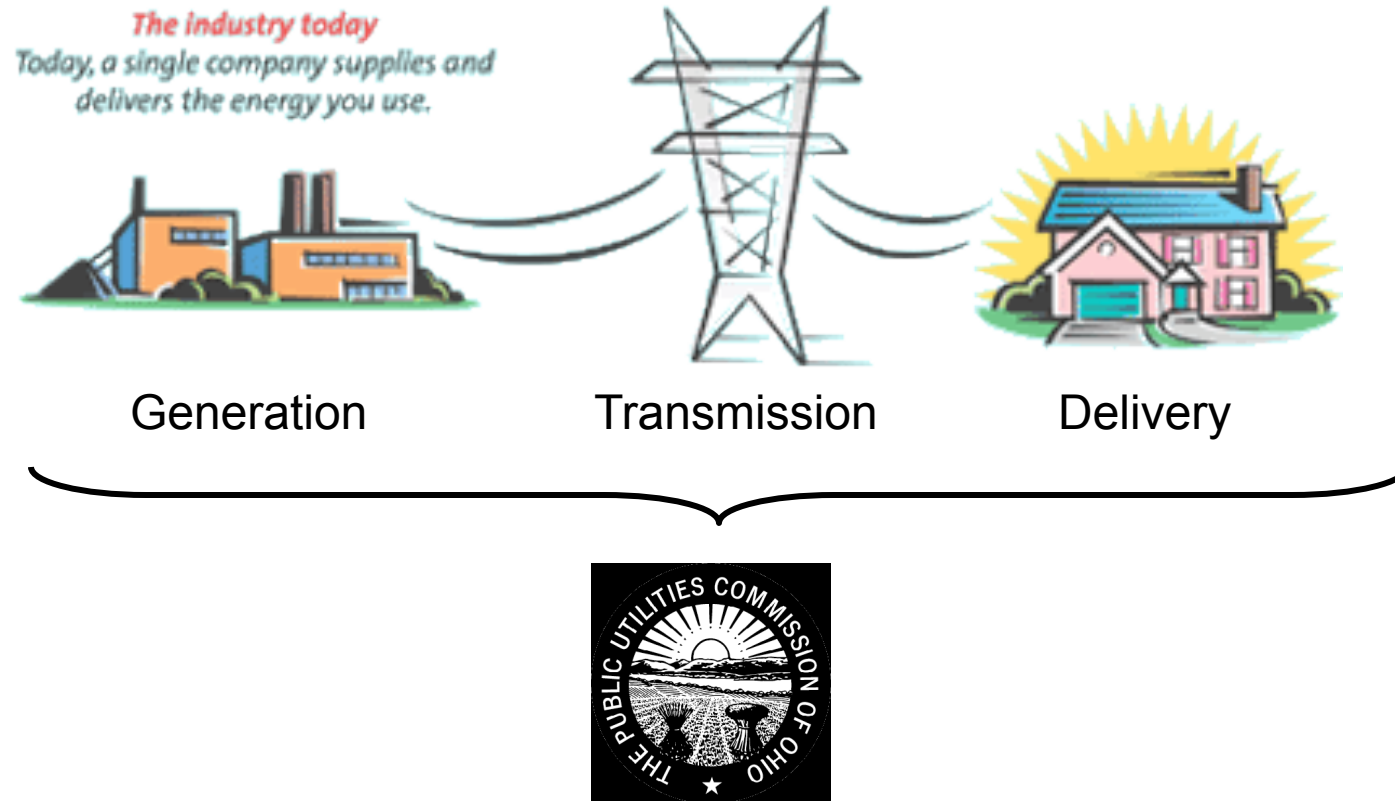


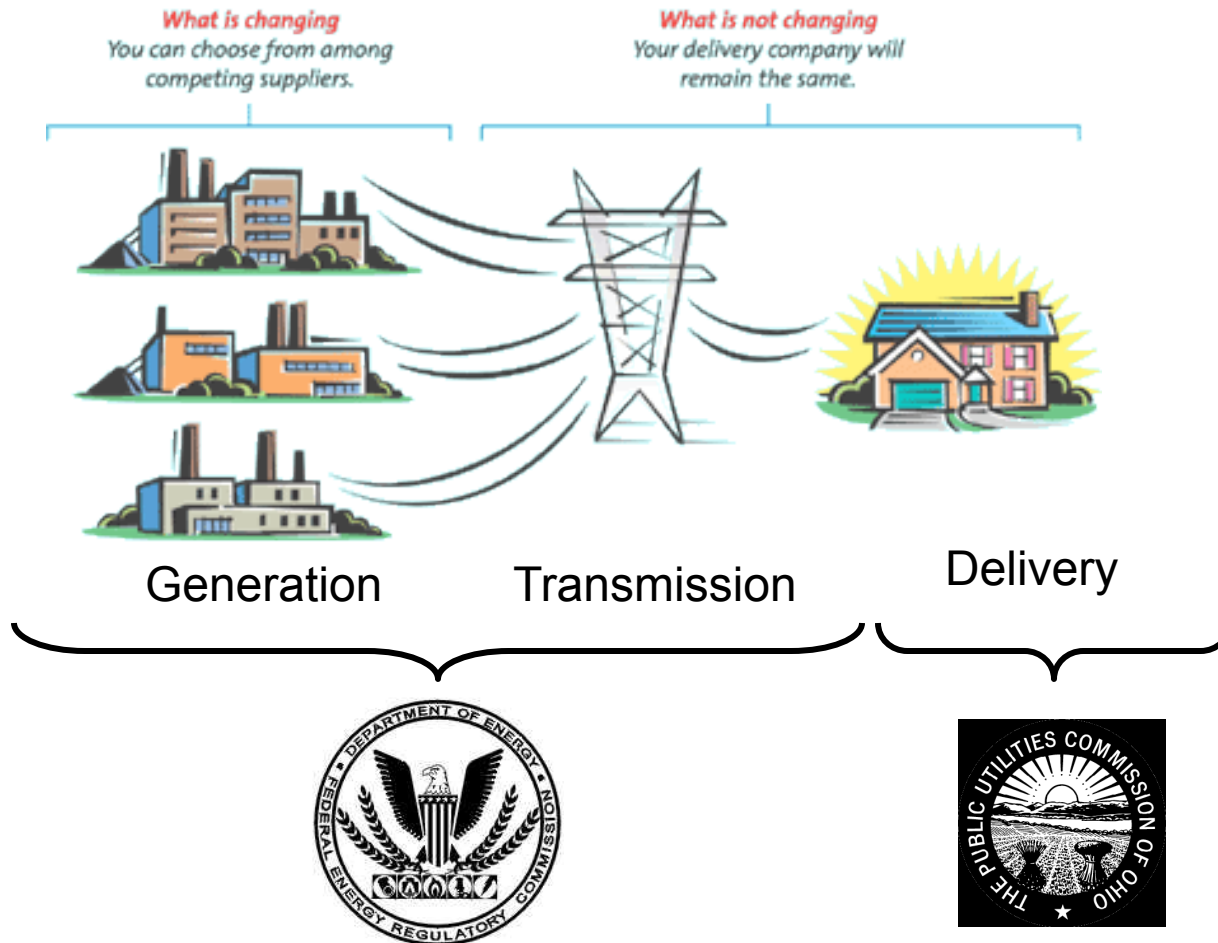
FirstEnergy Electric Rates: Savings Opportunities

