

FirstEnergy Ohio Utilities Electric Rates, Riders, Tariffs and Credits Effective June 1, 2009

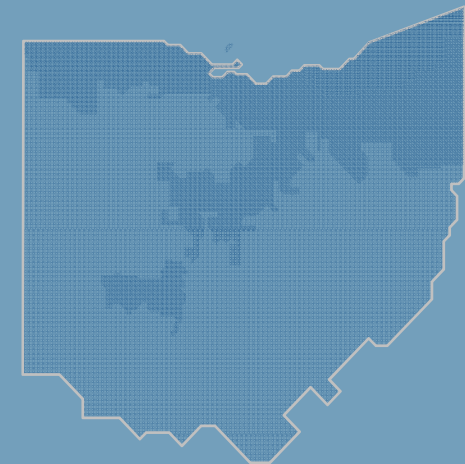
Steven E. Ouellette

Director, Rates and Regulatory Affairs - Ohio
FirstEnergy Service Company

Association of Electrical Engineers

FirstEnergy Ohio Utilities Rates Seminar

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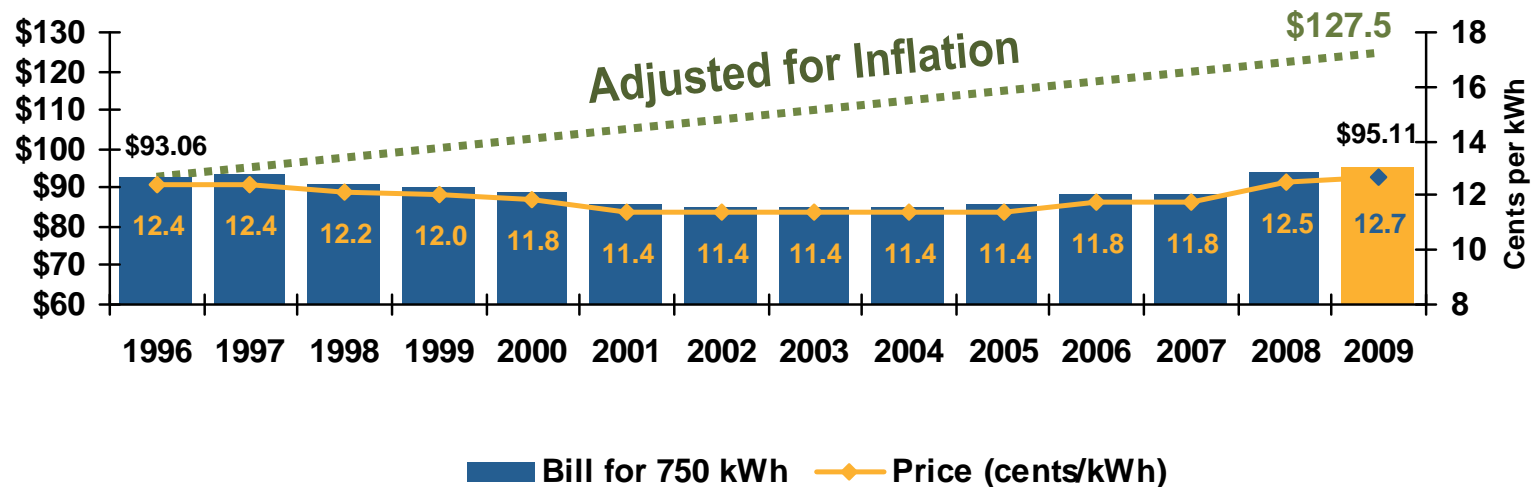
Ohio Legislation and Regulatory Background

- **Generation rate freeze ended on December 31, 2008**
- **S.B. 221 responds to concerns about rising electricity prices seen in states with expiring price caps**
- **S.B. 221 became effective on July 31, 2008, and includes framework for Standard Service Offers, Energy Efficiency and Peak Demand Management and Alternative Energy Resource Requirements**
- **In March 2009, PUCO approved the Companies' modified Electric Security Plan (ESP) including a Competitive Bid Process for generation for the period June 1, 2009, through May 31, 2011**

