

**ATSI UTILITIES
FRR PROGRAM
FOR 2011-12 AND 2012-13 DELIVERY YEARS
FERC DOCKET NO. ER09-1589**

**INSTRUCTIONS FOR LOAD SERVING ENTITIES
IN THE ATSI LOAD ZONE FOR THE 2011-12 AND 2012-13 DELIVERY YEARS**

Capitalized terms used herein but not otherwise defined herein have the meanings given them in the Agreement between the ATSI Utilities and each Opt-Out LSE (the “Opt-Out Agreement”) and the Capacity Payment Agreement between the ATSI Utilities and each Participating LSE (the “Capacity Payment Agreement”), the forms of which are available on PJM’s ATSI Integration website, <http://www.pjm.com/markets-and-operations/atsi-integration.aspx>. To the extent such terms are not defined herein or in the Opt-Out Agreement or Capacity Payment Agreement, such terms will have the definitions set forth in the PJM Agreements. To the extent the definitions in the PJM Agreements conflict, the definitions to be used herein shall be from first, the PJM RAA, second, the PJM Operating Agreement, and third, the PJM OATT.

ARTICLE 1: INTRODUCTION

1.1 OVERVIEW

- 1.1.1** Pursuant to FERC authorization, the ATSI Load Zone will integrate into the PJM Balancing Authority effective as of June 1, 2011.¹
- 1.1.2** As of June 1, 2011, all Load Serving Entities (each an “LSE”) in the ATSI Load Zone must satisfy PJM’s capacity requirements. These requirements are described in the PJM RAA and the PJM Manuals. As described in the PJM RAA and PJM Manuals, the general practice is for PJM to procure and administer the capacity required for each LSE and for each LSE through PJM’s Reliability Pricing Model (RPM) to pay the costs for PJM’s procurement and administration of the RPM capacity requirement.
- 1.1.3** Because PJM’s RPM Base Residual Auctions for capacity have already occurred for the 2011-12 and 2012-13 Delivery Years (each, a “Delivery Year” and collectively, the “Delivery Period”), another process is needed to procure the capacity required by PJM for the ATSI Load Zone (the “Capacity Requirement”) during the Delivery Period.

¹ FERC Docket No. ER09-1589, *American Transmissions Systems Inc.*, Order Addressing RTO Realignment Request and Complaint, 129 FERC ¶ 61,249 (2009).

- 1.1.4** FERC authorized the ATSI Utilities to administer an out-of-time Fixed Resource Requirement plan (the “FRR Plan”), which will govern the Capacity Requirements for the ATSI Load Zone during the Delivery Period.
- 1.1.5** The ATSI Utilities are responsible to PJM for performing and complying with the FRR Plan.²
- 1.1.6** PJM will calculate the Capacity Requirement for the ATSI Load Zone for each of the 2011-12 and 2012-13 Delivery Years using the methodology described in the PJM Agreements. PJM will calculate the Capacity Requirement prior to commencement of the Auction and then will update such Capacity Requirement prior to commencement of each Delivery Year.
- 1.1.7** The FRR Plan provides for an auction process (the “FRR Integration Auction”) as the primary means by which the ATSI Utilities will procure the Capacity Requirements for the ATSI Load Zone for the Delivery Period. There will be a separate auction for each of the 2011-12 and 2012-13 Delivery Years, although the auctions will be conducted at the same time.
- 1.1.8** In the event that either or both of the FRR Integration Auctions fail to procure the full Capacity Requirement(s) for the 2011-12 and/or 2012-13 Delivery Years, the ATSI Utilities will procure the remaining Capacity Requirement through bilateral contracts. The price paid by each LSE for Capacity procured on its behalf will be a blended price reflecting the auction clearing price established in the FRR Integration Auction and the price negotiated through bilateral contacts.
- 1.1.9** The ATSI Utilities will procure and manage all of the Capacity Requirement associated with each LSE in the ATSI Load Zone unless any such LSE opts-out of the FRR Integration Auction as described in Section 4.3 or presents an Independent FRR Plan as described in Section 4.4.
- 1.1.10** The opportunity to opt-out of the FRR Integration Auction or to present an Independent FRR Plan in either Delivery Year is not a right; rather it is contingent

² See Order Addressing RTO Realignment Request and Complaint, 129 FERC ¶ 61,249 at P 93.

on satisfying certain requirements. The requirements to opt-out are summarized in Section 4.3. The requirements to obtain an Independent FRR Plan are summarized in Section 4.4.