March 3, 2010

Regulatory Model



Market Model

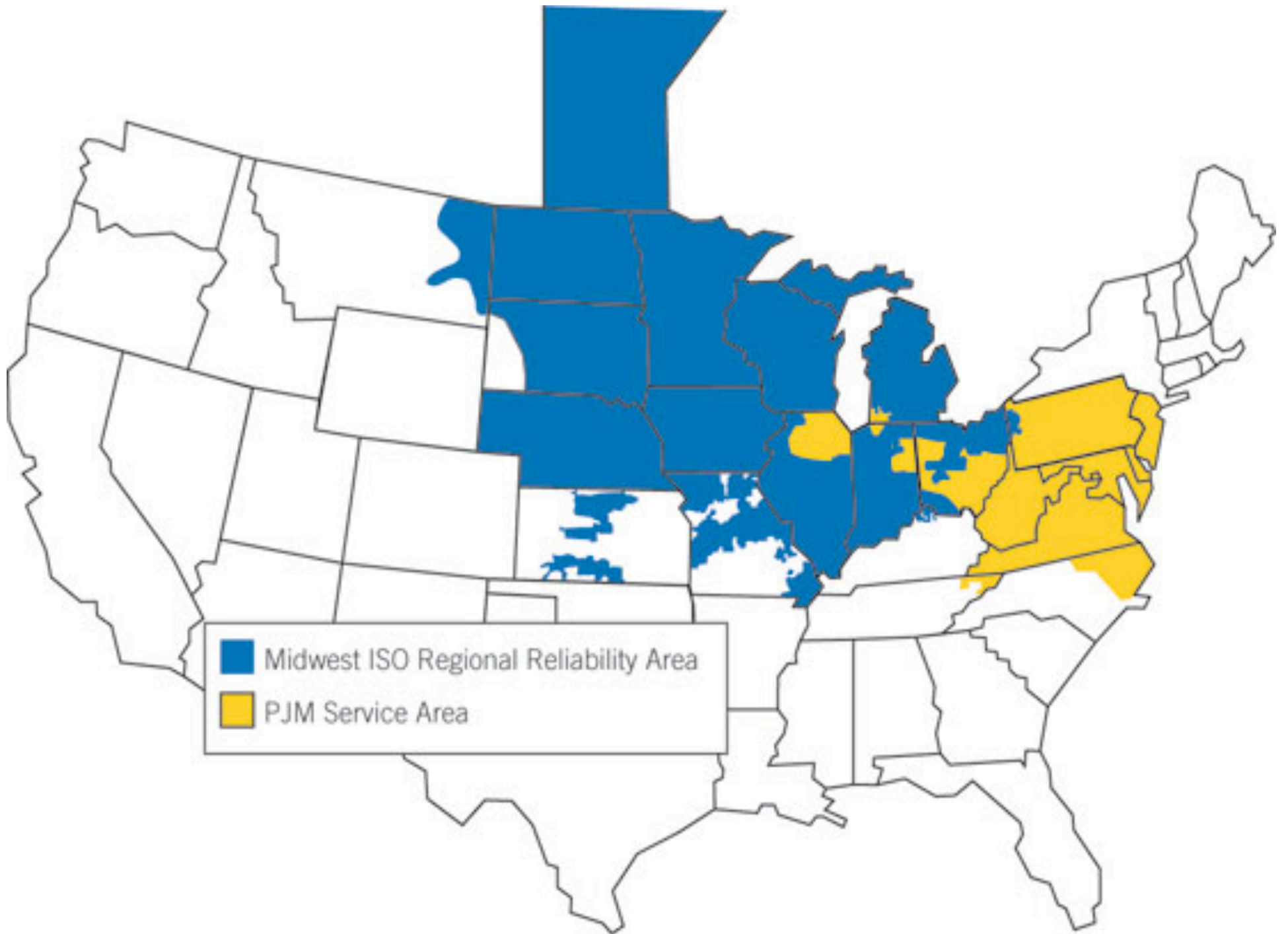


Amended Substitute SB 221

- ▶ Signed by Governor May I, 2008
- ▶ Aggressive energy efficiency requirements
 - ▶ 25% from alternative resources by 2025
 - ▶ 25% efficiency gains by 2025
- ▶ Allowed for an auction to determine default generation rates