Where We Started: A Long History of Stable Rates

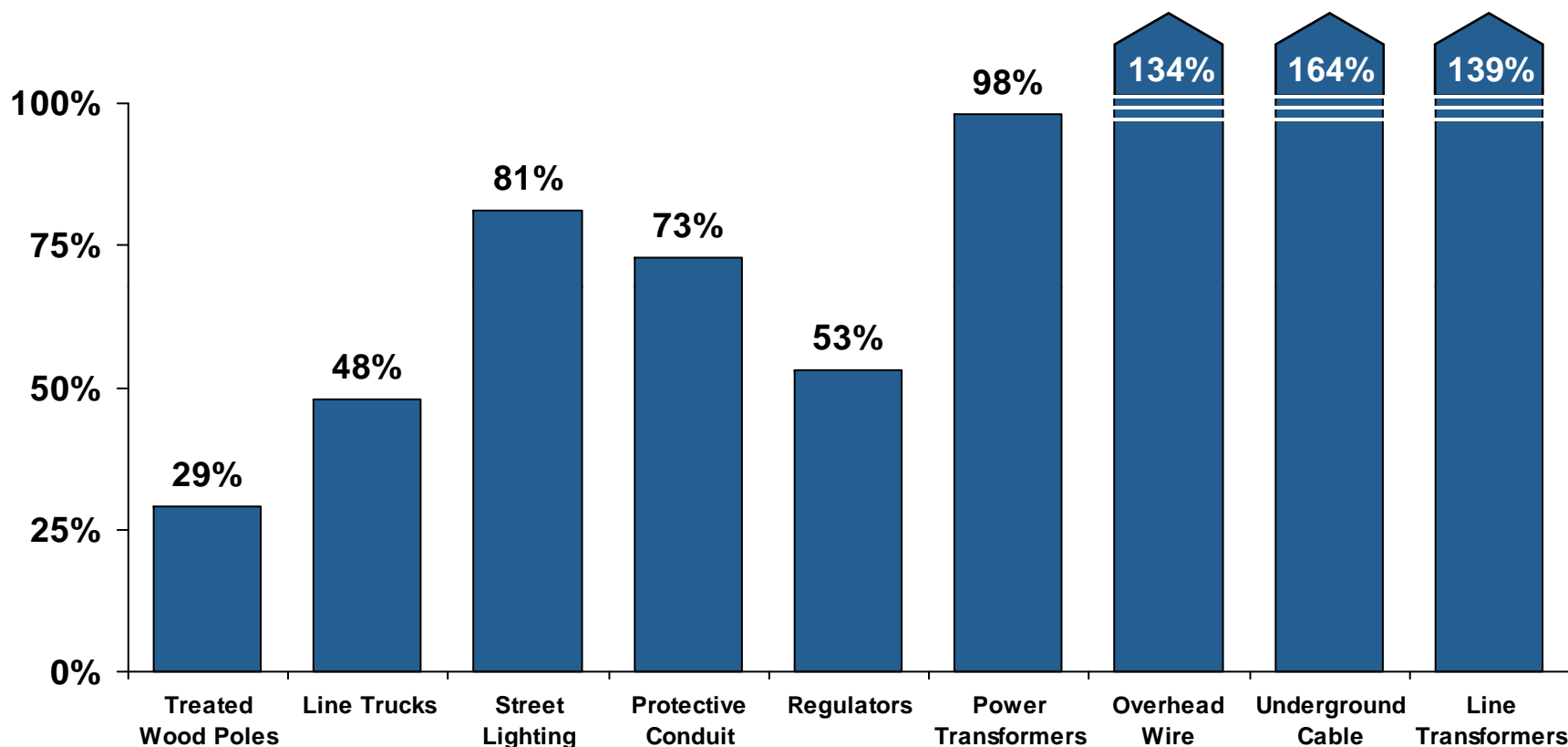
- The Illuminating Company

Bill for 750 kWh and Residential Price (cents per kWh)



Cost Increases – Last Six Years

Energy Delivery Equipment Cost Increases Since 2003*



The cost of the materials utilities must use to deliver electricity to customers has skyrocketed during the past six years.

