Securitization Act** refer to Sections 4928.23 through 4928.2318 of the Ohio Revised Code, passed by the Ohio House of Representatives and the Ohio Senate in December 2011, and effective March 2012, which Securitization Act created the regulatory structure that allows electric utilities to issue bonds to securitize certain phase-in costs. Unless the context otherwise requires, the term **customer** or **retail customer** means a retail end user of electricity and related services provided by a retail electric service provider via the transmission and distribution system of an electric distribution utility. References to the **Ohio commission** or the **PUCO** refer to the Public Utilities Commission of Ohio. You can find a glossary of certain defined terms used in this prospectus on page 110.

We have included cross-references to sections in this prospectus where you can find further related discussions.

You should rely only on information on the certificates provided in this prospectus and the accompanying prospectus supplement. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not offering to sell the certificates in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is current only as of the date of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights some information from this prospectus. Because this is a summary, it does not contain all of the information that may be important to you. You should read both this prospectus and the accompanying prospectus supplement before you buy the certificates. This prospectus contains terms, appearing in bold text on their first usage, that are specific to the regulated utility industry and the certificates and may be technical in nature. Please refer to the Glossary of Defined Terms.

Issuing Entity

FirstEnergy Ohio PIRB Special Purpose Trust 2013, a Delaware statutory trust formed on May 7, 2013.

Certificates

FirstEnergy Ohio PIRB Special Purpose Trust 2013 Pass-Through Trust Certificates, consisting of tranche A-1, tranche A-2 and tranche A-3.

The issuing entity will issue certificates in three tranches under the certificate indenture between the issuing entity and the certificate trustee. Each tranche of certificates will represent fractional undivided beneficial interests in the bonds of each of the bond issuers and other trust property. Holders of each tranche of certificates will receive payments received by the issuing entity on the corresponding tranche of bonds of each bond issuer (with payments of principal due and payable on the bonds of a bond issuer as a result of an event of default (and assuming all bonds have been declared immediately due and payable) under that bond issuer's bond indenture, or upon final maturity, to be paid pro rata based on the respective principal amounts of such bonds). These payments will be the primary source of distributions on a tranche of certificates. The issuing entity may not issue additional certificates other than in connection with transfers, exchanges or replacements permitted under the certificate indenture. See Description of the Certificates in this prospectus.

Bonds

CEI Funding bonds, OE Funding bonds and TE Funding bonds.

Each tranche of the CEI Funding bonds, OE Funding bonds and TE Funding bonds will have the same interest rate, scheduled maturity date and final maturity date as the related tranche of certificates. Taken together, the tranches of bonds of each of the bond issuers corresponding to a tranche of certificates will have the same aggregate principal amount and expected amortization schedule as the corresponding tranche of certificates, all as described in the accompanying prospectus supplement. The CEI Funding bonds will be secured primarily by the phase-in-recovery property relating thereto sold to it by CEI. The OE Funding bonds will be secured primarily by the phase-in-recovery property relating thereto sold to it by OE. The TE Funding bonds will be secured primarily by the phase-in-recovery property relating thereto sold to it by TE. See Description of the Bonds in this prospectus.

Purpose of the Offering

The issuance of the bonds and the certificates is intended to enable the sponsors to recover certain previously approved costs, referred to as **phase-in costs**, on terms more favorable to customers than would be achievable through the recovery methods previously approved by the PUCO. Please read The Securitization Act in this prospectus.

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Relationship with the PUCO

Pursuant to the financing order:

the PUCO or its designated representative has a decision-making role co-equal with the sponsors with respect to the structuring and pricing of the certificates and all matters related to the structuring and pricing of the certificates will be determined through a joint decision of the sponsors and the PUCO or its designated representative or financial advisor;

the PUCO's financial advisor will participate fully in all plans and decisions related to the pricing, marketing and structuring of the bonds and certificates and will be provided timely information as necessary to fulfill its obligation to advise the PUCO in a timely manner but makes no representations as to any of the information contained herein; and

the servicers will file periodic adjustments to the phase-in recovery charges with the PUCO on our behalf.

The bond issuers have agreed that certain reports concerning phase-in-recovery charge collections will be provided to the PUCO.

Transaction Overview

Ohio law permits electric distribution utilities, such as CEI, OE and TE, to issue bonds to securitize certain costs that have been previously approved by the Ohio commission to be deferred as regulatory assets and collected from customers at a later date, including certain fuel costs, purchase power costs, infrastructure costs and environmental clean-up expenses. Once securitized through bonds issued pursuant to a final financing order of the Ohio commission, these costs, which are referred to as **phase-in costs**, may be recovered through usage-based charges called **phase-in-recovery charges** that are imposed on an electric distribution utility's customers.

Ohio law permits special purpose entities formed by electric distribution utilities to issue and sell bonds, referred to as **phase-in-recovery bonds**, secured by property, rights and interests of an electric distribution utility, or assignee, under a financing order, including the right to impose, charge and collect the phase-in-recovery charges to be used to pay and secure the payment of such phase-in-recovery bonds and financing costs, the right to obtain adjustments to those charges and any revenues, rights to payments, moneys or other proceeds arising from the rights and interests created under the financing order, if doing so would measurably enhance cost savings for the electric distribution utility's customers and would mitigate rate impacts to customers as compared with the previously-approved recovery methods. The foregoing property, rights and interests are referred to as the **phase-in-recovery property**. See Description of the Phase-In-Recovery Property in this prospectus.

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The following sets forth the primary steps of the transaction underlying the offering of the certificates:

The Cleveland Electric Illuminating Company, or **CEI**, will sell its phase-in-recovery property to CEI Funding LLC, or **CEI Funding**, in exchange for the net proceeds from the sale of the bonds issued by CEI Funding.

Ohio Edison Company, or **OE**, will sell its phase-in-recovery property to OE Funding LLC, or **OE Funding**, in exchange for the net proceeds from the sale of the bonds issued by OE Funding.

The Toledo Edison Company, or **TE**, will sell its phase-in-recovery property to TE Funding LLC, or **TE Funding**, in exchange for the net proceeds from the sale of the bonds issued by TE Funding.

Unless the context otherwise requires, we refer to the bonds issued by CEI Funding, OE Funding and TE Funding collectively as the **bonds**.

Each of CEI Funding, OE Funding and TE Funding will sell its respective bonds to the issuing entity, in each case in exchange for an allocable portion, based on the aggregate principal amounts of the bonds of each bond issuer, of the net proceeds from the sale of the certificates issued by the issuing entity.

The issuing entity, whose principal assets are the bonds, will sell the certificates to the underwriters named in the accompanying prospectus supplement.

CEI will act as the servicer of CEI Funding's phase-in-recovery property and as the administrator of CEI Funding. OE will act as the servicer of OE Funding's phase-in-recovery property and as the administrator of OE Funding. TE will act as the servicer of TE Funding's phase-in-recovery property and as the administrator of TE Funding.

Neither the certificates, the bonds nor the phase-in-recovery property securing the bonds is an obligation of the State of Ohio, the PUCO or any political subdivision, governmental agency, authority or instrumentality of the State of Ohio or of CEI, OE, TE, FirstEnergy or any of their respective affiliates, except for the bond issuers and the issuing entity.

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The following diagram shows the parties to the transaction related to this offering and summarizes their roles and their relationship to each other:

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Risk Factors

You should consider and carefully read the risks described under Risk Factors, which begin on page 16 before investing in the certificates. These risks may delay the distribution of interest on, and principal of, the certificates or cause you to suffer a loss on your investment.

Sponsors, Sellers, Initial Servicers and Depositors

CEI is a public electric utility, which provides regulated electric distribution services in northeastern Ohio, and a wholly-owned subsidiary of FirstEnergy. It will be the seller of phase-in-recovery property to CEI Funding and will serve as the initial servicer for the CEI Funding bonds.

OE is a public electric utility, which provides regulated electric distribution services in central and northeastern Ohio, and a wholly-owned subsidiary of FirstEnergy. It will be the seller of phase-in-recovery property to OE Funding and will serve as the initial servicer for the OE Funding bonds.

TE is a public electric utility, which provides regulated electric distribution services in northwestern Ohio, and a wholly-owned subsidiary of FirstEnergy. It will be the seller of phase-in-recovery property to TE Funding and will serve as the initial servicer for the TE Funding bonds.

Please read The Sponsors, Sellers, Initial Servicers and Depositors in this prospectus.

Our Address

c/o FirstEnergy Service Company

76 South Main Street

Akron, Ohio 44308

Our Telephone Number

(800) 736-3402

Bond Issuers

CEI Funding, OE Funding and TE Funding, each having an address at 76 South Main Street, Akron, Ohio 44308. The telephone number of the bond issuers is (800) 736-3402.

Trustees

U.S. Bank Trust National Association, a national banking association, will serve as the Delaware trustee of the issuing entity and U.S. Bank National Association, a national banking association, will serve as trustee under the certificate indenture and under each bond indenture. Please read The Trustees in the prospectus supplement for a description of certain of the trustee's relevant prior experience and The Trustees in this prospectus for a description of the trustee's duties and responsibilities as certificate trustee under the certificate indenture and as bond trustee under each bond indenture. The Ohio Companies will serve as administrative trustees of the issuing entity under the declaration of trust.

Interest

Interest payable with respect to each tranche of certificates will represent the sum of the interest paid on the corresponding tranches of bonds and will accrue at the interest rate specified in the accompanying prospectus supplement. The certificate trustee will distribute interest accrued on each tranche of certificates on each distribution date, to the extent interest is paid on the corresponding tranches of bonds of each bond issuer on the related payment date.

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Principal

The certificate trustee will distribute principal of each tranche of certificates, to the extent principal is paid on the corresponding tranches of bonds on the related payment date in the amounts and on the distribution dates specified in the expected amortization schedule in the accompanying prospectus supplement. See *Description of the Bonds Allocations and Payments* and *Description of the Certificates Payments and Distributions* in this prospectus.

On any payment date, the bond issuers will pay principal of their respective bonds only until the outstanding principal balances of the various tranches have been reduced to the principal balances specified for those tranches in the expected amortization schedules for such bonds. If cash is not available to a bond issuer to make such principal payments in respect of all tranches of bonds of that bond issuer, principal will be paid in respect of such tranches of bonds in the order of priority set forth in the accompanying prospectus supplement.

If an event of default under a bond indenture in respect of the bonds of a bond issuer has occurred and is continuing, the certificate trustee may vote all, and upon the written direction of the holders of at least a majority in principal amount of the outstanding certificates will vote a corresponding majority of, the bonds of that bond issuer held by the certificate trustee in favor of directing the bond trustee to declare the unpaid principal amount of the outstanding bonds of that bond issuer, and accrued interest thereon, to be due and payable. See *Description of the Certificates Events of Default* in this prospectus. Principal due and payable on the bonds of a bond issuer as the result of an event of default will be paid pro rata based on the outstanding principal amount of the bonds of each tranche of the defaulting bond issuer in accordance with that bond issuer's bond indenture. See *Description of the Bonds Allocations and Payments* in this prospectus. Proceeds received by the certificate trustee from the sale of any bond or from the institution of certain judicial proceedings by the certificate trustee, in each case as a result of an event of default and subject to the terms of the certificate indenture, will be applied (after the payment of any interest then owed on the certificates) to due and unpaid principal pro rata on each tranche of certificates based on the respective outstanding principal amount of the certificates of each tranche. See *Description of Certificates Events of Default* in this prospectus.

Final Payment / Final Maturity Date

Failure to pay a scheduled principal payment on any payment date or the entire outstanding amount of the bonds of any tranche by the scheduled final payment date will not result in a default with respect to that tranche of bonds of a bond issuer. The failure to pay the entire outstanding principal balance of the bonds of any tranche will result in a default only if such payment has not been made by the final maturity date for such tranche. For the scheduled final payment date and the final maturity date of each tranche of bonds of each bond issuer, see *Description of the Bonds* in the accompanying prospectus supplement.

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Payment and Record Dates

The payment and record dates for the bonds and certificates will be specified in the prospectus supplement. See **Description of the Certificates Distributions and Allocations** and **Description of the Bonds** in the accompanying prospectus supplement.

Ratings

We expect the bonds and the certificates will receive credit ratings from three nationally recognized statistical rating organizations, or **NRSROs**. Please see **Ratings** in this prospectus and in the accompanying prospectus supplement.

Phase-In-Recovery Charges

CEI, OE and TE have obtained from the PUCO, which regulates electric distribution utilities in Ohio, a financing order (i) designating the phase-in costs and approving certain financing costs associated with issuing and servicing the CEI Funding bonds, the OE Funding bonds and the TE Funding bonds, respectively, (ii) authorizing the sale of the phase-in-recovery property to CEI Funding, OE Funding and TE Funding and (ii) authorizing the issuing entity structure. This order, referred to as the financing order, authorizes CEI, OE and TE to recover their respective phase-in costs and approved financing costs and authorizes the billing and collection by CEI, OE and TE of the respective phase-in-recovery charges (as defined in the glossary on page 110) as servicers of the bond issuers.

Phase-in-recovery charges are nonbypassable in that such charges cannot be avoided by any customer or other person obligated to pay the charges. Subject to the methodology approved in the financing order, the phase-in-recovery charges will apply to all retail electric customers of CEI, OE and TE, as the case may be, for as long as they remain retail customers of such electric distribution utility. If a customer of the electric distribution utility purchases electric generation service from a competitive retail electric service provider, the electric distribution utility is authorized by the Securitization Act to collect the phase-in-recovery charges directly from that customer.