FirstEnergy Auction Results

- ▶ Weighted average winning Standard Service Offer (SSO) price was 6.15¢
 - ▶ Far below expectations
 - ▶ 17% below previous year's generation price
- ▶ The SSO rates billed to customers vary by rate schedule and have seasonal variability
 - ▶ Higher rates in the three summer months





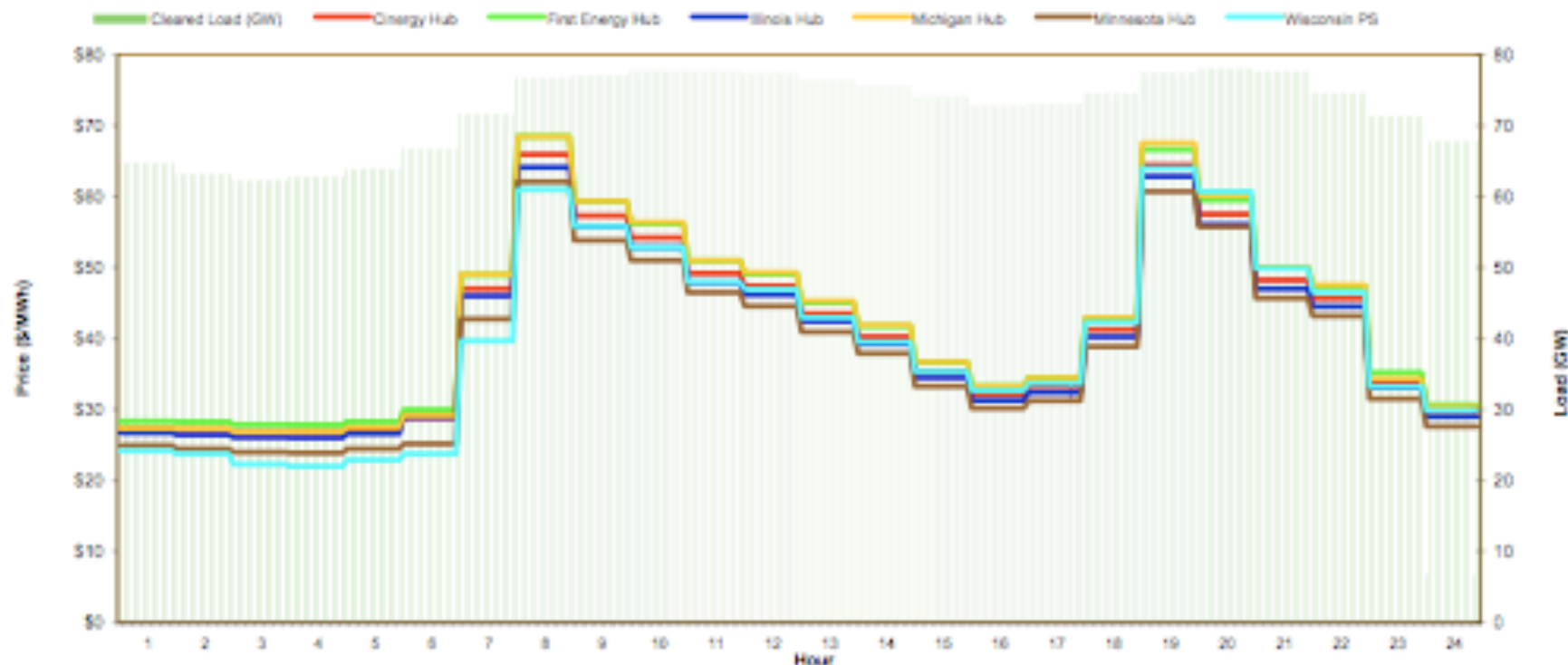
MISO Daily Report

Monday February 1, 2010

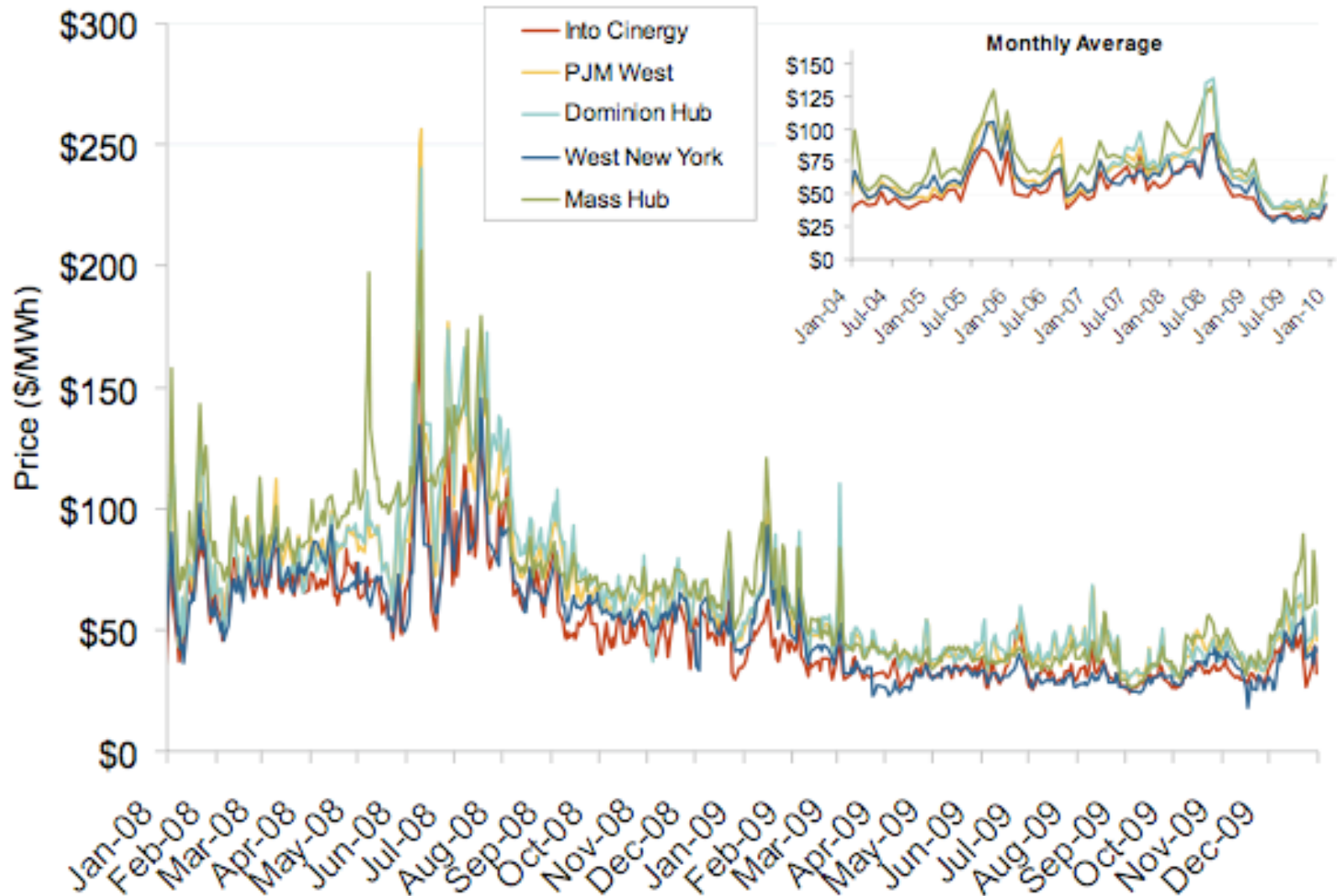
Price	<=0	>=100	>=200
Forecast Error %	0-4.5%	5-9.5%	>=10%