* Sources: Handy-Whitman Index of Electric Utility Equipment; Bureau of Labor Statistics Producer Price Index for select components.

ESP Stipulated Agreement

Overview

- Agreement reached with vast majority of parties representing many diverse interests
- Hybrid generation plan – Competitive Bid Process within an ESP
- Provides stable generation and distribution rates
- Provides framework for Energy Efficiency, Peak Demand Reduction, and Alternative Energy Portfolio compliance

Milestones

- Approved in two Commission orders on March 4 and March 25, 2009
- Competitive Bid Process held for generation and transmission service on May 13-14, 2009

Competitive Bid Process Results

“We’re proud of the way the auction was conducted and commend the participants, the auction manager and our consultant for making this such a success.”

– Dr. Alan R. Schriber , Chairman, PUCO; May 14, 2009



- Resulted in a weighted average wholesale price of 6.15 ¢/kWh for generation and transmission
- Generation schedules match the new voltage-based Distribution schedules
- Rates are differentiated by distribution losses
- Time-of-Use, Critical Peak Pricing, and Real-Time Pricing options are not currently available; may be implemented as early as fourth quarter of this year

Generation Rate Design (continued)

- Rates based on the 6.15¢ wholesale auction price:

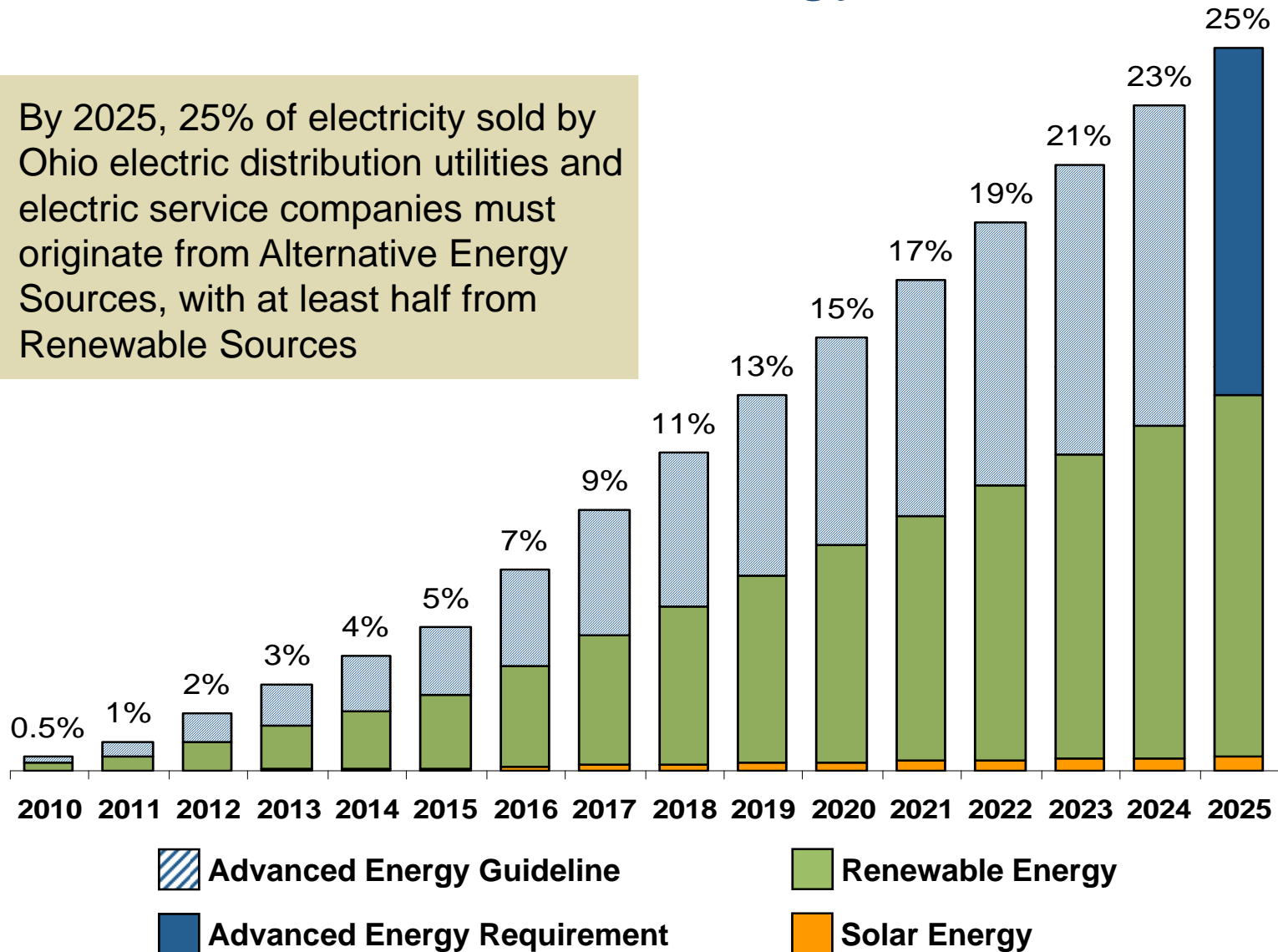
Rate Class	Usage Category	Loss Factors	Seasonal Factors	Rates per kWh
RS	Summer			
	First 500 kWh	0.0628	1.118	6.88 ¢
	Over 500 kWh	0.0628	1.118	7.88 ¢
	Non-Summer	0.0628	0.9581	6.30 ¢
GS	Summer	0.0628	1.118	7.36 ¢
	Non-Summer	0.0628	0.9581	6.30 ¢
GP	Summer	0.0291	1.118	7.10 ¢
	Non-Summer	0.0291	0.9581	6.09 ¢
GSU	Summer	0.001	1.118	6.90 ¢
	Non-Summer	0.001	0.9581	5.91 ¢
GT	Summer	0	1.118	6.89 ¢
	Non-Summer	0	0.9581	5.91 ¢
STL, TRF, POL	Summer	0.0628	1.118	7.36 ¢
	Non-Summer	0.0628	0.9581	6.30 ¢