The phase-in-recovery charges are separate and apart from CEI's, OE's and TE's base rates, and are subject to adjustment semiannually (other than the initial adjustment, which will be completed within 12 months after the issuance date of the bonds, and adjustments in the period commencing with the start of the last year that the last maturing tranche of bonds of each bond issuer is expected to be outstanding and ending with the final maturity date, in which case adjustments as frequently as monthly may be necessary). See

Statutory Adjustments to the Phase-In-Recovery Charges and **Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges** in this prospectus.

Customers

All retail customers of CEI, OE and TE within their respective geographic territories will be subject to the phase-in-recovery charges.

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Statutory Adjustments to the Phase-In-Recovery Charges Each of the servicers will calculate and set their respective initial phase-in-recovery charges at a level estimated to generate sufficient revenues (and taking into account the cap on certain ongoing financing costs):

to pay fees and expenses related to the servicing and retirement of the bonds of the related bond issuer and of the certificates allocable to the bond issuer, including, without limitation, trustee fees and expenses, servicing costs, rating agency surveillance fees, legal and accounting fees and other ongoing financing costs, as well as adjustments for dealing with estimated and actual costs;

to pay interest on the bonds;

to pay principal of each tranche of such bonds according to the related expected amortization schedule;

to replenish the capital subaccount to the required capital level; and

to pay all additional fees, costs and charges and other financing costs approved under the financing order.

The initial adjustment to the phase-in-recovery charges will be completed within 12 months after the issuance date of the bonds. Thereafter, such adjustments will be made semiannually, with the exception of the period commencing with the start of the last year that the last maturing tranche of bonds is expected to be outstanding and ending with the final maturity date, in which case adjustments may be made as frequently as monthly, if necessary.

Each servicer will base adjustments to the related phase-in-recovery charges on actual overcollections and undercollections, debt service costs and updated assumptions as to various factors, including electricity usage by customers and rates of charge-offs. These adjustments will continue until interest on and principal of all tranches of the CEI Funding bonds, in the case of CEI, OE Funding bonds, in the case of OE and the TE Funding bonds, in the case of TE, have been paid in full.

No later than November 1 and May 1 of each year after the initial adjustment, each servicer will file with the PUCO its semiannual request for approval of the adjusted phase-in-recovery charges. Such adjustments will become automatically effective 60 days after the request is submitted unless otherwise ordered by the PUCO. The PUCO's review of these requests is limited to determining whether there is any mathematical error in the servicer's application of the adjustment mechanism to the phase-in-recovery charges.

See Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges in this prospectus.

Security / Credit Enhancement The bonds issued by each bond issuer will be secured primarily by the phase-in-recovery property of such bond issuer, generally consisting

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of the respective bond issuer's irrevocable right to impose, charge and collect nonbypassable usage-based phase-in-recovery charges from retail electric customers in the sponsor's respective service territories. The certificates will be secured primarily by the bonds. Credit enhancement for the bonds, through a true-up adjustment mechanism and capital subaccount, is intended to protect against losses or delays in scheduled payments on the bonds and, accordingly, the certificates. There will be no other forms of credit enhancement for the bonds except for amounts held in the excess funds subaccount. We do not anticipate that the bonds or the certificates will have the benefit of any liquidity facility or of any third-party credit enhancement, such as guarantees, letters of credit or insurance. The bonds of a bond issuer will be payable only from its phase-in-recovery property and its other property constituting collateral and not from the phase-in-recovery property or other property constituting collateral of the two other bond issuers. See "The Securitization Act" and "Description of the Phase-In-Recovery Property" in this prospectus.

State of Ohio Pledge

The Securitization Act and the financing order contains a pledge and agreement by the State of Ohio with the bondholders and bond issuers that the State of Ohio will not take or permit any action that impairs the value of phase-in-recovery property under the financing order or revises the phase-in-costs for which recovery is authorized under the financing order or, except for the approved adjustment mechanism authorized in the financing order and allowed under the Securitization Act, reduce, alter or impair phase-in-recovery charges until the bonds, all financing costs and all amounts to be paid under any ancillary agreement are paid or performed in full.

Optional Redemption

Neither the certificate indenture nor the bond indentures permit an optional redemption of the certificates or the bonds, respectively.

Collection Accounts and Subaccounts

Each bond issuer will establish a collection account to hold collections of its phase-in-recovery charges as well as the capital contributions made to that bond issuer. Each collection account will consist of three subaccounts:

a general subaccount;

a capital subaccount for the initial capital contributions to the bond issuer; and

an excess funds subaccount.

All amounts in a collection account not allocated to any other subaccount will be allocated to the general subaccount. Withdrawals from and deposits to these subaccounts will be made as described under "Description of the Bonds" "Allocations and Payments."

Capital Subaccounts

Prior to issuance of the bonds, CEI will contribute capital to CEI Funding, OE will contribute capital to OE Funding and TE will

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contribute capital to TE Funding, in each case, in the amount specified in the accompanying prospectus supplement. Each bond issuer will deposit the capital into its capital subaccount. A bond trustee will draw on amounts available in the related bond issuer's capital subaccount to the extent that amounts available in that bond issuer's general subaccount and excess funds subaccount are insufficient to pay interest on, or principal of, its bonds and, subject to the cap, the fees and expenses of servicing and retiring such bonds and an allocable portion of the certificates.

If a bond trustee uses amounts on deposit in a capital subaccount to make payments on the related bonds on a payment date, then that capital subaccount will be replenished by the related bond issuer on subsequent payment dates to the extent the servicer remits payments arising from the phase-in-recovery charges exceeding the amounts required to pay amounts having a higher priority of payment. See "Description of the Bonds, Allocations and Payments" in this prospectus.

Excess Funds Subaccounts

Each excess funds subaccount will be funded with collected phase-in-recovery charges and earnings on amounts in the collection account in excess of the amount necessary to:

subject to the cap to the extent applicable, pay fees and expenses (including any indemnity payments) related to the servicing and retirement of the bonds (including without limitation trustee, independent director and administration fees and expenses) of that bond issuer and the portion of the certificates allocable to that bond issuer;

pay interest on, and principal of, such bonds to the extent required to be paid on that payment date;

replenish the capital subaccount of that bond issuer to the required capital level; and

pay the return on investment due to that bond issuer's seller and pay any reimbursement amount due to that bond issuer's servicer pursuant to section 6.02 of the applicable servicing agreement.

A bond trustee will draw on amounts in the excess funds subaccount of a bond issuer to the extent amounts available in the bond issuer's general subaccount are insufficient to pay the amounts listed above.

Collections; Allocations; Distributions; Priority of Payments

Starting with the first deemed collection date after the issuance of the bonds, each servicer will remit daily to the collection account for its bond issuer an amount equal to the actual phase-in-recovery charges billed, less an allowance for estimated charge-offs, within two business days after the day payments arising from the phase-in-recovery charges are deemed to be collected, subject to a semiannual reconciliation. See "Servicing Agreements, Remittances to Collection Account" in this prospectus.

On each semiannual payment date, or for any amount payable under clauses (1) through (4) below, on any business day, each bond trustee will allocate or, subject to the cap to the extent applicable, pay all

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amounts in the collection account of the related bond issuer, including earnings on these amounts, as follows and in the following order of priority:

- (1) first, all fees, costs, expenses (including legal fees and expenses) and indemnity amounts owed by that bond issuer to the related bond trustee, the certificate trustee and the Delaware trustee under the applicable basic document will be paid to such bond trustee, certificate trustee and Delaware trustee (subject to section 6.07 of the bond indenture), respectively, and second, all fees, costs, expenses (including legal fees and expenses) and indemnity amounts owed by that bond issuer to the issuing entity under the applicable basic documents will be paid to the issuing entity, provided that the total of the foregoing amounts paid will not exceed \$100,000 annually;
- (2) the servicing fee and all unpaid servicing fees from any prior payment dates will be paid to that bond issuer's servicer;
- (3) the administration fee and all unpaid administration fees from any prior payment dates and amounts due independent directors will be paid to that bond issuer's administrator and the independent directors, respectively;
- (4) payment of all other operating expenses, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the servicer under the related servicing agreement, and taxes and indemnities payable by that bond issuer will be paid to the persons entitled thereto;
- (5) first, any overdue semiannual interest on the bonds of that bond issuer (together with, to the extent lawful, interest on such overdue interest at the applicable bond interest rate) and second, semiannual interest then due and payable on such bonds will be paid to the certificate trustee, as bondholder, for distribution to the applicable certificateholders;
- (6) first, principal due and payable on the bonds of that bond issuer as a result of a bond event of default or on the final maturity date of a tranche of bonds of that bond issuer will be paid to the certificate trustee, as bondholder, for distribution to the applicable certificateholders and second, semiannual principal based on the priorities described in the accompanying prospectus supplement will be paid to the certificate trustee, as bondholder, for distribution to the applicable certificateholders according to the expected amortization schedule for each tranche of bonds;
- (7) unpaid operating expenses (including, without limitation fees, expenses), and indemnity amounts owed by that bond issuer under the basic documents will be paid first to the persons entitled thereto (other than the bond trustee, the Delaware trustee and the certificate trustee) and second, to the bond trustee, Delaware trustee and certificate trustee;

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- (8) the amount, if any, by which that bond issuer's capital subaccount needs to be funded to equal the required capital level as of such payment date will be allocated to that capital subaccount;
- (9) an amount equal to one-half of 6.85% of the required capital level will be paid to that bond issuer's seller;
- (10) reimbursement of the servicer for any amounts paid by that servicer to the bond trustee, Delaware trustee or certificate trustee pursuant to section 6.02(f) of the servicing agreement;
- (11) allocation of the remainder, if any, to the excess funds subaccount; and
- (12) following, first, the payment of all principal of and interest on all bonds and all other approved financing costs, and, second, the payment of any unpaid amounts due the Delaware trustee, the certificate trustee and the related bond trustee under clause (1) above that exceeded the cap, then the balance, if any, will be paid to that bond issuer free from the lien of the bond indenture.

If, on any payment date, or for any amounts payable under clauses (1) through (4) above, on any business day, funds on deposit in the general subaccount of the bond issuer are insufficient to make the payments contemplated by clauses (1) through (6) above, the bond trustee will first, draw from amounts on deposit in the excess funds subaccount of the bond issuer and second, draw from amounts on deposit in the bond issuer's capital subaccount, up to the amount of the shortfall, in order to make the payments described above. In addition, if on any payment date funds on deposit in the general subaccount of a bond issuer are insufficient to make the transfer described in clause (8) above, the related bond trustee will draw from amounts on deposit in the excess funds subaccount of that bond issuer to make the required transfer. See "Description of the Bonds Allocations and Payments" in this prospectus.

Payments of principal due and payable on the bonds of a bond issuer as a result of an event of default (and assuming all bonds have been declared immediately due and payable), or upon final maturity, will be paid pro rata based on the respective principal amounts of such bonds.

See "Description of the Certificates Events of Default" in the prospectus for a description of the allocation of proceeds from the sale of any bond by the certificate trustee or of amounts recovered by the certificate trustee as a result of the institution of certain judicial proceedings by the certificate trustee, in each case as a result of an event of default and subject to the terms of the certificate indenture.

The following diagram provides a general summary of the flow of funds from the customers of a bond issuer through the servicer to the collection account of that bond issuer, and the various allocations from the collection account:

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Cap on Certain Financing Costs

Pursuant to the financing order, certain approved ongoing financing costs recoverable through phase-in-recovery charges (including those referenced in clauses (1) through (4), (7), (9) and (10) above) may not exceed on an annual basis the aggregate amount approved for such ongoing financing costs by more than 5%. The sum of such approved annual ongoing financing costs (\$1,072,732) plus an amount equal to 5% of such costs is equal to \$1,126,369, which amount is referred to as the cap. The ongoing financing costs referenced in clauses (1) through (4), (7), (9) and (10) above, to the extent in excess of the cap for any given annual period, may be recovered in any subsequent annual period (subject to the annual cap in such subsequent period). Unused cap amounts in a given year will not be available for recovery of any ongoing financing costs in a subsequent year. See Description of the Bonds Allocations and Payments. In the case of a non-utility servicer with a servicing fee of 0.75% of the initial principal balance of the bonds (the maximum permitted to be paid to a non-utility servicer under the financing order) as compared to 0.10% to be paid to the initial servicer, the cap would be \$4,277,550.

The initial servicer of each bond issuer will agree in its servicing agreement to indemnify the bond trustee and, as to such bond issuer's allocable portion only (pro rata in proportion to the original principal amount of such bond issuer's bonds unless directly allocable to such bond issuer), the Delaware trustee and the certificate trustee, for all due and unpaid compensation, expenses and indemnity amounts (owed by such bond issuer to such trustee under, and to the extent set forth in, section 6.07 of the bond indenture, sections 1 through 4 of the fee and indemnity agreement and any applicable provisions of the other applicable basic documents), that exceed the cap. Each servicing agreement will provide that this initial servicer indemnity obligation will continue as an obligation of such servicer in the event a successor servicer is appointed.

Servicing

The servicers will service and administer the respective phase-in-recovery properties and bill and collect the respective phase-in-recovery charges in the same manner that they service and administer bill collections for their own account and the accounts they service for others, if any. See Servicing Agreements Servicing Standards and Covenants.

Servicing Compensation

Each servicer will be entitled to receive an annual servicing fee in an amount equal to 0.10% of the initial principal balance of the bonds of its bond issuer. If any of the servicers are replaced by a non-utility successor servicer, such non-utility successor servicer may be paid an annual servicing fee of up to 0.75% of the initial principal balance of the bonds.