Day-Ahead Prices and Cleared Load

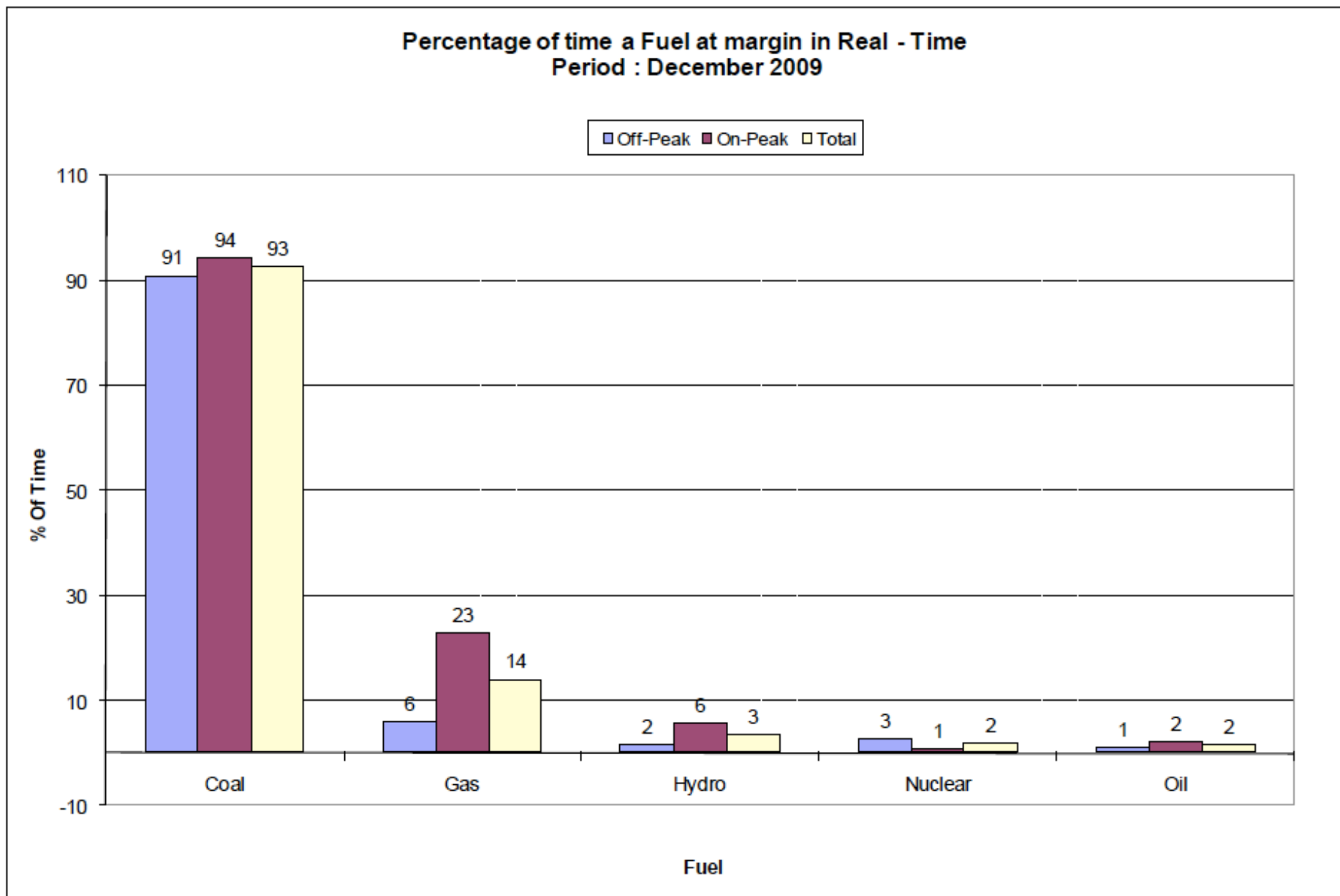
Hour Ending:																									Avg Hr \$			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	All	On Pk		
Energy Hub	27.23	27.08	26.70	26.89	27.23	28.84	47.03	65.93	57.27	54.21	49.17	47.38	43.49	40.28	36.38	32.12	33.25	41.26	64.45	57.53	48.22	45.67	33.92	29.67	41.25	45.84		
First Energy Hub	28.36	28.26	27.88	27.84	28.31	29.96	48.94	68.58	59.37	55.19	51.00	49.09	45.05	41.72	36.67	33.32	34.50	42.78	66.94	59.51	50.34	47.38	35.16	30.64	42.80	48.50		
Illinois Hub	26.68	26.42	26.04	26.03	26.61	28.88	46.01	64.13	55.77	52.85	47.91	46.18	42.40	39.25	34.48	31.28	32.38	40.24	62.96	56.95	48.99	44.93	33.13	29.02	40.25	45.85		
