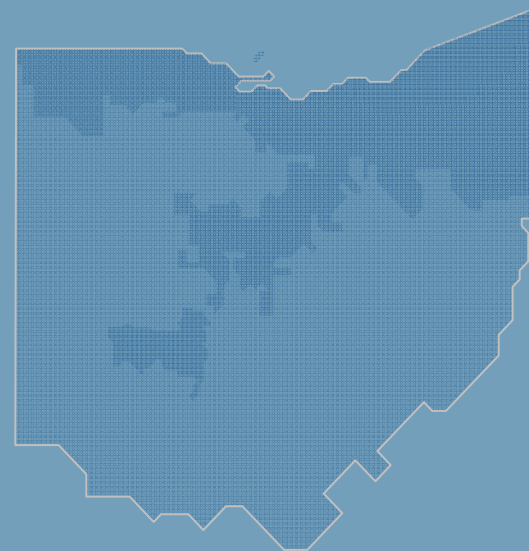


FirstEnergy Electric Rates and Savings Opportunities After January 1, 2009

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Disclaimer

The information contained in this presentation material is intended to provide generally descriptive and summary information. Any conflict between the information contained in this material, or conveyed orally during the presentation, and the information provided as part of the Companies' application in Case No. 08-935-EL-SSO is unintentional and the docketed material controls. The information contained herein is subject to change during the regulatory process.

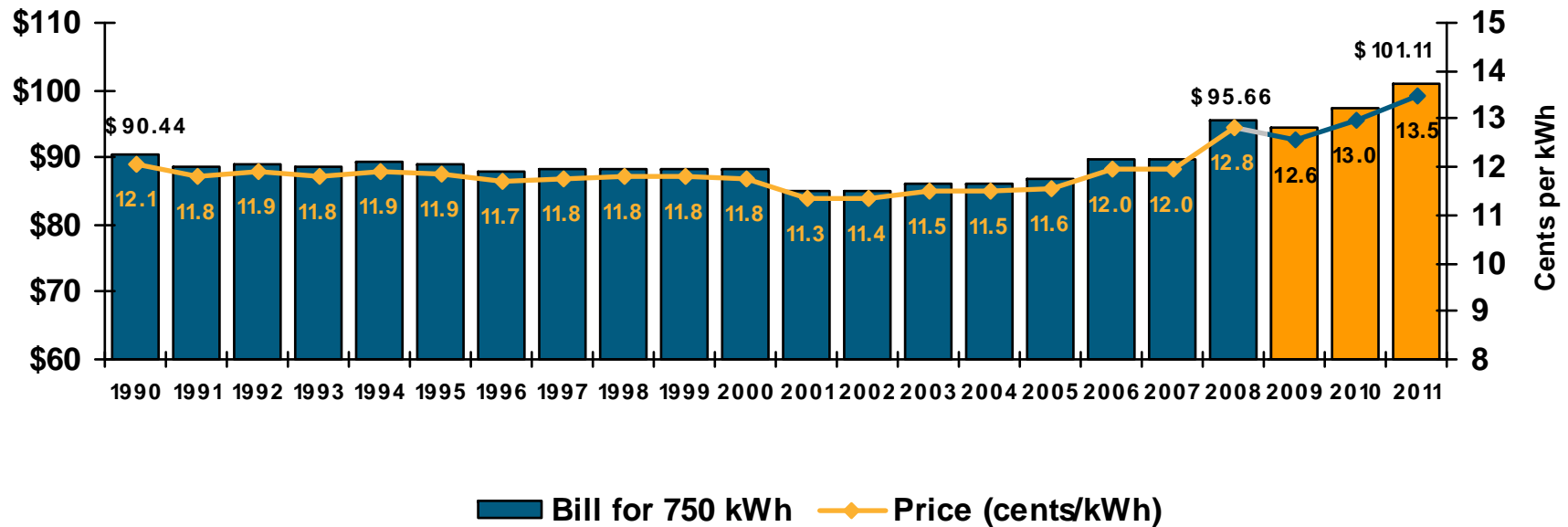
Ohio Legislation Background

- **Generation rate caps end on December 31, 2008**
- **SB 221 responds to concerns about rising electricity prices seen in states with expiring price caps**
- **SB 221 became effective on July 31, 2008**
- **Provides hybrid approach**
 - Electric utilities required to file an Electric Security Plan (ESP) that includes – at minimum – generation prices
 - Utilities have option to file a Market Rate Offer (MRO) where generation charges are determined through a Competitive Bid Process
 - PUCO to approve the plan – either ESP or MRO – that is expected to be more favorable in the aggregate for customers