The bond trustees will pay the unpaid servicing fees semiannually on each payment date to the extent of available funds prior to the distribution of any interest on and principal of its bonds.

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Tax Status of the Certificates

For federal income tax purposes, the issuing entity will be treated as a grantor trust, and thus not taxable as a corporation, and each tranche of certificates will be treated as representing ownership of fractional undivided beneficial interests in the bonds of each of the bond issuers and other trust property. Interest and original issue discount, if any, on the certificates, and any gain on the sale of the certificates, generally will be included in gross income of certificateholders for federal income tax purposes. See **Material U.S. Federal Income Tax Consequences** in this prospectus. Interest on the certificates and any profit on the sale of the certificates are subject to Ohio personal income taxes. For taxpayers other than a limited class of financial institutions, Ohio does not currently impose a personal property tax to which the certificates would be subject. See **Ohio State Taxation** in this prospectus.

ERISA

See **Certain ERISA and Other Considerations** in this prospectus.

Payment Dates and Interest Accrual

Interest will be distributed on the certificates semiannually, on _____ and _____. The first scheduled interest and principal distribution date is _____, 2013. If any interest distribution date is not a business day, distributions scheduled to be made on such date may be made on the next succeeding business day and no interest shall accrue upon such payment during the intervening period. On each distribution date, the certificate trustee will distribute interest on and principal of the certificates to the extent interest and principal is received on the corresponding tranche of bonds of each bond issuer to the holders of each tranche of certificates as of the close of business on the record date. Interest on the bonds will be calculated on a 30/360 basis. See **Description of the Certificates** and **Description of the Bonds**.

Interest is due on each distribution date and principal is due upon the final maturity date for each tranche of certificates.

Continuing Disclosure

Each bond issuer will or will cause its sponsor to, post on <http://www.firstenergycorp.com/investor>, a collective website to be used by all bond issuers, periodic reports containing the information required by the related bond indenture (which will include reports and other information required to be filed with the SEC and information regarding the Phase-In-Recovery Charges). See **Description of the Bonds Website Disclosure** in this prospectus.

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RISK FACTORS

Before investing in the certificates you should carefully consider the risks described below, as well as the other information contained in this prospectus and the accompanying prospectus supplement. These are risks we consider to be material to your decision whether to invest in the certificates. There may be risks that you view in a different way than we do, and we may omit a risk that we consider immaterial, but you consider important. If any of the risks discussed below occur, an investment in the certificates could be materially harmed.

Risks Related to Limited Source of Payments and Credit Enhancement

You could experience payment delays or losses as a result of limited sources of payment for the certificates and limited credit enhancement.

You could experience payment delays or losses on your certificates because payments on each tranche of bonds that correspond to your tranche of certificates are the primary source of distributions on the certificates. The bonds are the principal assets of the issuing entity. The phase-in-recovery properties and the other bond collateral, which is expected to be of relatively small value, are in turn the only sources of payments on the bonds.

There will be no forms of credit enhancement for the bonds except for the right to adjust the phase-in-recovery charges and amounts held in the capital subaccounts and excess funds subaccounts. We do not anticipate that the bonds or the certificates will have the benefit of any liquidity facility or of any third-party credit enhancement, such as guarantees, letters of credit or insurance. The bonds of a bond issuer will be payable only from its phase-in-recovery property and its other bond collateral and not from the phase-in-recovery property or other bond collateral of any other bond issuer. The obligations of the bond issuers in respect of the bonds are separate and an event of default on the bonds of one bond issuer will not cause an event of default on the bonds of any other bond issuer.

If distributions are not made on the certificates in a timely manner as a result of nonpayment of any bonds of any of the bond issuers when due (and, for the avoidance of doubt, excluding the failure to pay principal in accordance with the expected amortization table), the holders of at least a majority of the outstanding principal amount of all tranches of the certificates (voting as one class) may direct the certificate trustee to bring an action against the defaulting bond issuer to foreclose on the phase-in-recovery property of that bond issuer and the other bond collateral securing its bonds. There is not likely to be a market, however, for the sale of the phase-in-recovery property and the other bond collateral.

Risks Associated with Potential Judicial, Legislative or Regulatory Actions

You could experience payment delays or losses as a result of amendment, repeal or invalidation of the Securitization Act or breach of the pledge of the State of Ohio.

In the Securitization Act, the State of Ohio and in the financing order, the PUCO on behalf of the State of Ohio, has pledged and agreed that it will not take or permit any action that impairs the value of the phase-in-recovery property or, except as allowed under the Securitization Act, reduce or impair phase-in-recovery charges that are imposed, charged or collected until the bonds and all other approved financing costs are paid in full. Even though the obligations of the PUCO and the State of Ohio in the financing order are direct, explicit, irrevocable and unconditional upon issuance of the bonds and are legally enforceable by the bond issuers, the bond trustee and the bond holders against the State of Ohio, it is possible that actions could be taken (even if such actions were ultimately found to be unlawful) to alter the provisions of the Securitization Act or limit or alter the phase-in-recovery properties or the financing order.

Ohio has both an initiative and a referendum process. The time for challenging the Securitization Act through referendum has expired, but the right of voters in Ohio to enact laws by initiative can be exercised at any time, provided a lengthy process is followed and successfully concluded. Supporters first must petition the Ohio legislature, and the legislature then has an opportunity to act on the proposed legislation. If the legislature rejects the proposed legislation or takes no action, then the initiative question will go to the ballot if additional signature requirements are met. Ohio voters may also initiate constitutional amendments by a similar process involving the Secretary of State, the Attorney General and the Ohio Ballot Board.

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Legislative Actions

Our counsel has opined to us that under applicable constitutional principles relating to the impairment of contracts, the State of Ohio could not repeal or amend the Securitization Act, or take or permit any action prohibited by, or fail to take any action required, under its pledge described above, if the repeal or amendment or the action or inaction would impair the value of the phase-in-recovery property or, except as allowed under the Securitization Act, reduce or impair phase-in-recovery charges that are imposed, charged or collected until the bonds and all other approved financing costs are paid in full, so as to cause a substantial impairment of the contractual obligation undertaken in the pledge, absent a demonstration by the State of Ohio that is a reasonable exercise of its sovereign power and of a character reasonable and appropriate to the public purpose justifying such action.

Although there have been numerous cases in which legislative or popular concerns with the burden of taxation or governmental charges have led to adoption of legislation reducing or eliminating taxes or charges that supported bonds or other contractual obligations entered into by public instrumentalities, courts have generally not considered these concerns by themselves to provide sufficient justification for a substantial impairment of the pledged security provided by the taxes or governmental charges for such bonds or obligations. Based on these court decisions (which, however, to date have not addressed directly the bonds and, thus, the certificates, or the State of Ohio's pledge described above or any substantially similar bonds, certificates or pledges), it would appear unlikely that the State of Ohio could substantially impair the value of the phase-in-recovery property, or reduce or impair phase-in-recovery charges, unless the action is reasonable and appropriate to further a legitimate public purpose.

Moreover, in the opinion of our counsel, under the takings clauses of the United States and Ohio Constitutions, the State of Ohio could not repeal or amend the Securitization Act (by way of legislative process, including voter initiative, or take or refuse to take any action in contravention of its pledge (described above)) without paying just compensation to the bondholders (and, thus, the certificateholders), as determined by a court of competent jurisdiction, if doing so would deny all economically beneficial or productive use of the phase-in-recovery property of the bondholders (and, thus, the certificateholders) or if the court determined that the State of Ohio's action rose to the level of a taking based upon the character of the action, the economic impact of the State of Ohio's regulation and the extent to which the regulation interfered with distinct investment-backed expectations of the bondholders and certificateholders in connection with their investments in the bonds and certificates, respectively. There is no assurance, however, that, even if a court were to award just compensation, it would be sufficient to pay the full amount of principal of and interest on the bonds and distributions on the certificates.

To the extent voter initiative is relevant, Article 2, Section 1 of the State of Ohio Constitution specifically limits the rights of the people themselves to enact laws to the same limits applicable to the General Assembly and provides that "[t]he limitations expressed in the constitution, on the power of the General Assembly to enact laws, shall be deemed limitations on the power of the people to enact laws. Thus, any State of Ohio constitutional limitations with respect to impairment of legislation would also apply to any voter initiative.

We are not aware of any proposed or pending initiative petition or of any proposed or pending legislation in the State of Ohio that would affect any of the provisions of the Securitization Act, and we are not aware of any pending suit that challenges any of the provisions of the Securitization Act, relating to the issuance by the PUCO of a financing order, the creation or characterization of the phase-in-recovery property or the issuance of phase-in-recovery bonds, such as the bonds.

Nonetheless, we cannot assure you that a repeal or amendment of the Securitization Act will not be adopted or sought or that any action or refusal to act by the State of Ohio will not occur, any of which may constitute a violation of the State of Ohio's pledge to the owners of the phase-in-recovery properties. If a violation of this pledge occurred, costly and time consuming litigation might ensue. Any litigation might adversely affect the price of the certificates and your ability to resell the certificates and might delay the timing of distributions on the

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certificates. Moreover, given the lack of controlling judicial precedent directly addressing the bonds and, thus, the certificates and the State of Ohio's pledge, we cannot predict the outcome of any litigation with certainty, and, accordingly, you could experience a delay in receipt of distributions on or incur a loss on your investment in the certificates.

Court Decisions

If a court were to determine that the relevant provisions of the Securitization Act or the financing order are unlawful, invalid or unenforceable in whole or in part, it could adversely affect the validity of the bonds and the certificates or the issuing entity's ability to make distributions on the certificates. In either case, you could suffer a loss on your investment in the certificates.

CEI, OE or TE will not indemnify you for any changes in the law, including any amendment or repeal of the Securitization Act that may affect the value of your certificates. See Risks Related to the Phase-In-Recovery Property Limited rights and remedies may impair ability to realize on collateral below.

Litigation and other events in jurisdictions other than Ohio could adversely affect certificateholders.

Other states have passed laws permitting securitization by electric utilities similar to those permitted by the Securitization Act, and some of these laws have been challenged by judicial actions. To date, none of these challenges have succeeded, but future challenges might be made. A legal action successfully challenging under the U.S. Constitution or other federal law a state statute similar to the Securitization Act adopted by a jurisdiction other than the State of Ohio could establish legal principles that would serve as a basis to challenge the Securitization Act. Although the Securitization Act would not become invalid automatically as a result of a court decision invalidating another state's statute, such a decision could establish a legal precedent for a successful challenge to the Securitization Act. One of the unsuccessful challenges was a claim that a similar state scheme was impermissible state regulation of interstate commerce in violation of the Commerce Clause of the U.S. Constitution, which limits the authority of States to regulate interstate commerce. Other unsuccessful challenges based on claims that could arise under the U.S. Constitution or other federal law included claims that allowing utilities to recover nonbypassable charges from certain classes of ratepayers operated as takings of the ratepayers' property or treated different classes of ratepayers differently in violation of equal protection. Similarly, legislative, administrative, political or other actions in other states would not directly impact the Securitization Act or the interests of certificateholders, but could heighten awareness of the political and other risks associated with these types of securities as perceived by the capital markets, and in that way, limit the ability of certificateholders to resell the certificates and impair their value. We cannot assure you that future challenges to similar types of electric distribution utility securitizations in other states will not significantly impair your ability to resell the certificates or the value of the certificates.

The federal government might preempt the Securitization Act without full compensation.

Federal preemption of the Securitization Act could prevent bondholders from receiving payments on the bonds, and thus, certificateholders from receiving distributions on the certificates and cause a loss on your investment in the certificates. In the past, bills have been introduced in Congress to prohibit the recovery of charges similar to the phase-in-recovery charges, although Congress has not enacted any such law. As of the date of this prospectus, we are not aware of the House, the Senate, or committees thereof having primary relevant jurisdiction having considered legislation that would prohibit the recovery of charges similar to the phase-in-recovery charges. However, we can give no assurances that Congress may not do so in the future. Enactment of a federal law prohibiting the recovery of charges similar to the phase-in-recovery charges might have the effect of preempting the Securitization Act and thereby prohibiting the recovery of the phase-in-recovery charges, which would cause delays and losses on payments on the bonds and, thus, distributions on the certificates.

We can give no assurances that a court would consider the preemption by federal law of the Securitization Act to be a taking of property from the bond issuers, from us as the bondholders or, thus, from the

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certificateholders under the U.S. Constitution or under the Constitution of the State of Ohio. Moreover, even if this preemption of the Securitization Act by the federal government were considered a taking under the U.S. Constitution or under the Constitution of the State of Ohio for which the federal government had to pay just compensation, we can give no assurance that this compensation would be sufficient to pay the full amount of principal of and interest on the bonds, and, thus, distributions on the certificates, or to pay such amounts on a timely basis.

The PUCO might take actions that could reduce the value of your investment in the certificates.

The Securitization Act provides that a final financing order is irrevocable and that the PUCO may not reduce, impair, postpone, or terminate the phase-in-recovery charges authorized in the final financing order or impair the property or the collection or recovery of phase-in costs. However, the PUCO retains the power to adopt, revise or rescind rules or regulations affecting the Ohio Companies. The PUCO also retains the power to interpret the financing order granted to the Ohio Companies, and in that capacity might be called upon to rule on the meanings of provisions of the order that might need further elaboration. Any new or amended regulations or orders from the PUCO might affect the ability of the servicers to collect the phase-in-recovery charges in full and on a timely basis, the rating of the bonds and the certificates and, accordingly, the amortization of the bonds and certificates and their weighted average lives, which in turn could adversely affect distributions on your certificates.