Michigan Hub	27.35	27.27	26.83	26.85	27.45	29.15	49.04	68.48	59.38	55.40	51.01	49.29	45.32	41.90	36.70	33.27	34.46	42.95	67.91	60.11	50.02	47.52	34.31	30.37	42.62	48.86		
Minnesota Hub	24.95	24.48	23.98	23.89	24.48	25.18	42.77	62.07	53.82	51.01	48.50	44.57	40.80	37.88	33.25	30.18	31.25	38.85	60.73	55.77	45.67	43.18	31.49	27.62	38.52	44.20		
Wisconsin PS	24.16	23.70	22.26	21.95	22.85	23.73	39.64	60.97	55.86	52.83	47.99	46.97	42.93	39.50	35.36	32.67	33.66	42.29	64.00	60.72	49.88	46.55	33.27	29.86	39.73	46.59		
Cleared Load (GW)	64.8	63.2	62.3	62.8	64.0	66.8	71.7	76.7	77.2	77.8	77.8	77.4	76.5	75.5	74.2	72.9	73.1	74.7	77.5	76.1	77.7	74.7	71.4	6.8				



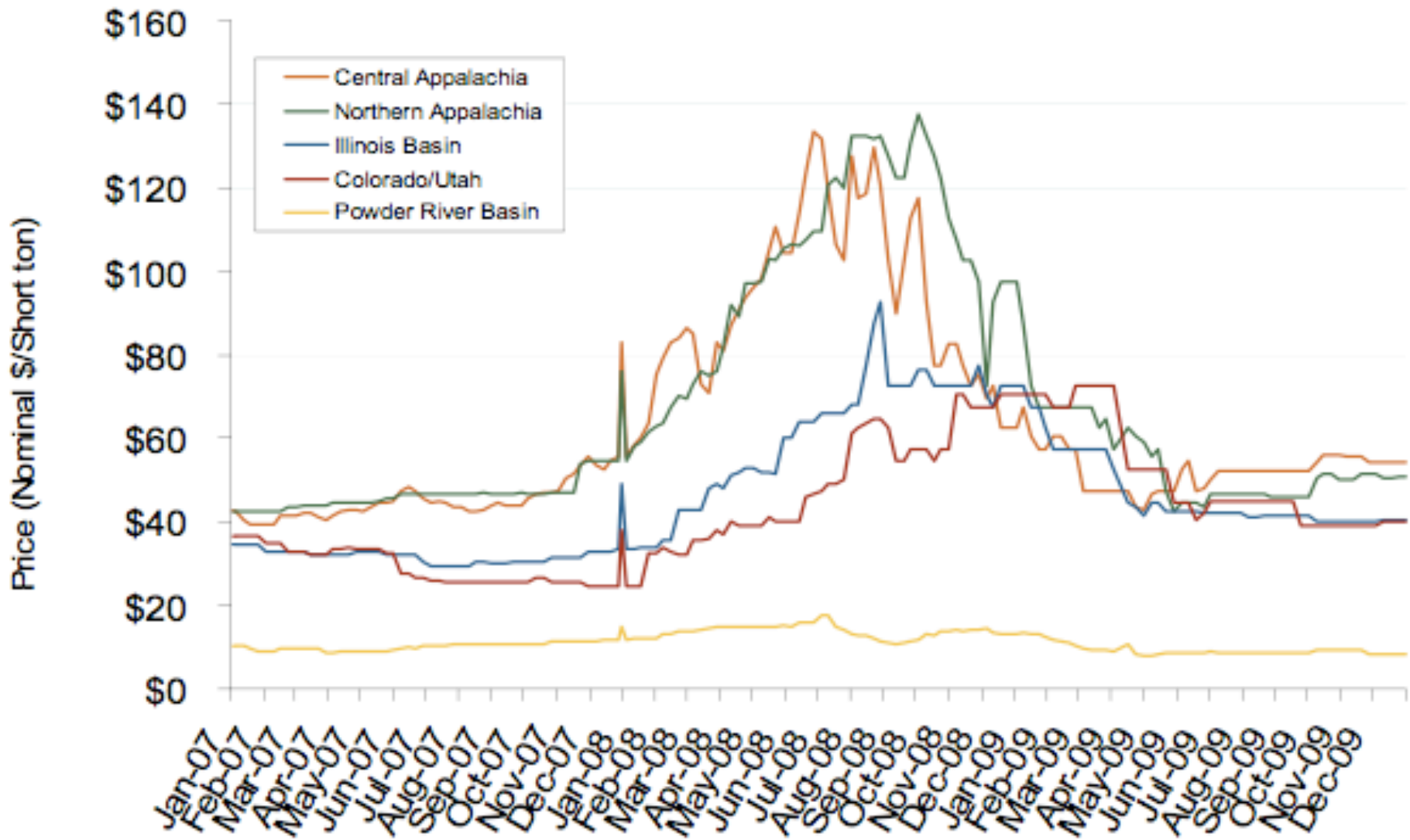
Eastern Daily Bilateral Day-Ahead On-Peak Prices