SB 221 Energy Standards

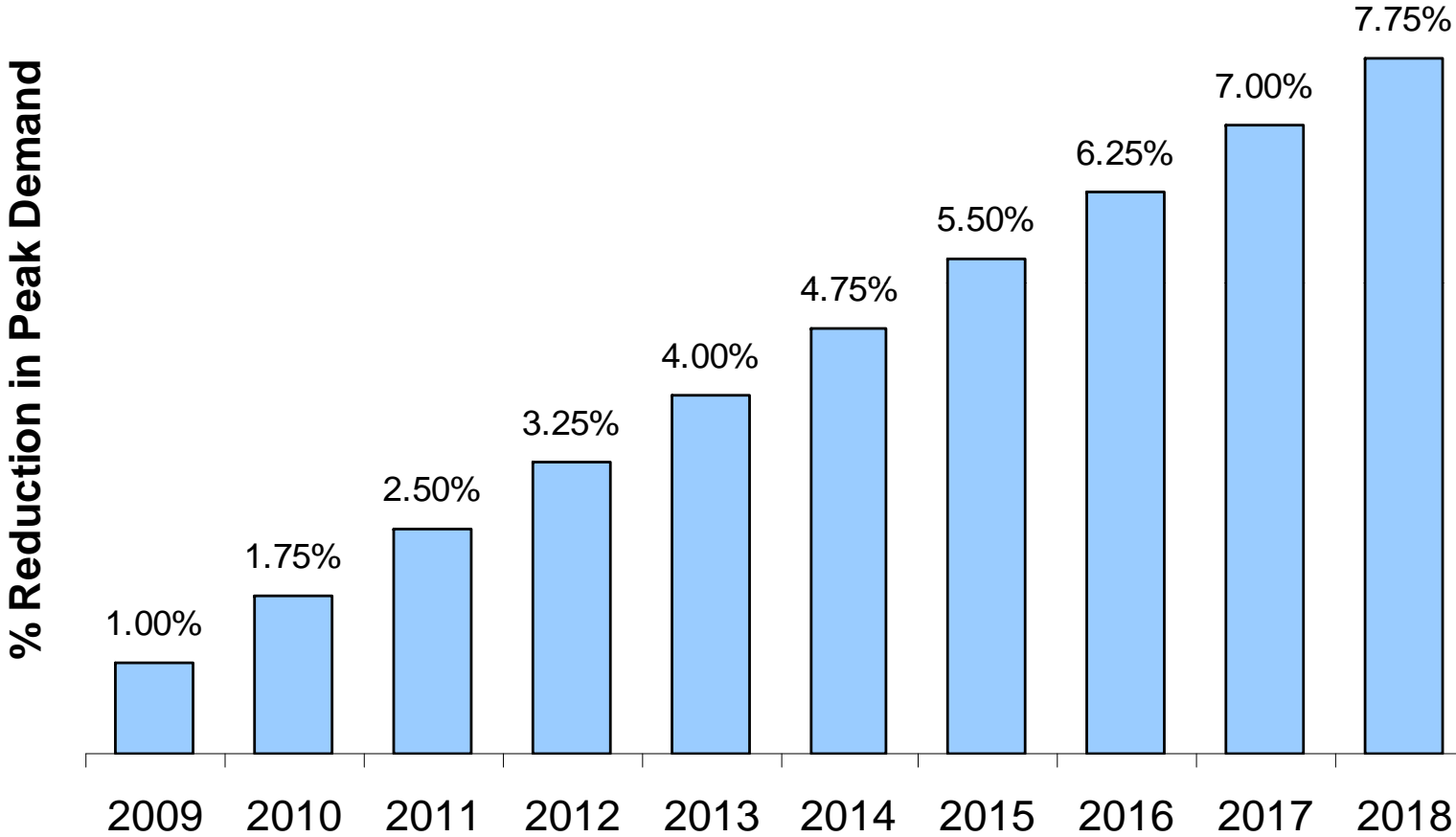
- **SB 221 established state-wide goals for energy reduction and alternative energy sourcing**
- **Electric Distribution Companies must meet established schedules or risk penalties for non-compliance**
 - Alternative Energy Resources: 25% by 2025 with specific annual targets for renewable and solar
 - Peak Demand Reduction: 7.75% by 2018
 - Energy Efficiency: cumulative annual reductions totaling over 22% by 2025