The financing order provides for a formula-based mechanism relating to adjustments to phase-in-recovery charges. See Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges. Applications of adjustment procedures similar to the ones set forth in the financing order have been challenged in the past in other states and may be challenged in the future. Past challenges have included claims that utility commissions in other states have used methods for calculating adjustments that were inconsistent with the governing statute, or have used procedures that were insufficient to guarantee due process. Challenges to or delays in the adjustment process might adversely affect the market perception and valuation of the certificates. Also, any litigation might materially delay phase-in-recovery charge collections due to delayed implementation of adjustments and might result in missing payments or payment delays and lengthened weighted average life of the bonds, and, thus, missing distributions or distribution delays and lengthened average life of the certificates.

Servicing Risks

Inaccurate consumption forecasting might result in phase-in-recovery charges that result in inadequate collections to make scheduled payments on the bonds and, thus, scheduled distributions on the certificates.

The phase-in-recovery charges are imposed based on forecasted customer usage, i.e., kilowatt-hours of electricity consumed by customers. The amount and timeliness of phase-in-recovery charge collections will depend in part on actual electricity usage and the amount of collections and write-offs for each customer class. If the servicers inaccurately forecast electricity consumption when setting or adjusting the phase-in-recovery charges, there could be a shortfall or material delay in phase-in-recovery charge collections, which might result in missed or delayed payments of principal and interest and lengthened weighted average life of the bonds, which in turn could lead to missed or delayed distributions and lengthened weighted average life of the certificates. Please read Description of the Phase-In-Recovery Property Financing Order and Issuance Advice Letters and Adjustments to the Phase-In-Recovery Charges in this prospectus.

Inaccurate forecasting of electricity consumption by the servicers might result from, among other things, the general economic environment in the service territories of the Ohio Companies being worse than expected, causing retail electric customers to migrate from the Ohio Companies service territories or reduce their electricity consumption; the impact of weather conditions, resulting in less electricity consumption than forecast; levels of business activity; customers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electric usage efficiency; the

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occurrence of a natural or other disaster, or an act of terrorism, cyber attack or other catastrophic event; unanticipated changes in the market structure of the electric industry; or customers switching to alternative sources of energy, including self-generation of electric power.

Your investment in the certificates depends on the actions of the Ohio Companies or their successors or assignees, as servicers of the phase-in-recovery property.

The Ohio Companies, as servicers, will be responsible for, among other things, calculating, billing and collecting the phase-in-recovery charges from customers, submitting requests to the PUCO to adjust these charges, monitoring the collateral for the bonds and taking certain actions in the event of non-payment by a retail electric customer. The bond trustees' receipt of collections in respect of the phase-in-recovery charges, which will be used to make payments on the bonds resulting in distributions on the certificates, will depend in part on the skill and diligence of the servicers in performing these functions. Difficulties or failures in the servicers' handling of the collateral could result in a shortfall in funds to pay debt service on the bonds and, thus, distributions on the certificates. The systems that the servicers have in place for phase-in-recovery charge billings and collections might, in particular circumstances, cause the servicers to experience difficulty in performing these functions in a timely and completely accurate manner.

If the servicers fail to make collections for any reason, then the servicers' payments to the bond trustees in respect of the phase-in-recovery charges might be delayed or reduced. In that event, payments on the bonds might be delayed or reduced resulting in delayed or reduced distributions on the certificates.

If the bond issuers have to replace the Ohio Companies as the servicers, they may experience difficulties finding and using replacement servicers.

If the Ohio Companies cease to service the phase-in-recovery properties, it might be difficult to find successor servicers. Also, any successor servicers might have less experience and ability than the Ohio Companies and might experience difficulties in collecting phase-in-recovery charges and determining appropriate adjustments to the phase-in-recovery charges and billing and/or payment arrangements may change, resulting in delays or disruptions in collections. In the event of the commencement of a case by or against any of the servicers under the United States Bankruptcy Code or similar laws, the bond trustees might be prevented from effecting a transfer of servicing due to operation of the bankruptcy code. Any of these factors and others might delay the timing of payments and may reduce the value of your investment in the certificates. Please read "Servicing" in this prospectus.

Changes to billing and collection practices might reduce the value of your investment in the certificates.

The financing order specifies the methodology for determining the amount of the phase-in-recovery charges that may be imposed. The servicers may not change this methodology without approval from the PUCO. Also, the servicers may change billing and collection practices, which might adversely impact the timing and amount of customer payments and might reduce phase-in-recovery charge collections, thereby limiting our ability to make scheduled distributions on the certificates. Separately, the PUCO might require changes to these practices. Any changes in billing and collection practices regulations might make it more difficult for the servicers to collect the phase-in-recovery charges which could adversely affect the value of your investment in the certificates. Please read "The Sponsors, Sellers, Initial Servicers and Depositors" in this prospectus.

Limits on rights to terminate electric service might make it more difficult to collect the phase-in-recovery charges.

Ohio statutory requirements and the rules and regulations of the PUCO, which may change from time to time, regulate and control the right to disconnect service. For example, retail electric providers in Ohio generally may not terminate service to a customer (1) on a holiday or weekend day or after 12:30 p.m. on the day

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immediately preceding a holiday or weekend, (2) during the period of November through April 15th except under certain conditions, (3) if such disconnection would be especially dangerous to the health of a person, (4) if such customer is an energy assistance client under certain circumstances or (5) if the customer is a mastermetered apartment complex unless certain notices are given. To the extent these retail electric customers do not pay for their electric service, retail electric providers will not be able to collect phase-in-recovery charges from these retail electric customers. Although retail electric providers will have to pay the servicers the phase-in-recovery charges on behalf of those customers (subject to any charge-off allowance and reconciliation rights), required service to nonpaying end-use customers could affect the ability of retail electric providers to make such payment.

Future adjustments to the phase-in-recovery charges by rate schedule might result in insufficient collections.

The customers of each Ohio Company are provided service under one of eight different rate schedules. The phase-in-recovery charges imposed by the related bond issuer will be allocated among these rate schedules and imposed in accordance with the formula required under the Securitization Act and specified in the financing order. A shortfall in collections of the phase-in-recovery charges will be corrected in the next adjustment to the phase-in-recovery charges and allocated to such Ohio Company's rate schedules in the same fashion. If enough customers receiving service under an individual rate schedule fail to pay the phase-in-recovery charges or cease to be customers, the applicable servicer might have to substantially increase the phase-in-recovery charges for the remaining customers. These increases could lead to further failures by the remaining customers to pay the phase-in-recovery charges, thereby increasing the risk of a shortfall in funds to pay debt service on the bonds of the applicable bond issuer and, thus, distributions on the certificates.

Phase-in-recovery charges will apply to all retail customers of an electric distribution utility for as long as they remain customers of such electric distribution utility. If a customer of the utility subsequently receives retail electric distribution service from another electric distribution utility operating in the same service area, including by succession, assignment, transfer or merger, the phase-in-recovery charges will continue to apply to that customer. However, if a customer switches its retail electric distribution service to a municipal utility, the phase-in-recovery charges will not continue to apply to that customer.

Expenses may be incurred in excess of the cap on certain financing costs provided in the financing order.

Under the financing order, phase-in-recovery charges may not be imposed by the respective bond issuers for certain ongoing financing costs to the extent they exceed the cap for such amounts. In addition, the respective bond issuers' other assets, substantially all of which are pledged to the trustee under the respective bond indentures, may not be used by the trustee to pay such excess amounts. Examples of the costs subject to the cap include payment of specified fees and expenses to the trustees, the servicer and the administrator. No assurance can be given that expenses will not be incurred for these purposes in excess of the cap level and, if this were to occur, there may not be sufficient funds to make payments for these excess amounts. Creditors which are owed these amounts and not paid may obtain judgment liens against a bond issuer's assets or seek to place a bond issuer in bankruptcy. The foregoing events could adversely affect the issuing entity, as holder of the bonds, and thus, certificateholders.

The initial servicer of each bond issuer will agree in its servicing agreement to indemnify each applicable trustee (i.e., its bond trustee and its allocable portion as to the certificate trustee and Delaware trustee) for all due and unpaid indemnity and other payments, of the applicable bond issuer under the applicable basic documents, that exceed the cap. Each servicing agreement will provide that this initial servicer obligation will continue as an obligation of such initial servicer in the event a successor servicer is appointed.

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Storm-Related Risks

Storm damage to the service territories could impair the payment of distributions on the certificates.

The Ohio Companies' service territories have been impacted by severe weather, such as tornadoes, hurricanes, such as Hurricane Sandy, ice or snowstorms, droughts and other natural disasters, which disrupt the Ohio Companies' operations. Future storms could have similar effects. Transmission, distribution and usage of electricity could be interrupted temporarily, reducing the amount of phase-in-recovery charges collected. There could be longer-lasting weather-related adverse effects on residential and commercial development and economic activity in the Ohio Companies' service territories, which could cause the per-KWh phase-in-recovery charge to be greater than expected after the adjustment process. Legislative action adverse to the certificateholders might be taken in response, and such legislation, if challenged as violative of the State of Ohio's pledge, might be defended on the basis of public necessity. Please read "The Securitization Act (CEI, OE and TE) and Other Utilities May Securitize Phase-In Costs: The State Pledge and Risk Factors (Risks Associated with Potential Judicial, Legislative or Regulatory Actions (Legislative Actions))" in this prospectus.

Risks Related to the Phase-In-Recovery Property

Foreclosure of the bond trustees' lien on the phase-in-recovery property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect.

Under the Securitization Act and the bond indentures, the bond trustees have the right to foreclose or otherwise enforce the lien on the phase-in-recovery property securing the bonds. However, in the event of foreclosure, there is likely to be a limited market, if any, for the phase-in-recovery property. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although payments on the bonds will be due and payable upon acceleration of the bonds before maturity, the phase-in-recovery charges likely would not be accelerated. The true-up adjustment mechanism will be used to adjust phase-in-recovery charges to meet scheduled payments but not accelerated maturity. As a result, the nature of the bond issuers' business will result in payments on the bonds being paid as funds become available. If there is an acceleration of the bonds, all tranches of the bonds will be paid pro rata; therefore, some tranches might be paid earlier than expected and some tranches might be paid later than expected, which could adversely affect distributions on the certificates and affect the value of your investment in the certificates.

Bankruptcy and Creditors' Rights Issues

The bankruptcy of an Ohio Company could delay or reduce payments on the bonds of its related bond issuer and, thus, an allocable portion of the certificates and adversely affect the ability to resell the phase-in-recovery property of that bond issuer.

If an Ohio Company were to become a debtor in a bankruptcy case, and a creditor or bankruptcy trustee of the Ohio Company or the Ohio Company itself as debtor in possession were to take the position that the phase-in-recovery property constituted property of the Ohio Company's bankruptcy estate, and a court were to adopt this position, then delays or reductions in payments on bonds of the related bond issuer, and therefore an allocable portion of the certificates, could result. For example, a creditor or bankruptcy trustee of an Ohio Company or the Ohio Company itself as debtor in possession might argue that, contrary to Ohio law as set forth in the Securitization Act, the sale of the phase-in-recovery property to the bond issuers was a loan to the Ohio Company from its respective bond issuer, secured by a pledge of the phase-in-recovery property rather than an absolute transfer and true sale of such phase-in-recovery property. If the bankruptcy court accepted that argument, the phase-in-recovery property would be considered property of the bankruptcy estate of the Ohio Company, the exercise of rights of the bond issuer in respect of the phase-in-recovery property would be subject to the automatic stay that arises upon the commencement of the Ohio Company's bankruptcy case, and the rights of the related bond issuer as secured creditor would be subject to modification to the extent permitted under the Bankruptcy Code. Such modifications could include, among other things, reductions of the amounts of payment of interest and principal on the bonds, delays in payments and alteration of other terms of the bonds, leading to delays or reductions in payments on the certificates.

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Generally, bankruptcy courts look to state law to create and define property interests held by a debtor in a bankruptcy case. The Securitization Act provides, among other things, that a financing order shall remain in effect and unabated notwithstanding the bankruptcy, reorganization, or insolvency of the electric distribution utility or any affiliate of the electric distribution utility or the commencement of any judicial or nonjudicial proceeding on the financing order. It also provides that any sale, assignment or transfer of phase-in-recovery property under a financing order shall be an absolute transfer and true sale of, and not a pledge of or secured transaction relating to, the seller's right, title, and interest in, to, and under the property, if the documents governing the transaction expressly state that the transaction is a sale or other absolute transfer. Each of the sale agreements contains an explicit statement that this securitization is an absolute transfer and true sale. See **Bankruptcy and Creditors Rights Issues True Sale**.

Nevertheless, by reason of the so-called Supremacy Clause and Article I, Section 8, clause 4 of the United States Constitution, Congress has the right to enact bankruptcy legislation that could overturn or be inconsistent with the Securitization Act. Further, to the extent that a bankruptcy court determined that the provisions of the Securitization Act dealing with the creation and definition of the phase-in-recovery property, or the treatment of the sale of the phase-in-recovery property as an absolute transfer, as in a true sale, were in actual conflict with existing provisions of the Bankruptcy Code, the bankruptcy court could ignore those provisions of the Securitization Act and, among other things, determine that the phase-in-recovery property was property of the bankruptcy estate of the Ohio Company.