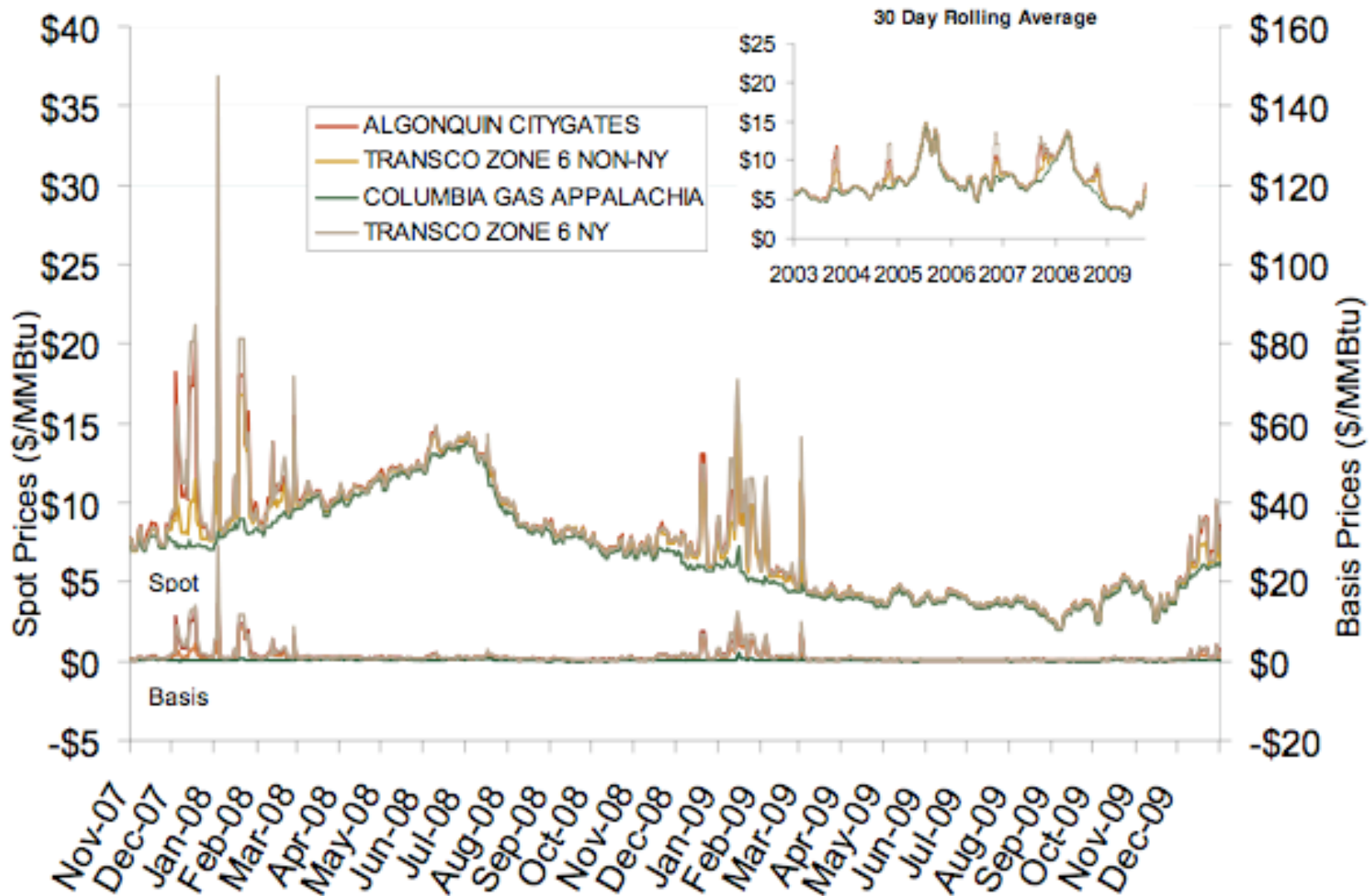
Section 6: Fuel Mix Section



Regional Coal Spot Prices



Northeastern Spot Prices and Basis



Rate Schedule Eligibility

- ▶ **Based on voltage rather than load profile**
 - ▶ The higher the voltage, the lower the price
 - ▶ Cost of transformer ownership often negates any rate schedule savings
 - ▶ These new rates reflect more accurately true cost of service