S.B. 221 – Alternative Energy Portfolio

By 2025, 25% of electricity sold by Ohio electric distribution utilities and electric service companies must originate from Alternative Energy Sources, with at least half from Renewable Sources

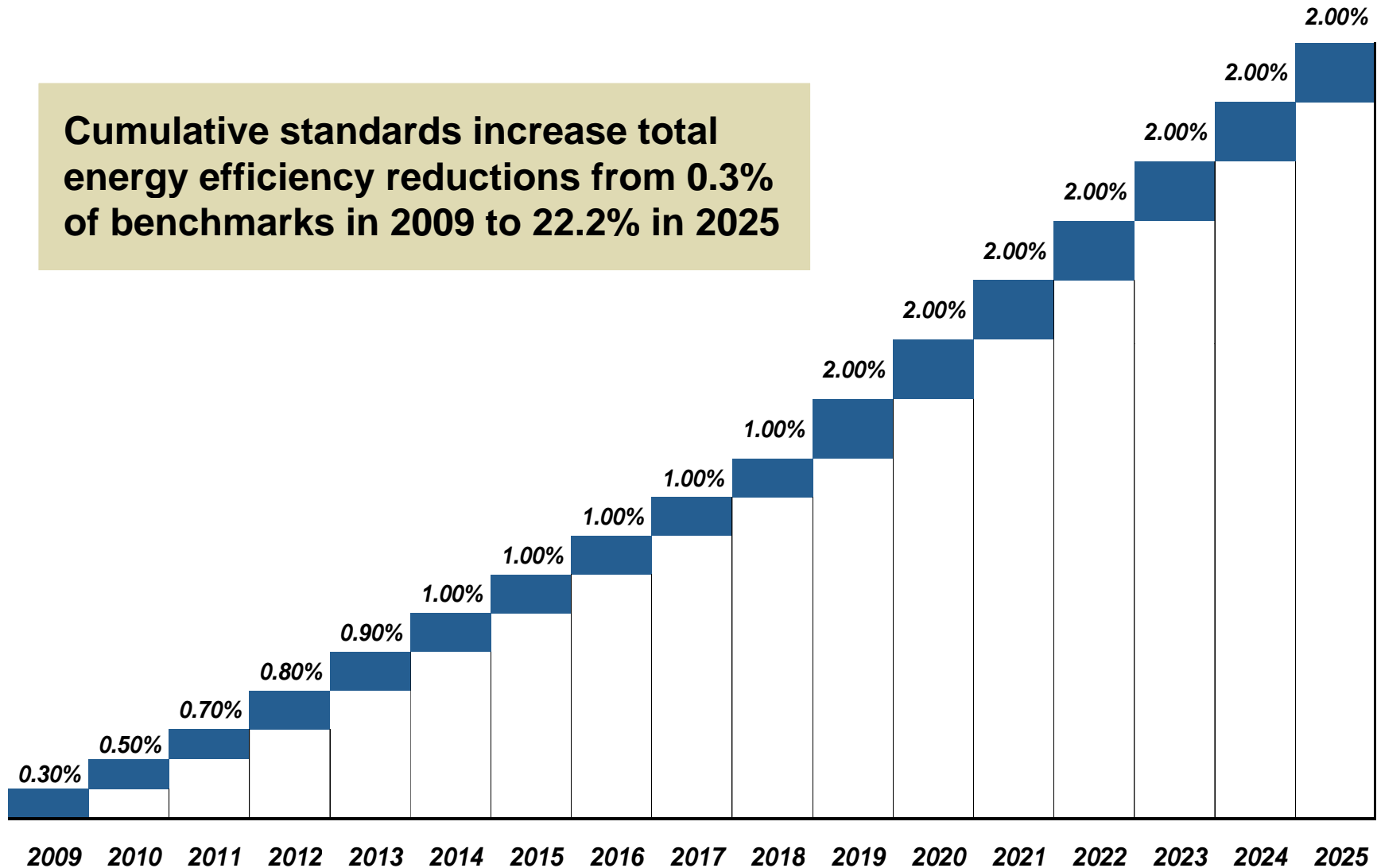


SB 221 – Cumulative Peak Demand Reduction



S.B. 221 – Energy Efficiency Standards

Cumulative standards increase total energy efficiency reductions from 0.3% of benchmarks in 2009 to 22.2% in 2025



FirstEnergy Savings Opportunities

Optional Load Response (OLR) Program

- Available to customers with at least one MW curtailable load who can physically demonstrate curtailment with a 10-minute notice
- Customers on OLR are subject to Emergency Curtailments
- Credit of \$1.95/kW/ month applied against a Realizable Curtailable Load
- Avoid certain charges in Rider DSE
- Program details are available in the Company's Tariffs

FirstEnergy Savings Opportunities (cont'd)

Demand Side Management (DSM) and Energy Efficiency (EE) Programs

- **FirstEnergy's Demand Side Management and Energy Efficiency Rider (DSE) developed to recover costs associated with S.B. 221 Peak Demand Reduction and Energy Efficiency compliance**
 - DSE1 Charges: Recover costs associated with interruptible programs, ELR and OLR
 - DSE2 Charges: Recover costs associated with energy efficiency programs
- **Mercantile customers may apply to the PUCO to avoid DSE2 charges**
 - Joint application between FirstEnergy and the customer to the PUCO
- **The PUCO has final authority to exempt customers and is creating the final program rules**

DSE Rider Exemption – Potential Customer Benefits

- **Potential to avoid DSE2 Rider charges that will begin in 2010**
 - DSE2 charges are currently 0.0¢ per kWh, but will increase in line with FirstEnergy’s compliance costs for SB 221 DSM/EE requirements
- **Potential charge estimates**
 - Estimates provide discussion points only. Energy efficiency program compliance costs and participation levels will affect rider charges

Scenario	2010	2011	2012
Low	0.01	0.03	0.09
Moderate	0.01	0.04	0.13
High	0.02	0.07	0.16

Prices in ¢/kWh

- **For a customer using 2 GWh per month, these potential charges could mean over \$38,000 annually by 2012**