Under certain circumstances, a court might hold that, notwithstanding the creation and definition of phase-in-recovery property under Ohio law, the bankruptcy estate of an Ohio Company retains some interest in the phase-in-recovery property sufficient to justify the exercise by the Ohio Company's bankruptcy court of jurisdiction over the phase-in-recovery property. In 2001, in the case of LTV Steel Company, Case No. 00-43866 in the United States Bankruptcy Court for the Northern District of Ohio, the court initially ruled that the debtor retained some equitable interest in securitized receivables and inventory sufficient to permit the bankruptcy court to authorize the debtor to use proceeds of such securitized assets as cash collateral for post-petition operations of the debtor. In refusing to modify the interim cash collateral order, the court stated that it could not conclude that the receivables were not property of the debtor's estate until an evidentiary hearing on such issue was held. While the parties to the LTV Steel Company proceeding ultimately settled their disputes, and the court entered an order affirming the true sale nature of the underlying securitization, the initial ruling was not vacated. There is no assurance that a bankruptcy court in a bankruptcy case of an Ohio Company might not take a similar view, particularly if failure to do so would cause significant harm to the seller's bankruptcy estate or otherwise to the continued operations of the Ohio Company, its ultimate reorganization under the Bankruptcy Code or other significant public interests, such as the delivery of electricity to consumers.

Because the phase-in-recovery charges are usage-based, if an Ohio Company were to become the debtor in a bankruptcy case, a creditor of, or a bankruptcy trustee for, the Ohio Company, or the Ohio Company itself as debtor in possession could argue that its related bond issuer should pay a portion of the costs of the Ohio Company associated with the generation, transmission or distribution of the electricity the price of which gave rise to the payments arising from the phase-in-recovery charges that are used to make distributions on the bond issuer's bonds and an allocable portion of the certificates. If a court were to adopt this position, the amounts paid to the bond trustee, and thus to the holders of the certificates, could be reduced.

Regardless of whether an Ohio Company is the debtor in a bankruptcy case, and notwithstanding that the Securitization Act states that the phase-in-recovery property shall constitute an existing, present property right, notwithstanding any requirement that the imposition, charging, and collection of phase-in-recovery charges depend on the electric distribution utility continuing to deliver retail electric distribution service or continuing to perform its servicing functions relating to the collection of phase-in-recovery charges or on the level of future energy consumption, if a court were to accept the arguments of a creditor of the Ohio Company that phase-in-recovery property comes into existence only as customers use electricity, a tax, government lien or other lien on

property of the Ohio Company arising before the phase-in-recovery property came into existence may have

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priority over the related bond issuer's interest in the phase-in-recovery property, which could result in the bond issuer being treated as an unsecured creditor in the seller's bankruptcy case and a potential reduction in the amounts distributed to certificateholders. See **Bankruptcy and Creditors' Rights Issues**.

Regardless of whether the bankruptcy court made any adverse determination in an Ohio Company bankruptcy case, the mere existence of an Ohio Company bankruptcy case could have an adverse effect on the resale market for the certificates and the market value of the certificates.

The bankruptcy of an Ohio Company or any successor entity might limit the remedies available to the bond trustee.

Upon an event of default under a bond indenture, the bond trustee will enforce the security interest in the phase-in-recovery property in accordance with the terms of the bond indenture. Under the Securitization Act, if a utility servicer defaults on any required payment of phase-in-recovery revenues, a court, upon application by the bond trustee (or any other interested party) and without limiting any other remedies available to the bond trustee, shall order the sequestration and payment of the revenues for the benefit of bondholders, the applicable bond issuer and any bond trustee or other financing party. The court order shall remain in full force and effect notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to the electric distribution utility or any affiliate. There can be no assurance, however, that a court would issue this order after an Ohio Company's bankruptcy in light of the automatic stay provisions of Section 362 of the United States Bankruptcy Code. In that event, the bond trustee would likely seek an order from the bankruptcy court lifting the automatic stay to permit or authorize this action by the court, and an order requiring an accounting and segregation of the revenues arising from the phase-in-recovery property. There can be no assurance that a court would grant either order.

The Ohio Companies and any successor servicers will commingle the phase-in-recovery charges with other revenues they collect, which might obstruct access to the phase-in-recovery charges in case of a servicer's bankruptcy and reduce the value of the bonds and, thus, your investment in the certificates.

The servicers will be required to remit collections to the bond trustees within two business days after the payments arising from the phase-in-recovery charges are deemed to be collected as described under **Servicing Remittances to Collection Account**. The servicers will not segregate the phase-in-recovery charges from the other funds they collect from retail electric customers or retail electric providers or their general funds. The phase-in-recovery charges will be segregated only when the servicers pay them to the bond trustees.

Despite this requirement, the servicers might fail to pay the full amount of the phase-in-recovery charges to the bond trustees or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of phase-in-recovery charge collections available to make payments on the bonds and, thus, distributions on the certificates.

The Securitization Act provides that the bond issuer's rights to the phase-in-recovery property are not affected by the commingling of these funds with any other funds of the servicers. In a bankruptcy of a servicer, however, a bankruptcy court might rule that federal bankruptcy law does not recognize a bond issuer's right to collections of the phase-in-recovery charges that are commingled with other funds of the servicer as of the date of bankruptcy. If so, the collections of the phase-in-recovery charges held by the servicer as of the date of bankruptcy would not be available to pay amounts owing on the bonds and distributions on the certificates. In this case, the bond issuer would have only a general unsecured claim against the servicer for those amounts. This decision could cause material delays in payments of principal or interest, or losses, on the bonds and material delays in payment of distributions, or losses, on the certificates, which could materially reduce the value of your investment in the certificates. Please read **Bankruptcy and Creditors' Rights Issues** in this prospectus.

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Bankruptcy of a servicer could also delay or reduce payments.

The bankruptcy or insolvency of a servicer could result in delays or reductions in distributions on the certificates. Each of the servicers will remit payments arising from the respective phase-in-recovery charges out of its general funds and will not segregate these amounts from its general funds. In the event of a bankruptcy of a servicer, the related bond trustee likely will not have a perfected interest in commingled funds and the inclusion of the commingled funds in the bankruptcy estate of the affected servicer may result in delays and reductions in distributions on the related bond issuer's bonds and an allocable portion of the certificates. To the extent that a servicer had made payment of phase-in-recovery charges out of commingled funds to the bond issuer during a period of up to one year prior to the commencement of the bankruptcy case of the servicer, a trustee in bankruptcy of the servicer, or the servicer as debtor-in-possession, may contend that some portion or all of such payments are recoverable as preferences from the bond issuer for the benefit of the bankruptcy estate of the servicer. If a bankruptcy court determined that such payments were preferences, and no applicable defenses to the recovery thereof was available, the bond issuer could be required to repay such preferences to the bankruptcy estate of the servicer. In that event, the bond issuer would have an unsecured claim against the bankruptcy estate of the servicer for the amounts that it had repaid to the estate of the servicer. Furthermore, if a servicer is in bankruptcy, it may stop performing its functions as servicer and it may be difficult to find a third party to act as successor servicer. See Servicing Risks.

Claims against an Ohio Company or any successor entity might be limited in the event of a bankruptcy of such Ohio Company.

If an Ohio Company were to become a debtor in a bankruptcy case, claims, including indemnity claims, by the bond issuer against the Ohio Company under the sale agreement and the other documents executed in connection with the sale agreement would be unsecured claims and could be modified or eliminated altogether disposed of in the bankruptcy case. In addition, the bankruptcy court might estimate any contingent claims that the bond issuer has against the Ohio Company and, if it determines that the contingency giving rise to these claims is unlikely to occur, estimate the claims at a lower amount. A party in interest in the bankruptcy of the Ohio Company might challenge the enforceability of the indemnity provisions in a sale agreement. If a court were to hold that the indemnity provisions were unenforceable, the bond issuer would be left with a claim for actual damages against the Ohio Company based on breach of contract principles, which would be subject to estimation and/or calculation by the court. We cannot give any assurance as to the result if any of the above-described actions or claims were made. Furthermore, we cannot give any assurance as to what percentage of their claims, if any, unsecured creditors would receive in any bankruptcy proceeding involving the Ohio Company.

Other Risks Associated with an Investment in the Certificates

The Ohio Companies' ratings might affect the market value of the certificates.

A downgrading of the credit ratings on the debt of an Ohio Company could have an adverse effect on the market value of the bonds and, thus, the certificates. Credit ratings may change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment.

The Ohio Companies' indemnification obligations under the sale and servicing agreements are limited and might not be sufficient to protect your investment in the certificates.

Each Ohio Company, in its capacity as seller, is obligated under its sale agreement to indemnify its bond issuer and the bond trustee, for itself and on behalf of the bondholders, only in specified circumstances and will not be obligated to repurchase or replace any phase-in-recovery property in the event of a breach of any of its representations, warranties or covenants regarding the phase-in-recovery property. Similarly, each Ohio Company is obligated under its servicing agreement, in its capacity as servicer, to indemnify the bond issuers and the bond trustee, for itself and on behalf of the bondholders, only in specified circumstances. Please read Sale Agreements Seller Covenants and Servicing Agreements Servicer Representations and Warranties; Indemnification in this prospectus.

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No bond trustee or the bondholders will have the right to accelerate payments on the applicable bonds as a result of a breach under the applicable sale agreement or servicing agreement, absent an event of default under the applicable bond indenture. See Description of the Bonds Events of Default. Furthermore, the Ohio Companies might not have sufficient funds available to satisfy its indemnification obligations under these agreements, and the amount of any indemnification paid by the Ohio Companies might not be sufficient for you to recover all of your investment in the certificates. In addition, if the Ohio Companies become obligated to indemnify bondholders, the ratings on the certificates may be downgraded as a result of the circumstances causing the breach. Bondholders would be unsecured creditors of the Ohio Companies with respect to any of these indemnification amounts.

The sellers will not be in breach of any representation or warranty as a result of a change in law.

No seller will be in breach of any representation or warranty as a result of a change in the law by means of a legislative enactment, constitutional amendment or voter initiative. Each seller will agree in its sale agreement and each servicer will agree in its servicing agreement to institute any action or proceeding as may be reasonably necessary to block or overturn any attempts to cause a repeal, modification or supplement to the Securitization Act that would be adverse to its bond issuer, bond trustee or bondholders (and thus the issuing entity, the certificate trustee and the Delaware trustee). Please read Sale Agreements Seller Covenants and Servicing Agreements Servicing Procedures. However, we cannot assure you that any of the Ohio Companies would be able to take this action or that any such action would be successful.

The credit ratings are no indication of the expected rate of payment of principal on the bonds and, thus, distributions on the certificates.

We expect the bonds and the certificates will receive credit ratings from three NRSROs. A rating is not a recommendation to buy, sell or hold the bonds or the certificates. The ratings merely analyze the probability that the bond issuers and thus the certificate issuer, will repay the total principal amount of the bonds and the certificates, respectively, at the final maturity date (which is later than the scheduled final payment date) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to the expected amortization schedules.

Under Rule 17g-5 of the Exchange Act, NRSROs providing the sponsor with the requisite certification will have access to all information posted on a website by the sponsor for the purpose of determining the initial rating and monitoring the rating after the closing date in respect of the bonds. As a result, an NRSRO other than an NRSRO hired by the sponsor, referred to as a **hired NRSRO**, may issue ratings on the certificates, or **Unsolicited Ratings**, which may be lower, and could be significantly lower, than the ratings assigned by a hired NRSROs. The Unsolicited Ratings may be issued prior to, or after, the closing date in respect of the bonds. Issuance of any Unsolicited Rating will not affect the issuance of the bonds. Issuance of an Unsolicited Rating lower than the ratings assigned by a hired NRSRO on the bonds might adversely affect the value of the bonds and, thus, the certificates, and, for regulated entities, could affect the status of the bonds and, thus, the certificates as a legal investment or the capital treatment of the bonds and, thus, the certificates. Investors in the certificates should consult with their legal counsel regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the rating of a hired NRSRO. None of the Ohio Companies, the bond issuers, us, the underwriters or any of their affiliates will have any obligation to inform you of any unsolicited ratings assigned after the date of this prospectus. In addition, if we, the bond issuers or the Ohio Companies fail to make available to a non-hired NRSRO any information provided to any hired rating agency for the purpose of assigning or monitoring the ratings on the bonds or certificates, a hired NRSRO could withdraw its ratings on the bonds or certificates, which could adversely affect the market value of your certificates and/or limit your ability to resell your certificates.

Other subsidiaries or affiliates of the Ohio Companies may issue other similar bonds or certificates similar to the certificates in the future without your prior review or approval.

The Ohio Companies may sell property created pursuant to a financing order it may obtain in the future to other subsidiaries or affiliates of the Ohio Companies in connection with the issuance of other similar bonds or

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certificates in the future without your prior review or approval. In the event a customer who is taking generation service from a retail electric service provider does not pay in full all amounts owed under any bill, including phase-in-recovery charges for the bonds and other similar bonds, pursuant to Ohio administrative rules or PUCO order requirements, the amount remitted shall first be credited to past due charges for such retail electric service, second be credited to past due electric utility distribution and transmission charges, including phase-in-recovery charges for the bonds and other similar bonds, and thereafter to current electric utility distribution and transmission charges, including phase-in-recovery charges for the bonds and other similar bonds. Amounts credited to electric utility distribution and transmission charges will be allocated ratably among the phase-in-recovery charges relating to all such bonds and other distribution and transmission charges and fees and charges. We cannot assure you that the issuance of additional bonds similar to the bonds would not cause reductions or delays in payments on the bonds and, thus, distributions on the certificates.

Regulatory provisions affecting certain investors could adversely affect the liquidity of the certificates.