New rate format: Winners and losers

- ▶ There is tremendous variance in how customers' bills have changed
 - ▶ Some customers may see large increases in costs
 - ▶ Low voltage levels
 - ▶ Good scheduling efficiency
 - ▶ Other customers may actually see decreases
 - ▶ Higher voltage levels
 - ▶ Poor scheduling efficiency

Savings opportunities

- ▶ **The relative prices for consumption and demand have changed**
 - ▶ Efforts to reduce electric consumption (kWh) are rewarded more
 - ▶ Efforts to manage peak demand are not as significantly rewarded
- ▶ **Payback periods for energy savings projects are now different**

Generation shopping: Selecting a product

- ▶ **Fixed price contract**
 - ▶ Can also get fixed on and off-peak product
- ▶ **Block and index**
 - ▶ A block of power is fixed (i.e. 1 mWh) and the rest has exposure to wholesale market
- ▶ **Variable**

Generation shopping: Getting to a good price

- ▶ **Quality of offers will be based on the following factors:**
 - ▶ Load profile
 - ▶ Do you have an interval meter?
 - ▶ Load factor
 - ▶ Do you run off-peak?
 - 10 PM to 6 AM
 - ▶ Has your load experienced significant variability over the past year?
 - ▶ Relative winter/summer usage
 - ▶ Rate Schedule

Generation shopping: Selecting a term

- ▶ **Most offers will extend to the end of the current SSO period (May 2011)**
 - ▶ Many suppliers are unwilling to contract past that point because of FE's potential migration to PJM
- ▶ **Electricity prices are in a sharp state of contango**
 - ▶ There is a large premium built in for contracting for outlier years
- ▶ **Number of summer vs. winter months**

Generation shopping: Traps to avoid

- ▶ Make sure you see the magic words “full requirements” in the contract
- ▶ Watch out for suppliers who try to carve out summer months
- ▶ Bypassable charges
 - ▶ “Change of Law” provisions are nearly universal, but beware of other pass-throughs

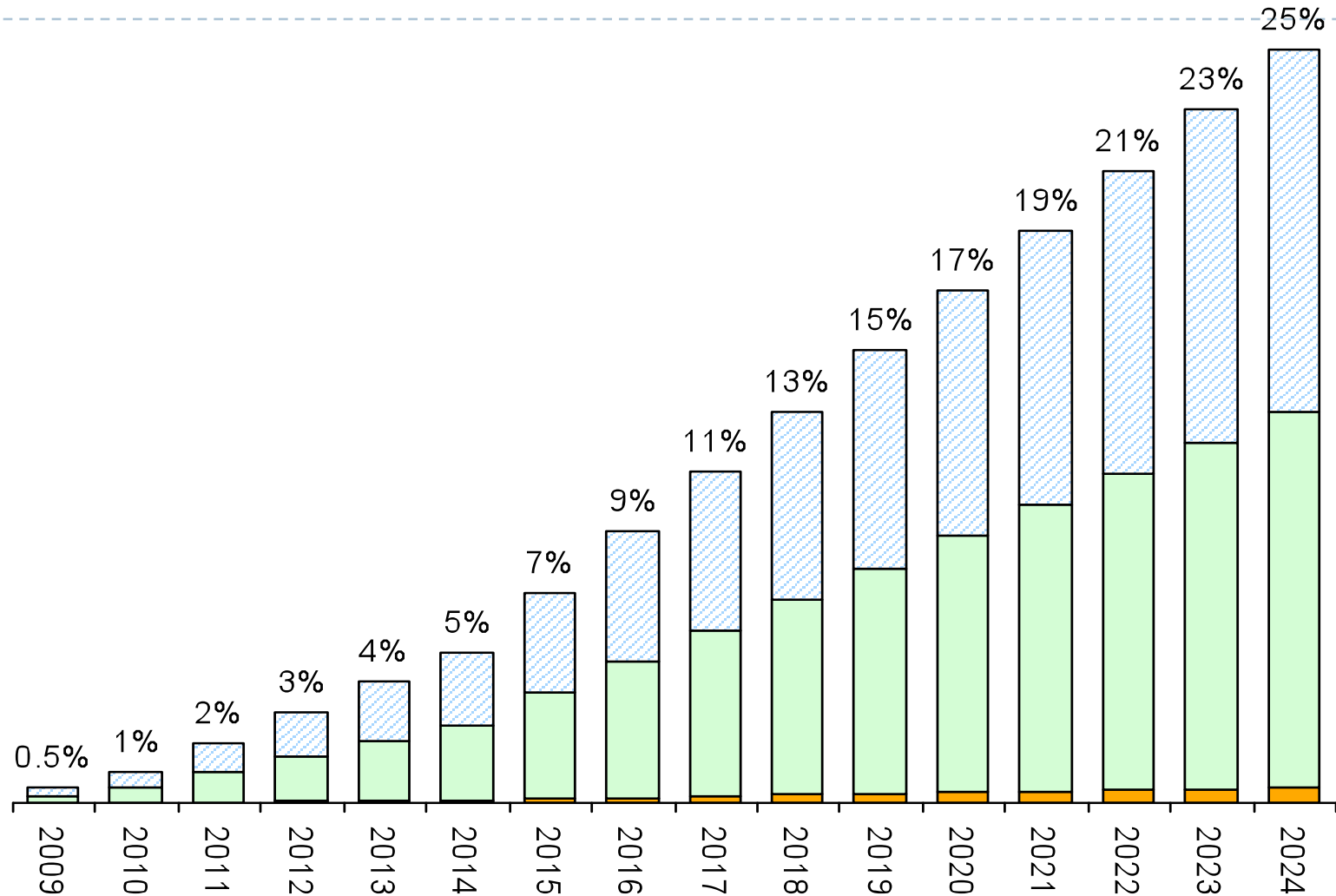
SB 221 Energy Efficiency Mandates

- ▶ Ohio distribution utilities are required to meet portfolio standards beginning this year