Where We Started: A Long History of Stable Rates

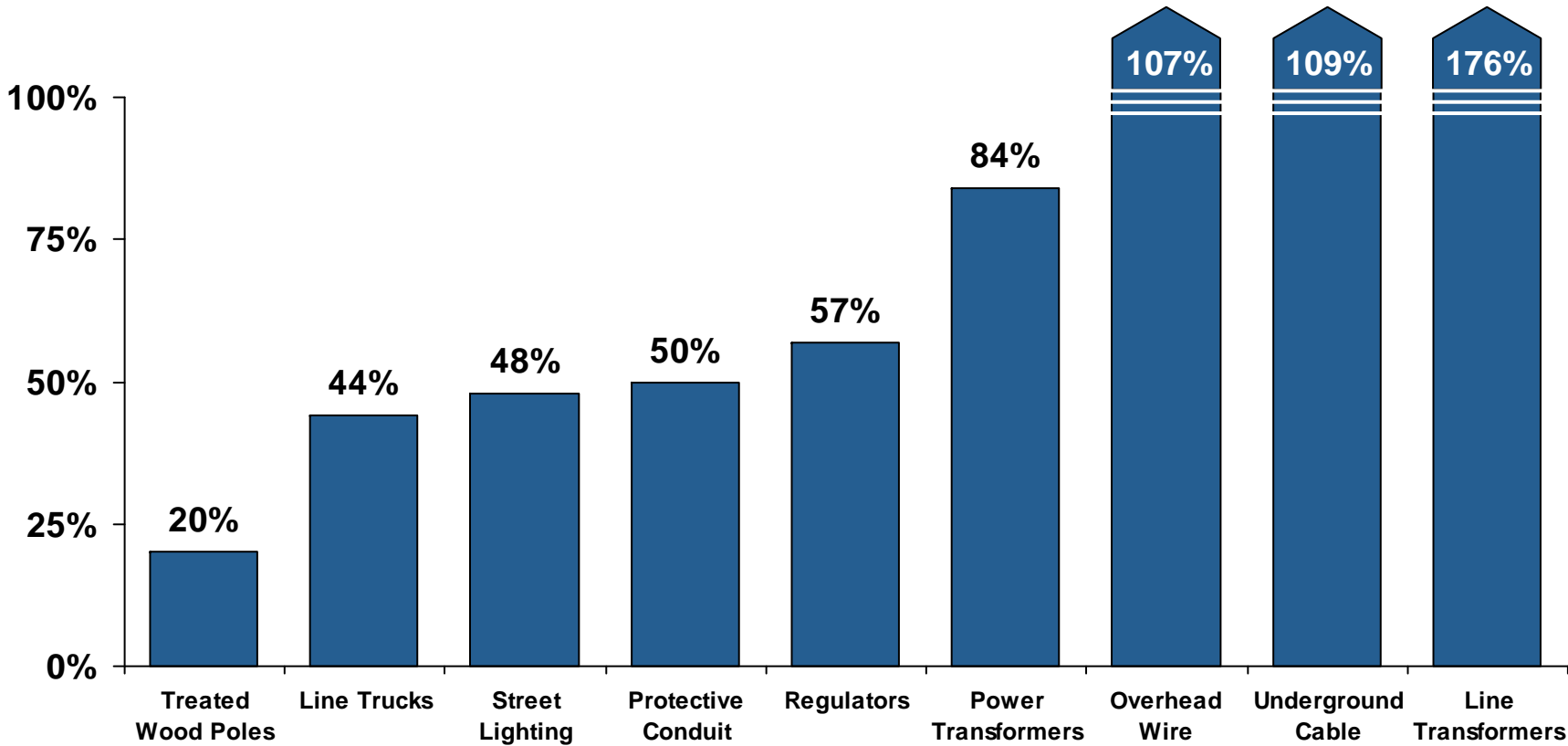
■ Ohio Edison

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



Cost Increases – Last Five Years

Energy Delivery Equipment Cost Increases Since 2003*



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

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

FE Response to SB 221

- **Two cases filed**

- (1) Electric Security Plan (ESP)**

- (2) Market Rate Offer (MRO)**

- **ESP:**

- Comprehensive, covering generation, transmission and distribution
 - Predictable rates for 3-year program
 - Flexibility for PUCO in terms of customer impact
 - Additional non-price benefits for customers

- **MRO:**

- Establishes market-based generation prices using an auction format

MRO: Objectives

- **Secure competitively priced power supply for 2009 and beyond**
 - Process design should encourage large number of bidders
 - Proper assignment of risk
- **Neutral financial position for utilities**
 - Utilities neither make nor lose money related to the provision of SSO Generation service
- **Mitigate wholesale market volatility**
 - Multiple solicitations