Regulatory or legislative provisions applicable to certain investors may (if and to the extent they apply in relation to an investment in the certificates) have the effect of limiting or restricting their ability to hold or acquire the certificates, which in turn may adversely affect the ability of investors in the certificates who are not subject to those provisions to sell their certificates in the secondary market. For example, certain member states of the European Economic Area, or **EEA**, have implemented, or are expected to implement, Article 122a of Directive 2006/48/EC, as amended, or **Article 122a**, which may apply to the purchase of the certificates by certain investors. Among other provisions, Article 122a prohibits investments by an EEA regulated credit institution in securitizations that fail to comply with certain requirements concerning retention by the originator, sponsor or original lender of the securitized assets of a portion of the securitization's credit risk. Under Article 122a the regulator of such an EEA-regulated credit institution may impose a substantial additional capital charge on that institution if it acquires securities in a securitization and that securitization fails to meet the requirements of Article 122a. None of the Ohio Companies, the bond issuers or us have taken, or intend to take, any steps to comply with the requirements of Article 122a, nor to determine if and to what extent Article 122a applies to the certificates. The fact that the certificates have not been structured to comply with Article 122a could limit the ability of an EEA-regulated credit institution to purchase certificates, which in turn may adversely affect the liquidity of the certificates in the secondary market. This could adversely affect the liquidity of the market should you seek to sell your certificates or the price you may receive upon any sale of your certificates.

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REVIEW OF PHASE-IN-RECOVERY PROPERTY

Pursuant to the rules of the SEC, the sponsors have performed, as described below, a review of the phase-in-recovery property underlying the bonds. As required by these rules, the review was designed and effected to provide reasonable assurance that disclosure regarding the phase-in-recovery property is accurate in all material respects. The sponsors did not engage a third party in conducting their review.

The bonds are secured primarily by the phase-in-recovery property of the bond issuers. The phase-in-recovery property is a present property right authorized and created pursuant to the Securitization Act and an irrevocable financing order. The phase-in-recovery property includes the irrevocable right to impose, charge and collect nonbypassable phase-in-recovery charges from each retail customer within the service territory of CEI, OE or TE, as applicable, and to adjust those phase-in-recovery charges, in accordance with the adjustment mechanism set forth in the financing order, in an amount sufficient to pay principal and interest on the bonds and, subject to the cap to the extent applicable, other approved financing costs.

The phase-in-recovery property is not a static pool of receivables or assets. Phase-in-recovery charges authorized in the financing order that relate to the phase-in-recovery property are irrevocable and may not be reduced, impaired or adjusted by the PUCO except for periodic adjustments, in accordance with the adjustment mechanism, to correct overcollections or undercollections to ensure the recovery of amounts sufficient to timely provide all payments of debt service on the bonds and, subject to the cap to the extent applicable, other approved financing costs. While there is no cap on the level of phase-in-recovery charges that may be imposed on retail electric customers to pay on a timely basis scheduled principal of and interest on the bonds and replenish capital subaccounts, there is a cap on certain approved financing costs. See Description of the Bonds Allocations and Payments in this prospectus. All revenues and collections resulting from the phase-in-recovery charges provided for in the financing order that relate to the bonds are part of the phase-in-recovery property. The phase-in-recovery property relating to the bonds is described in more detail under Description of the Phase-In-Recovery Property in this prospectus.

In the financing order, the PUCO, among other things:

orders that each of CEI, OE and TE, as applicable, as servicer under its respective servicing agreement, shall collect from all customers required to pay or collect phase-in-recovery charges under the financing order, phase-in-recovery charges in an amount sufficient to timely provide all payments of debt service on the bonds and, subject to the cap to the extent applicable, other approved financing costs,

orders that upon the transfer of the phase-in-recovery property to bond issuers by sellers, the bond issuers shall have all of the rights, title and interest of the sellers with respect to its respective phase-in-recovery property, and

states that it will act pursuant to the financing order as expressly authorized by the Securitization Act to ensure that expected phase-in-recovery charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the bonds and, subject to the cap to the extent applicable, other approved financing costs.

Please read The Securitization Act and Description of the Phase-In-Recovery Property Financing Order and Issuance Advice Letters in this prospectus for more information.

The characteristics of phase-in-recovery property are unlike the characteristics of assets underlying mortgage and other commercial asset securitizations because phase-in-recovery property is a creature of statute and state regulatory commission proceedings. Because the nature and characteristics of the phase-in-recovery property and many elements of the securitization are set forth and constrained by the Securitization Act, the sponsors do not select the assets to be securitized in ways common to many securitizations. Moreover, the bonds do not contain origination or underwriting elements similar to typical mortgage or other loan transactions involved in other forms of asset-backed securities. The Securitization Act and the PUCO require the imposition

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on, and collection of phase-in-recovery charges from, existing and future retail customers located within the sponsors' respective service territories. Since the phase-in-recovery charges are imposed on all such retail customers and the true-up adjustment mechanism adjusts for the impact of customer defaults, the collectability of the phase-in-recovery charges is not ultimately dependent upon the credit quality of particular customers; as would be the case in the absence of the true-up adjustment mechanism.

The review by the sponsors of the phase-in-recovery property underlying the bonds has involved a number of discrete steps and elements as described in more detail below. First, each sponsor has analyzed and applied the Securitization Act's requirements for securitization of phase-in costs in seeking approval of the PUCO for the issuance of the financing order and in its proposal with respect to the characteristics of the phase-in-recovery property to be created pursuant to the financing order. In preparing this proposal, the sponsors worked with their counsel and its financial advisor in preparing the application for a financing order. Moreover, the sponsors worked with their counsel, their financial advisor and counsel to the underwriters in preparing the legal agreements that provide for the terms of the bonds and the security for the bonds. Each sponsor has analyzed economic issues and practical issues for the scheduled payment of the bonds and reviewed the prior experience of its affiliates in terms of impacts of economic factors, potentials for disruptions due to weather or catastrophic events and its own forecasts for customer growth as well as the historic accuracy of its prior forecasts.

In light of the unique nature of the phase-in-recovery property, each sponsor has taken (or prior to this offering, will take) the following actions in connection with its review of its respective phase-in-recovery property and the preparation of the disclosure for inclusion in this prospectus and the accompanying prospectus supplement describing the phase-in-recovery property, the bonds and the proposed securitization:

reviewed the Securitization Act and the rules and regulations of the PUCO as they relate to the phase-in-recovery property in connection with the preparation and filing of the application with the PUCO for the approval of the financing order in order to confirm that the application and proposed financing order satisfied applicable statutory and regulatory requirements;

actively participated in the proceeding before the PUCO relating to the approval of the requested financing order;

compared the financing order, as issued by the PUCO, to the Securitization Act and the rules and regulations of the PUCO as they relate to the phase-in-recovery property to confirm that the financing order met such requirements;

compared the proposed terms of the bonds to the applicable requirements in the Securitization Act, the financing order and the regulations of the PUCO to confirm that they met such requirements;

prepared and reviewed the agreements to be entered into in connection with the issuance of the bonds and compared such agreements to the applicable requirements in the Securitization Act, the financing order and the regulations of the PUCO to confirm that they met such requirements;

reviewed the disclosure in this prospectus and the accompanying prospectus supplement regarding the Securitization Act, the financing order and the agreements to be entered into in connection with the issuance of the bonds, and compared such descriptions to the relevant provisions of the Securitization Act, the financing order and such agreements to confirm the accuracy of such descriptions;

consulted with legal counsel to assess if there is a basis upon which the bondholders (or the bond trustee acting on their behalf) could successfully challenge the constitutionality of any legislative action by the State of Ohio (including the PUCO) that could repeal or amend the securitization provisions of the Securitization Act that could substantially impair the value of the phase-in-recovery property, or substantially reduce, alter or impair the phase-in-recovery charges;

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reviewed the process and procedures in place for it, as servicer, to perform its obligations under the servicing agreement, including without limitation, billing and collecting the phase-in-recovery charges to be provided for under the phase-in-recovery property, forecasting phase-in-recovery charge revenues and preparing and filing applications for true-up adjustments to the phase-in-recovery charges;

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reviewed the operation of the true-up adjustment mechanism for adjusting phase-in-recovery charge levels to meet the scheduled payments on the bonds; and

assisted its financial advisor and the underwriters with the preparation of financial models in order to set the initial phase-in-recovery charges to be provided for under the phase-in-recovery property at a level sufficient to pay on a timely basis scheduled principal and interest on the bonds.

In connection with its assistance with the preparation of such models, each sponsor:

reviewed (i) the historical retail electric usage and customer growth within its service territory and (ii) forecasts of expected energy sales and customer growth;

reviewed its historical collection of rate charges; and

analyzed the sensitivity of the weighted average life of the bonds in relation to variances in actual energy consumption levels (retail electric sales) from forecasted levels and in relation to the true-up adjustment mechanism in order to assess the probability that the weighted average life of the bonds may be extended as a result of such variances, and in the context of the operation of the true-up adjustment mechanism for adjustment of phase-in-recovery charges to address under or overcollections in light of scheduled payments on the bonds.

As a result of this review, each sponsor has concluded that:

the phase-in-recovery property, the financing order and the agreements to be entered into in connection with the issuance of the bonds meet in all material respects the applicable statutory and regulatory requirements;

the disclosure in this prospectus and the accompanying prospectus supplement regarding the Securitization Act, the financing order and the agreements to be entered into in connection with the issuance of the bonds is, or in the case of the accompanying prospectus supplement, will be, as of its respective date, accurate in all material respects;

it, as servicer, has adequate processes and procedures in place to perform its obligations under the servicing agreement;

phase-in-recovery charge revenues, as adjusted from time to time as provided in the Securitization Act and the financing order, are expected to be sufficient to pay on a timely basis scheduled principal and interest on the bonds and, as a result, the distributions on the certificates; and

the design and scope of its review of the phase-in-recovery property as described above is effective to provide reasonable assurance that the disclosure regarding the phase-in-recovery property in this prospectus and the accompanying prospectus supplement is accurate in all material respects.

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THE SECURITIZATION ACT

Background and Regulatory Overview

On December 21, 2011, the Governor of Ohio signed into law Sections 4928.23 through 4928.2318 of the Ohio Revised Code, referred to herein as the **Securitization Act**, which amended and enacted certain provisions of Ohio law to establish standards for the securitization of certain costs for electric distribution utilities. The Securitization Act became effective on March 22, 2012. Among other things, the Securitization Act:

permits an electric distribution utility, such as CEI, OE and TE, to apply to the PUCO for a financing order authorizing the issuance of bonds to recover certain uncollected phase-in costs previously authorized by the PUCO and financing costs through securitization;

permits an electric distribution utility under a financing order to impose, charge and collect phase-in-recovery charges on retail customers as long as they remain customers, or if they receive distribution from another electric distribution utility operating in the same service area, in accordance with a PUCO-approved adjustment mechanism;

specifies that the phase-in-recovery charges are nonbypassable as long as bonds and financing costs have not been paid in full;

specifies that financing orders are irrevocable and remain in effect until the bonds and financing costs on the bonds have been paid in full;

provides for the creation of phase-in-recovery property and contains provisions regarding transferring, conveying and pledging the phase-in-recovery property to facilitate the securitization and secure payment of bonds and financing costs, and the creation, perfection, enforcement and priority of any security interest in the phase-in-recovery property; and

exempts the imposition, charging, collection and receipt of the phase-in-recovery revenues and the transfer and ownership of phase-in-recovery property from Ohio state taxation and similar charges.

On May 3, 2012, CEI, OE and TE filed a joint application with the PUCO requesting the issuance of an irrevocable financing order to recover through securitization certain uncollected phase-in costs previously authorized by the PUCO for recovery and associated financing costs, and to impose, charge and collect the phase-in-recovery charges.

On October 10, 2012, the PUCO issued a financing order authorizing CEI, OE and TE to recover the previously authorized phase-in costs, enter into transactions for the issuance of the bonds and to impose, charge and collect the phase-in-recovery charges.

On November 9, 2012, CEI, OE and TE filed a joint application with the PUCO for rehearing of the financing order to clarify and amend certain provisions of the financing order.

On December 19, 2012, the PUCO issued an entry on rehearing, which amended the financing order previously issued by the PUCO.

On January 9, 2013, the PUCO issued an entry *nunc pro tunc*, which further amended the financing order to provide for certain revisions and corrections to the entry on rehearing.

Recovery of Phase-In Costs

In Case No. 08-935-EL-SSO Order, dated March 25, 2009, the PUCO approved the recovery, by CEI, of certain deferred costs, with carrying charges, associated with purchase power costs incurred that exceeded the purchase power recovery mechanism revenue from January 1, 2009 through May 31, 2009, which, prior to the issuance of the bonds, were recovered through a separate rider mechanism, namely the Deferred Generation Cost Recovery Rider, or **Rider DGC**.

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In Case No. 08-935-EL-SSO Order, dated March 25, 2009, Case No. 07-1003-EL-ATA Order, dated March 24, 2010, and continued by Case No. 10-388-EL-SSO dated August 25, 2010, the PUCO approved the recovery, by each of CEI, OE and TE, of certain deferred costs, with carrying charges, associated with the actual fuel costs incurred that exceeded the fuel recovery mechanism revenues collected from January 1, 2006 through December 31, 2007, which, prior to the issuance of the bonds, were recovered through a separate rider mechanism, namely the Deferred Fuel Cost Recovery Rider, or **Rider DFC**.