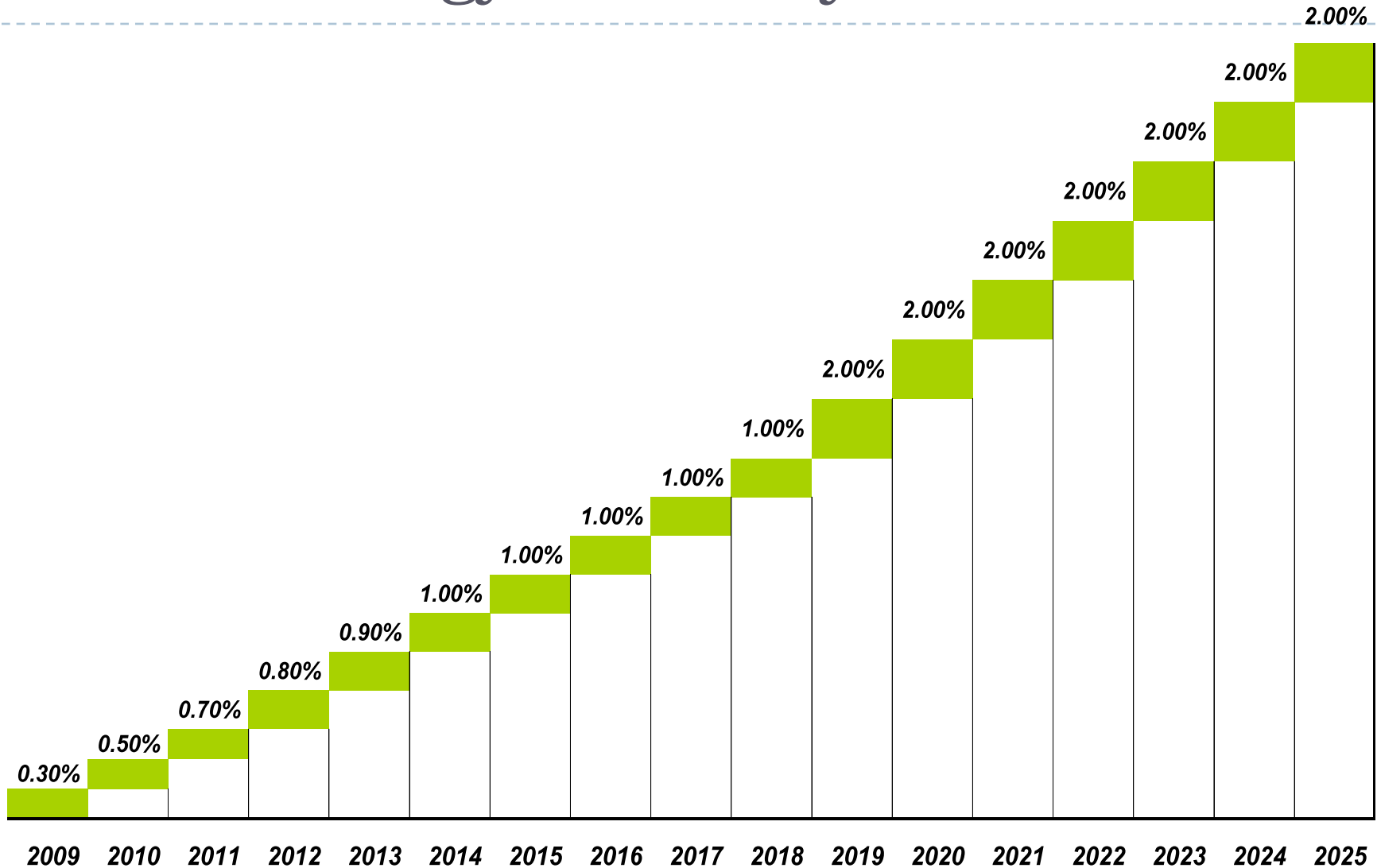
DSE2 Rider

- ▶ Rider to allow FirstEnergy to recoup costs associated with SB 221 portfolio standards
- ▶ Customers can become exempt from rider by having completed certain energy efficiency projects
 - ▶ Projects completed on or after Jan 1, 2007 count for compliance
- ▶ Can work directly through FirstEnergy or certain approved “administrators”

SB 221 Alternative Energy Mandates



SB 221 Energy Efficiency Mandates



Light Bulb Gate



Proposed 2010 DSE2 Rates

Utility	Secondary	Primary	Subtrans- mission	Transmission
OE	0.1252¢	0.0465¢	0.0461¢	0.0460¢
CEI	0.1392¢	0.0677¢	0.0675¢	0.0671¢
TE	0.0776¢	0.0352¢	0.0351¢	0.0350¢

Working through an administrator

- ▶ Pre-established administrators can work with customers to become exempt from the rider
- ▶ Administrators will get paid 1¢/kWh for the first two million kWh's of efficiency, and 1/4¢ for every kWh thereafter.
 - ▶ Technically, it is the administrator getting paid, so make sure this is getting passed on to you!