DSE Rider Exemption – How to participate

- **Submit project application detailing information**
 - Include all supporting documentation for measuring and verifying energy savings
 - Must prove projects are installed and operating
 - Must provide basis for kWh savings claimed
- **Agreement between customers and FirstEnergy**
 - Customer commits energy efficiency savings for utility compliance use
- **For more details, please contact your FirstEnergy representative, or a qualified program administrator**

Energy Efficiency – Qualified Administrators

- **The following organizations are qualified administrators under FirstEnergy’s energy efficiency program***
 - AICUO – Assoc. of Independent Colleges & Universities of Ohio
 - CCAO – County Commissioners’ Association of Ohio
 - COSE – Council of Smaller Enterprises
 - The E Group
 - IEU – Industrial Energy Users – Ohio
 - OEG – Ohio Energy Group
 - OHA – Ohio Hospitals Association
 - OMA – Ohio Manufacturing Association
 - OSC – Ohio Schools Council
 - Roth Bros., Inc.

*Pending final PUCO approval as of 9/14/09

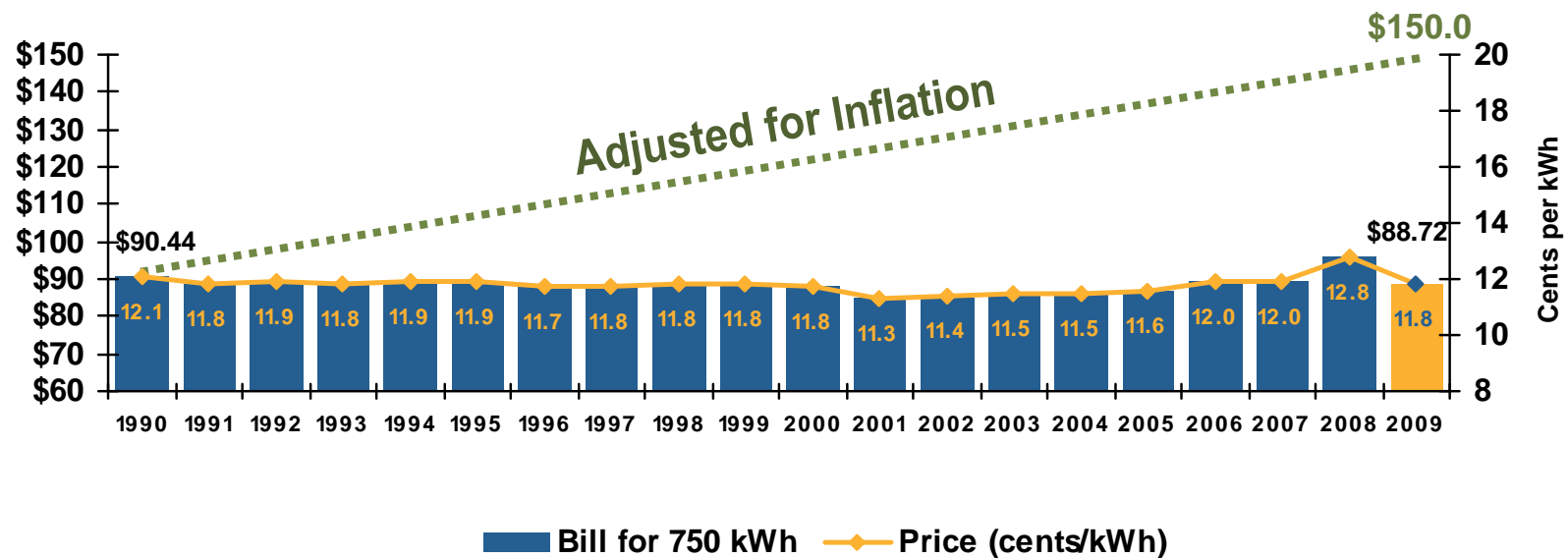
Questions & Answers

Appendix

Where We Started: A Long History of Stable Rates

- Ohio Edison

Bill for 750 kWh and Residential Price (cents per kWh)



Where We Started: A Long History of Stable Rates

■ Toledo Edison

Bill for 750 kWh and Residential Price (cents per kWh)