In Case No. 10-176-EL-ATA Order, dated May 25, 2011, the PUCO approved the recovery of certain deferred costs, with carrying charges, associated with purchase power costs incurred from March 17, 2010 through June 30, 2011 that exceeded the associated purchase power recovery mechanism revenue due to implementation of the Residential Generation Credit Rider, or **Rider RGC**, which, prior to the issuance of the bonds, were recovered through a separate rider mechanism, namely the Residential Electric Heating Recovery Rider, or **Rider RER1**.

On February 18, 2013, the financing order, which (among other things) authorizes CEI, OE and TE to recover their respective uncollected balances in Rider DGC, Rider DFC and Rider RER1, as applicable, as phase-in costs became final. See Description of the Phase-In-Recovery Property Financing Order and Issuance Advice Letters.

CEI, OE and TE and Other Utilities May Securitize Phase-In Costs

The Bond Issuers May Issue Bonds to Recover CEI s, OE s and TE s Phase-In Costs. The Securitization Act authorizes the PUCO to issue financing orders approving the issuance of bonds to recover certain phase-in costs of an electric distribution utility. A utility or an assignee of a utility may obtain securitization financing through the issuance of bonds. Under the Securitization Act, proceeds of the issuance of the bonds must be used to recover, finance or refinance phase-in costs and financing costs. Such bonds are secured by, and payable from, phase-in-recovery property, which includes the right to impose, charge and collect phase-in-recovery charges.

The Securitization Act contains a number of provisions designed to facilitate the securitization of phase-in costs, as set out below.

Creation of Phase-In-Recovery Property. Under the Securitization Act, phase-in-recovery property may be created when the rights and interests of an electric distribution utility under a financing order, including the right to impose, charge and collect phase-in-recovery charges authorized in the financing order, are first transferred to an assignee, such as to the bond issuers, and pledged in connection with the issuance of bonds.

A Financing Order is Irrevocable. A financing order, once effective, together with the phase-in-recovery charges authorized in the financing order, is irrevocable and the PUCO may not reduce, impair, postpone or terminate the phase-in-recovery charges authorized in the financing order or impair the property or the collection or recovery of phase-in costs, except for periodic adjustments, in accordance with the adjustment mechanism, to correct overcollections or undercollections to ensure the recovery of amounts sufficient to timely provide all payments of debt service on the bonds and other approved financing costs. Although a financing order is irrevocable, the Securitization Act allows electric utilities to apply for one or more new financing orders to provide for retiring and refunding bonds upon satisfaction of certain requirements set forth in the Securitization Act.

The State Pledge. Under the Securitization Act, the State of Ohio has pledged, for the benefit of the bondholders and the bond issuers, and agreed that it will not take or permit any action that impairs the value of the phase-in-recovery property or, except for adjustments as discussed in Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges, reduce, alter or impair the phase-in-recovery charges that are imposed, charged, collected or remitted for the benefit of bondholders, until the bonds and all other approved financing costs are paid in full. For a description of risks related to the enforcement of this pledge,

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please read Risk Factors Risks Associated with Potential Judicial, Legislative or Regulatory Actions Legislative Actions and Risk Factors Risks Associated with Potential Judicial, Legislative or Regulatory Actions The PUCO might take actions that could reduce the value of your investment in the certificates in this prospectus.

Constitutional Matters. To date, no federal or Ohio cases addressing the repeal or amendment of securitization provisions analogous to those contained in the Securitization Act have been decided. There have been cases in which federal courts have applied the Contract Clause of the United States Constitution and Ohio courts have applied the Contract Clause of the Ohio Constitution, which is interpreted by the Ohio Supreme Court by reference to United States Supreme Court precedent, to strike down legislation regarding similar or analogous matters, such as legislation reducing or eliminating taxes, statutory fees, public charges or other sources of revenues servicing other types of bonds issued by public instrumentalities or private issuers, or otherwise substantially impairing or eliminating the security for bonds or other indebtedness.

Based upon this case law, Akin Gump Strauss Hauer & Feld LLP, federal counsel to the bond issuers and issuing entity, and Calfee, Halter & Griswold LLP, Ohio counsel to the bond issuers, expect to deliver an opinion prior to the closing of the offering of the bonds to the effect that the pledge described above creates a binding contractual obligation for purposes of the Contract Clauses of the United States and Ohio constitutions, respectively, and provides a basis upon which the bondholders (or the bond trustees acting on their behalf), and the Certificate Trustee (as holder of the bonds on behalf of the certificateholders), could challenge successfully, under the Contract Clauses of the United States and Ohio Constitutions, the constitutionality of any action by the State of Ohio (including the PUCO) of a legislative character, including as a result of voter initiative including the repeal or amendment of the securitization provisions of the Securitization Act, that violates the pledge described above in a way that a court would determine impairs the value of the phase-in-recovery property, or reduces, alters or impairs the phase-in-recovery charges, so as to cause a substantial impairment of the contract, unless such action is a reasonable exercise of the sovereign powers of the State of Ohio and of a character reasonable and appropriate to the public purpose justifying such action.

It may be possible for the Ohio legislature to repeal or amend the Securitization Act, or for the PUCO to amend or revoke the financing order notwithstanding the State's pledge, if the legislature or the PUCO acts in order to serve a significant and legitimate public purpose, such as protecting the public health and safety or responding to a national or regional catastrophe affecting CEI's, OE's or TE's respective service territories, or if the legislature otherwise acts in the valid exercise of the state's police power.

In addition, any action of the Ohio legislature or as a result of voter initiative adversely affecting the phase-in-recovery property or the ability to impose, charge or collect phase-in-recovery charges may be considered a taking under the United States or Ohio Constitutions. Akin Gump Strauss Hauer & Feld LLP and Calfee, Halter & Griswold LLP, respectively, have advised us that they are not aware of any federal or Ohio court cases addressing the applicability of the Takings Clause of the United States or Ohio Constitution, respectively, in a situation analogous to that which could be involved in an amendment or repeal of the Securitization Act. It is possible that a court would decline even to apply a Takings Clause analysis to a claim based on an amendment or repeal of the Securitization Act, since, for example, a court might determine that a Contract Clause analysis rather than a Takings Clause analysis should be applied. Assuming a Takings Clause analysis were applied under the United States or Ohio Constitution, Akin Gump Strauss Hauer & Feld LLP and Calfee, Halter & Griswold LLP, respectively, expect to render opinions prior to the closing of the offering of the certificates to the effect that under existing case law, if a court concludes that the phase-in-recovery property is protected by the Takings Clause of the United States or Ohio Constitution, respectively, it would find a compensable taking if the State of Ohio were to enact a law that, without paying just compensation to the bondholders or the certificateholders (i) permanently appropriates the phase-in-recovery property or denies all economically productive use of the phase-in-recovery property; or (ii) destroys the phase-in-recovery property, other than in response to emergency conditions; or (iii) substantially impairs the value of the phase-in-recovery property, if the law inflicts severe economic impact on the bondholders or certificateholders and unduly interferes with such bondholders' and

certificateholders' reasonable investment backed expectations. In examining whether action of the Ohio

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legislature or action by voter initiative amounts to a regulatory taking, both federal and state courts will consider the character of the governmental action and whether such action substantially advances the State's legitimate governmental interests, the economic impact of the governmental action on the bondholders and certificateholders, and the extent to which the governmental action interferes with distinct investment-backed expectations. There is no assurance, however, that, even if a court were to award just compensation, it would be sufficient for bondholders to recover fully their investment in the bonds or, thus, for you to recover fully your investment in the certificates.

In connection with the foregoing, our legal counsel has advised us that issues relating to the Contract and Takings Clauses of the United States and Ohio constitutions are essentially decided on a case by case basis and that the courts' determinations, in most cases, appear to be strongly influenced by the facts and circumstances of the particular case. We have been further advised that there are no reported controlling judicial precedents that are directly on point. The opinions described above will be subject to the qualifications included in them. The degree of impairment necessary to meet the standards for relief under a Takings Clause analysis or Contract Clause analysis could be substantially in excess of what a bondholder or you would consider material. Copies of the opinions described above will be filed with the SEC as an exhibit to an amendment to the registration statement of which this prospectus is a part.

For a discussion of risks associated with potential judicial, legislative or regulatory actions, please read *Risk Factors - Risks Associated with Potential Judicial, Legislative or Regulatory Actions*, *Legislative Actions* and *Risk Factors - Risks Associated with Potential Judicial, Legislative or Regulatory Actions - Court Decisions* in this prospectus.

The PUCO May Adjust Phase-In-Recovery Charges. Pursuant to the Securitization Act, the PUCO provided a description in the financing order of the adjustment mechanism to be used in the imposition, charging and collection of the phase-in-recovery charges, such phase-in-recovery charges to be reviewed and adjusted semiannually as provided in the financing order, based on estimates of consumption for each customer class and other mathematical factors. The PUCO's review of these requests is limited to determining whether there is any mathematical error in the servicer's application of the adjustment mechanism to the phase-in-recovery charges, including the calculation of any proportionate charges allocated to governmental aggregation customers as directed in the financing order. Such adjustments will become automatically effective 60 days after the request is submitted unless otherwise ordered by the PUCO.

Phase-In-Recovery Charges are Nonbypassable. The Securitization Act provides that, as long as the bonds are outstanding and the related phase-in costs and approved financing costs have not been recovered in full, the phase-in-recovery charges authorized under the financing order are nonbypassable. Nonbypassable means that phase-in-recovery charges cannot be avoided by any customer or other person obligated to pay such charges. Subject to the adjustment mechanism discussed above, phase-in-recovery charges will apply to all retail customers of an electric distribution utility for as long as they remain customers of such electric distribution utility. If a customer of the electric distribution utility purchases electric generation service from a competitive retail electric service provider, the utility will collect the phase-in-recovery charges directly from that customer. If a customer of the utility subsequently receives retail electric distribution service from another electric distribution utility operating in the same service area, including by succession, assignment, transfer or merger, the phase-in-recovery charges will continue to apply to that customer. If a customer switches its retail electric distribution service to a municipal utility, the phase-in-recovery charges will not continue to apply to that customer.

The Securitization Act Protects the Bond Trustee's Lien on Phase-In-Recovery Property. The Securitization Act provides that a valid and binding security interest in phase-in-recovery property may be created only by a financing order and the execution and delivery of a security agreement in connection with the issuance of bonds. The security interest attaches without any physical delivery of collateral or other act. Upon filing of a financing statement with the office of the Secretary of State of Ohio, the lien of the security interest is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the person granting

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the security interest, regardless of whether the parties have notice of the lien. A security interest in the phase-in-recovery property under a financing order is created, valid and binding on the later of:

the date on which the security agreement is executed and delivered, or

the date on which value is received for the bonds.

The Securitization Act provides that the description of the phase-in-recovery property in a transfer or security agreement and a financing statement is sufficient only if the description refers to the applicable section of the Securitization Act and the financing order creating the phase-in-recovery property.

On perfection through the filing of a financing statement with the Secretary of State of Ohio, the security interest (1) will be a continuously perfected lien and security interest in the phase-in-recovery property and (2) will have a priority over all parties having claims, including judicial or other lien creditors, other than creditors holding a prior security interest, ownership interest or assignment previously perfected in accordance with the statutory provision.

The Securitization Act provides that priority of a security interest in phase-in-recovery property will not be impaired by:

commingling of phase-in-recovery revenues with other amounts, or

application of the adjustment mechanism described in Description of the Phase-In-Recovery Property Adjustments to the Phase-In-Recovery Charges.

The Securitization Act Characterizes the Transfer of Phase-In-Recovery Property as a True Sale. The Securitization Act provides (and each sale agreement also provides as required by the Securitization Act) that an electric utility's or an assignee's transfer of phase-in-recovery property under a financing order is a true sale under Ohio law and is not a pledge or a secured transaction, if the documents governing that transfer expressly state that the transfer is a sale or other absolute transfer. Please read Bankruptcy and Creditors Rights Issues and Risk Factors Bankruptcy and Creditors Rights Issues in this prospectus.

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DESCRIPTION OF THE PHASE-IN-RECOVERY PROPERTY

Overview

The phase-in-recovery property of each bond issuer consists generally of its property, rights and interests under the financing order issued by the PUCO on October 10, 2012, as amended by the entry on rehearing issued by the PUCO on December 19, 2012 upon application for rehearing, and entry *nunc pro tunc* issued by the PUCO on January 9, 2013, collectively referred to herein as the **financing order**, including each bond issuer's right:

to impose, charge and collect irrevocable, nonbypassable phase-in-recovery charges from each retail customer within the service territory of CEI, OE or TE, as applicable, and

to adjust those phase-in-recovery charges, in accordance with the adjustment mechanism set forth in the financing order, in an amount sufficient to pay principal and interest on its bonds and, subject to the cap to the extent applicable, other financing costs approved under the financing order.

Portions of the financing order are summarized in this section and elsewhere in this prospectus. We have filed the financing order as an exhibit to the registration statement of which this prospectus is a part.

Each bond issuer will purchase its phase-in-recovery property from its seller. The bonds of each bond issuer are secured primarily by the phase-in-recovery property of the bond issuers. The phase-in-recovery property is not a receivable and, as the primary collateral securing the bonds of the bond issuer, is not a pool of receivables. Collections from the phase-in-recovery charges, as such charges may be adjusted pursuant to the adjustment mechanism, will be used to pay principal and interest on the bonds and, subject to the cap to the extent applicable, other financing costs approved under the financing order. These irrevocable nonbypassable charges will be included in the retail customer bills of CEI, OE or TE, as applicable, and will be collected until the bonds and approved financing costs are paid in full. Phase-in-recovery charges may not be reduced, impaired or adjusted by the PUCO except for periodic adjustments, in accordance with the adjustment mechanism, to correct overcollections or undercollections to ensure the recovery of amounts sufficient to timely provide all payments of debt service on the bonds and, subject to the cap to the extent applicable, other approved financing costs. All revenues and collections from phase-in-recovery charges provided for in the financing order are part of the phase-in-recovery property. Please read **Credit Enhancement** in the accompanying prospectus supplement for more information relating to the phase-in-recovery property.