MRO: Procurement Process

- **Descending clock bidding format**
- **Suppliers bid to provide energy, capacity, transmission service, transmission ancillaries**
- **Nominal 100 MW tranches**
- **Three year ladder; Multiple solicitations**
- **Slice of System Approach**
- **Independent manager for competitive bidding process**
- **Affiliates may bid**
- **PUCO selects least cost bid winner(s)**
- **Least cost winning bid(s), once converted to retail rates, becomes Companies' SSO**

ESP: Objectives

- **Price Stability**
- **Ensure adequate supply of electricity**
- **Maintain and improve the distribution system**
- **Promote economic development, job retention, energy efficiency, and peak demand reduction**
- **Resolve pending PUCO cases**
- **Flexibility for PUCO to manage prices**

ESP: Overview

■ **Comprehensive plan**

- 3-year pricing program for generation, transmission and distribution services not otherwise available
- Generation pricing is lower-than-expected market prices
- Established distribution pricing through 2013

■ **Predictable rate patterns for customers**

■ **Provides PUCO with flexibility**

- >10% of generation price deferred for future recovery (2011-2022)
- PUCO can reject 2011 pricing in favor of then-existing market

■ **More favorable in the aggregate for customers than the MRO – present value benefits >\$1.3 billion over the plan**

ESP: Customer Benefits

- **Managed price increases**

- 5.3% in 2009
- 4.0% in 2010
- 6.0% in 2011

Overall averages – differs by rate schedule and customer usage

- All-electric customers
- Industrials
- High / low use residential customers

- **Favorable generation supply arrangement with FES**

- FES commitment to add / retain 1,000 MW
- Environmental remediation and reclamation up to \$45 million

- **Commitment to Smart Grid study**

- **Performance-based rates tied to reliability**

- **Regulatory transition charges waived for CEI customers worth \$591 million**

ESP: Generation

- **Stable and predictable pricing throughout the course of the plan**
 - 7.5 ¢/kWh in 2009 (6.75 ¢/kWh with phase-in)
 - 8.0 ¢/kWh in 2010 (7.15 ¢/kWh with phase-in)
 - 8.5 ¢/kWh in 2011 (7.55 ¢/kWh with phase-in)
- **Seasonally and voltage adjusted**
- **Includes minimum default service provision and costs associated with requirement for renewable energy resources**
- **Expected average increase across all three companies:**

	Generation	Total Bill
2009	0.06%	5.32%
2010	4.01%	4.01%
2011	5.79%	5.99%

ESP: Transmission

- **Recovery through a reconcilable provision of all transmission related costs**
- **Includes ancillary services and congestion costs**
- **Reflects applicable FERC-approved charges or rates incurred under MISO tariffs and agreements**

ESP: Distribution Rate Structure

- **Fewer tariffs**
- **Standardization across Ohio companies**
- **Annual distribution rate increase of \$150M in the aggregate**
- **Delivery Service Improvement Rider:**
 - 0.2¢ / kWh
 - \$115M annually
- **Maintain Distribution rates through 2013**

ESP: Service Reliability

- **At least \$1 billion in energy delivery system improvements through 2013**
- **Delivery Service Improvement Rider**
 - Set reliability targets
 - Reliability performance linked to financial incentives
 - Annual adjustment up or down by 15% (+ / - 0.03 ¢ / kWh)
 - Asymmetrical band in favor of customers

Proposed Rate Increases: 2009 – 2011

Percent Rate Increase by Company: 2009 - 2011									
	OE			CEI			TE		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
GS – Primary	5.3%	4.4%	6.2%	2.2%	4.8%	0.8%	-10.3%	4.4%	6.2%
Subtransmission	8.7%	4.9%	6.7%	1.7%	5.1%	0.6%	-14.9%	5.2%	7.1%

Savings Opportunities

■ Energy Efficiency Programs

- Customer energy efficiency and DSM investments up to \$5M per year for 5 years
- Customers can contribute their energy efficiency projects to the company
- Eliminate charge for Energy Efficiency Rider

■ Economic Development & Growth

- Economic development and job retention investment up to \$5M per year for 5 years
- Reasonable Arrangement Rider (*PUCO-approved special contracts*)
- Economic Development Rider
- Unique contracts

Savings Opportunities (continued)

■ **Economic Development Rider**

- Promotes gradualism, recognizes efficiency, mitigates overall bill impact to customers through credits and charges

■ **Optional Load Response Rider**

- Benefits customers who are able to quickly reduce their curtailable load during a critical period

■ **Economic Load Response Rider**

- Program designed to benefit customers who are able to quickly reduce their curtailable load in a critical period
- Only available to existing interruptible customers

Savings Opportunities (continued)

■ Reasonable Arrangements Rider

- Mechanism to administer certain tariff discounts for reasonable arrangements of commission proposed rules for customers committing to energy efficiency improvements

■ Business Distribution Credit

- As part of the Distribution Case filing, mitigates impact to specialty rates for General Service customers

Questions & Answers