Financing Order and Issuance Advice Letters

The Securitization Act authorizes the PUCO to issue a financing order, which is a regulatory order that approves the amount of an electric utility's phase-in costs that it is permitted to finance through the issuance of bonds. On May 3, 2012, CEI, OE and TE filed a joint petition for a financing order with the PUCO. The PUCO issued a financing order dated October 10, 2012, as amended, which authorized the issuance of up to \$555 million aggregate principal amount of bonds based upon then current estimates of unrecovered phase-in-cost balances of the Ohio Companies as of December 31, 2012.

The financing order, together with the issuance advice letters, establishes, among other things, the phase-in-recovery charges for each Ohio Company to recover its reimbursable phase-in costs and financing costs as specified in the financing order. The phase-in-recovery charges of each Ohio Company are nonbypassable in that customers must pay it whether or not they purchase energy from CEI, OE and TE, or a third party supplier of energy. The Securitization Act provides that the right to collect payments based on the phase-in-recovery charges is a property right which may be pledged, transferred, assigned or sold in connection with the issuance of the bonds. Under the financing order, the phase-in-recovery property is created simultaneous with its sale to the applicable bond issuer who, as the owner of such phase-in-recovery property, is entitled to impose, bill and collect the phase-in-recovery charges until it has received payments from customers of the applicable Ohio Company sufficient to retire all outstanding bonds and to pay all other approved financing costs, including all upfront and ongoing financing costs approved in the financing order. Phase-in-recovery charges are subject to adjustment semiannually (other than the

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initial adjustment, which will be completed within 12 months after the issuance date of the bonds, and the period commencing with the start of the last year that the last maturing tranche of bonds of each bond issuer is outstanding and ending with the final maturity date, during which adjustments may be made as frequently as monthly). Such charges will be included in retail customers' bills, and there will be a separate notation on customers' bills denoting that the right to impose, charge and collect phase-in-recovery charges is owned by the applicable bond issuer. Please read "Phase-In-Recovery Charges" and "Adjustments to the Phase-In-Recovery Charges" below.

The financing order requires each of the sellers to submit an issuance advice letter relating to the bonds to the PUCO no later than the end of the first business day after the pricing date for that tranche of bonds. Each issuance advice letter, in the form set forth in the financing order and filed as an exhibit to the registration statement of which this prospectus is a part, will establish final terms and conditions of the applicable bonds. The financing order also requires each of the sellers to file updated tariff sheets to reflect the final initial phase-in-recovery charges based upon actual costs and any other revised assumptions at the time of pricing of the bonds. The initial phase-in-recovery charges and final terms of the bonds as set forth in an issuance advice letter will automatically become effective no later than the fourth business day after pricing unless prior to such time the PUCO issues an order finding that market conditions are such that customers will not realize cost savings from the issuance of the bonds and directing the bond issuers not to proceed with the securitization.

Phase-In-Recovery Property

The phase-in-recovery property is a property right consisting generally of the right to impose, charge and collect phase-in-recovery charges from retail customers, the right to adjust those phase-in-recovery charges and the right to all revenues, collections, claims, payments, money or proceeds of or arising from the phase-in-recovery charges and the property, rights and interests created under the financing order. The bonds of each bond issuer will be secured by the phase-in-recovery property, as well as the other bond collateral described under "Description of the Bonds" Security.

Phase-In-Recovery Charges

The phase-in-recovery charges of each Ohio Company are designed to recover on a fully reconciling basis all of its respective phase-in costs. The phase-in-recovery charges are the mechanism through which each of CEI, OE and TE is allowed to recover its respective phase-in costs. Recovery of the phase-in costs was previously approved by the PUCO through separate existing riders. See "The Securitization Act" Recovery of Phase-In Costs.

Each of the servicers will calculate and set their respective initial phase-in-recovery charges at a level estimated to generate sufficient revenues (and taking into account the cap on certain ongoing financing costs):

to pay fees and expenses related to the servicing and retirement of the bonds of the related bond issuer and of the certificates allocable to the bond issuer, including, without limitation, fees and expenses related to trustee costs, rating agency surveillance fees, legal and accounting fees and other ongoing financing costs, as well as adjustments for dealing with estimated and actual costs;

to pay interest on the bonds;

to pay principal of each tranche of such bonds according to the related expected amortization schedule;

to replenish the capital subaccount to the required capital level; and

to pay all additional fees, costs and charges and, subject to the cap to the extent applicable, other financing costs approved under the financing order.

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The table below sets forth each Ohio Company's estimate of its respective initial phase-in-recovery charges as of _____, 2013, compared with the estimate of the charges based on current recovery methods. The amounts shown in the table are dependent on a number of assumptions as described below and based on current estimates and market conditions. Such amounts will also periodically change throughout the recovery period in accordance with the approved adjustment mechanism described below. See Adjustments to the Phase-In-Recovery Charges.

Company	Estimated Initial Phase-In-Recovery Charges (per kWh)	Estimated Monthly Cost for Typical Residential Bill (per 1,000 kWh)	Average Total Monthly Charge for 1,000 kWh Residential Customer Under Current Recovery	Estimated Total Monthly Savings for 1,000 kWh Residential Customer
CEI	\$	\$	\$	\$
OE	\$	\$	\$	\$
TE	\$	\$	\$	\$

The estimated initial phase-in-recovery charges are based on a number of assumptions as of _____, 2013 including but not limited to the settlement date of the transaction, the long-term electricity sales forecast, interest rates, average uncollectible percentages, average days sales outstanding and financing costs.

Adjustments to the Phase-In-Recovery Charges

The initial adjustment to the phase-in-recovery charges will be completed within 12 months after the issuance date for the bonds. Thereafter, during the life of the bonds of a bond issuer, the related servicer will calculate and adjust the phase-in-recovery charges semiannually, with the exception of the period commencing with the start of the last year that the last maturing tranche of the bonds is expected to be outstanding and ending with the final maturity date, in which case adjustments as frequently as monthly may be necessary. These adjustments to the phase-in-recovery charges will be set at levels estimated to generate revenues sufficient to pay, subject to the cap to the extent applicable, approved fees and expenses of servicing the bonds and an allocable portion of the certificates, to pay interest on, and principal of, the bonds and, thus, an allocable portion of the certificates, to fund and replenish other subaccounts of the bond issuer as required for the upcoming year and other financing costs approved in financing order.

Each servicer will increase or decrease the phase-in-recovery charges for its bond issuer over the life of the bonds issuer's bonds as a result of several factors, including but not limited to:

changes in electricity sales forecasts;

changes in weighted average days outstanding of customer receivables and charge-off experience (including defaults by any third party billers);

changes in any ongoing fees, costs and expenses or other ongoing financing costs; and

unpaid interest on or deferred principal of the bonds.

The adjustments to the phase-in-recovery charges will continue until all interest on, and principal of, all tranches of bonds of the related bond issuer, and, thus, an allocable portion of the related tranches of certificates, and, subject to the cap to the extent applicable, other approved financing costs have been paid or distributed in full.

The financing order provides that the servicers will each file adjustment requests as follows:

No later than November 1 and May 1 of each year (subject to the exceptions described above for the initial adjustment and the last year each tranche of bonds is expected to be outstanding), each servicer will file with the PUCO an adjustment request for approval of such servicers' adjusted phase-in-recovery charges and corresponding amended tariff sheets.

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Unless otherwise ordered by the PUCO, these adjusted phase-in-recovery charges and the associated tariff amendments will become automatically effective on a service rendered basis 60 days after the filing of the adjustment request. The PUCO's review of these requests is limited to determining whether there is any mathematical error in the servicer's application of the adjustment mechanism to the phase-in-recovery charges.

The adjustment requests will take into account amounts available in a bond issuer's general subaccount and excess funds subaccount, and amounts necessary to replenish the capital subaccount to its required level, in addition to amounts payable on the bonds and related fees and expenses.

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SALE AGREEMENTS

The following summary describes particular material terms and provisions of the sale agreements pursuant to which each bond issuer will purchase phase-in-recovery property from its seller. We have filed the form of the sale agreement as an exhibit to the registration statement of which this prospectus forms a part. This summary does not purport to be complete and is subject and qualified by reference to the provisions of the sale agreements.

The Ohio Companies, as sellers, have agreed in the sale agreements not to sell phase-in-recovery property to secure another issuance of bonds or certificates if it would cause the then existing ratings on the certificates from Standard & Poor's, Moody's and Fitch's to be downgraded.

On the issuance date of the certificates, each seller will sell and assign to the applicable bond issuer, without recourse, its entire interest in its phase-in-recovery property. Each seller's phase-in-recovery property will include all of such seller's rights under the financing order related to such phase-in-recovery property to impose, charge and collect phase-in-recovery charges in an amount sufficient to pay the applicable bond issuer's bonds and approved financing costs. Each bond issuer will apply the net proceeds from the sale of its bonds to the issuing entity to purchase its phase-in-recovery property. Each seller's financial statements will indicate that it is not the owner of the phase-in-recovery property. However, for financial reporting and tax purposes a seller will treat the bonds as representing debt of such seller.

Seller Representations and Warranties

In the sale agreements, each of the sellers will separately represent and warrant to its bond issuer, as of the closing date, among other things, that:

- (a) the information describing such seller in "The Sponsors, Sellers, Initial Servicers and Depositors" section of this prospectus is correct in all material respects;
- (b) the seller has transferred the phase-in-recovery property, free and clear of all security interests, liens, charges and encumbrances (other than any created by Section 4928.2312 of the Securitization Act and any in favor of the bond issuer);
- (c) the phase-in-recovery property has been validly transferred and sold to the bond issuer and all filings (including filings with the Secretary of State of the State of Ohio as required under the Securitization Act) necessary in any jurisdiction to give the bond issuer a valid, perfected ownership interest (subject to any lien created by Section 4928.2312 of the Securitization Act) in the phase-in-recovery property have been made;
- (d) under the laws of the State of Ohio (including the Securitization Act) and the United States in effect on the closing date:

the financing order pursuant to which the phase-in-recovery property has been created is in full force and effect;

the bondholders are entitled to the protections of the Securitization Act and the financing order is not revocable by the PUCO;

the State of Ohio may not rescind, alter or amend the Securitization Act or take or permit any other action that impairs the value of the phase-in-recovery property or revise the phase-in costs for which recovery is authorized under the financing order or, except for periodic adjustments allowed in accordance with the adjustment mechanism in Section 4928.238 of the Securitization Act, reduce, alter or impair phase-in-recovery charges that are imposed, collected or remitted for the benefit of the bondholders in a manner that would substantially impair the rights of bondholders, absent a demonstration by the State of Ohio that an impairment is a reasonable exercise of its sovereign power and of a character reasonable and appropriate to the public purpose justifying such action until the bonds, together with accrued interest, and, subject to the cap to the extent

applicable, all other approved financing costs are fully paid and performed in full;

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the process by which the financing order was adopted and approved, and the financing order and issuance advice letters themselves, comply with all applicable laws, rules and regulations;

the issuance advice letters have been filed in accordance with the financing order;

the PUCO may not, either by rescinding, altering or amending the financing order, in any way reduce, impair, postpone or terminate the phase-in-recovery charges or impair the phase-in-recovery property or the collection or recovery of the phase-in costs absent a demonstration by the State of Ohio that an impairment is a reasonable exercise of its sovereign power and of a character reasonable and appropriate to the public purpose justifying such action until the bonds, together with accrued interest, and, subject to the cap to the extent applicable, all other approved financing costs are fully paid and performed in full; and

no other approval, order or other action of, or sale or filing with any other governmental body is required in connection with the creation of the phase-in-recovery property, except those that have been obtained or made or will be obtained or made on the closing date;

(e) based on information available to the seller on the closing date, the assumptions used in calculating the initial phase-in-recovery charges are reasonable and are made in good faith;

(f) upon the sale by the seller to the bond issuer of all of its phase-in-recovery property:

there will arise and constitute an existing present property right in all of the phase-in-recovery property which shall continue to exist until the bonds, interest thereon and all other approved financing costs are paid in full;

the creation of the phase-in-recovery property is confirmed and is simultaneous with the sale by the seller to the bond issuer of the phase-in-recovery property;

the phase-in-recovery property includes the right to all revenues, collections, claims, payments, money, or proceeds of or arising from the phase-in-recovery charges, as adjusted from time to time pursuant to the financing order, and all rights to obtain adjustments to the phase-in-recovery charges pursuant to the financing order; and

the owner of the phase-in-recovery property is legally entitled to collect payments arising from the phase-in-recovery charges in the aggregate sufficient, subject to the cap to the extent applicable, to pay the interest on and principal of the bonds of the bond issuer, to pay the fees and expenses incurred by or allocable to the bond issuer in connection with the servicing of the bonds and an allocable portion of the certificates and to replenish the capital subaccount to the required capital level until the bonds together with interest thereon and all other approved financing costs are paid in full;

(g) the seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio, with the requisite corporate power and authority to own its properties as owned on the closing date and to conduct its business as conducted by it on the closing date and to execute, deliver and perform the terms of the sale agreement;