1.1.11 Each LSE that does not opt-out of the FRR Integration Auction or submit an Independent FRR Plan must execute the Capacity Payment Agreement. The Capacity Payment Agreement provides the terms and conditions pursuant to which such LSE will pay the costs and expenses of the ATSI Utilities to procure and manage the Capacity Requirement associated with such affected LSE’s load.

1.1.12 This document is provided for informational purposes only. The terms and conditions that govern for any LSE in the ATSI Load Zone are as described in the Realignment Order and in the agreements that are described herein.

ARTICLE 2: SCHEDULE OF EVENTS AND DEADLINES

Date	Events and Deadlines
January 14, 2010	ATSI Utilities send letter to all LSEs in the ATSI Load Zone, providing information about the FRR Plan and the LSEs’ Capacity obligations.
January 15, 2010	ATSI Utilities submit compliance filing to FERC, providing information about how LSEs may opt-out of the FRR Integration Auction for either Delivery Year.
January 19, 2010	PJM and the ATSI Utilities host information session for ATSI Load Zone LSEs.
January 19, 2010 – February 15, 2010	Additional meetings between PJM, ATSI Utilities and LSEs.
January 31, 2010	Deadline for LSEs to submit a Notice of Intent to Opt-Out or a Notice of Intent to Submit an Independent FRR Plan. A separate notice is required for each Delivery Year.
February 15, 2010	Deadline for Opt-Out LSEs to submit Opt-Out Resource Plan to the ATSI Utilities.
February 15, 2010	Deadline for Independent LSEs to submit Capacity Resource Plan to PJM through PJM's eRPM system.
March 5, 2010	Deadline for LSEs with loads included in the FRR Integration Action to

	execute the Capacity Payment Agreement.
March 5, 2010	Deadline for Opt-Out LSEs to execute the Opt-Out Agreement.
March 5, 2010	Deadline for Independent LSEs to demonstrate to the ATSI Utilities that such LSEs satisfy all of the requirements set forth in Section 4.4.

ARTICLE 3: INFORMATION AND COMMUNICATIONS

3.1 INFORMATION PROVIDED FOR LSEs

3.1.1 Information related to the FRR Integration Auction is available on the Internet website [http:// www.pjm.com/markets-and-operations/atsi-integration/rpm-frr-integration-auctions.aspx](http://www.pjm.com/markets-and-operations/atsi-integration/rpm-frr-integration-auctions.aspx). Each LSE should check the website frequently to ensure it has the latest documentation and information.

3.1.2 COMMUNICATIONS

LSEs may submit questions or other communications in connection with these Instructions for Load Serving Entities to the following:

PJM Interconnection
 ATSI Integration c/o Jeff Bastian
 955 Jefferson Avenue
 Norristown, PA 19403
 Phone: 610-666-8847
atsi_integration@pjm.com

with copy to:

Dean W. Stathis
 FirstEnergy Service Company
 2800 Pottsville Pike, R-REAP-9
 Reading, PA 19612-6001
 Telephone: 610-921-6766
 Facsimile: 610-939-8542
dstathis@firstenergycorp.com

Morgan E. Parke, Esq.
 FirstEnergy Corp.
 76 South Main Street
 Akron, OH 44308
 Telephone: 330-384-4595
 Facsimile: 330-384-4539
mparke@firstenergycorp.com

3.1.3 Communications received after the close of a Business Day will be deemed received on the next Business Day. Communications by email or facsimile

transmission will be deemed to have been received by the recipient on the date the recipient confirms receipt either orally or in writing.

ARTICLE 4: INSTRUCTIONS

4.1 CALCULATION OF CAPACITY REQUIREMENT

- 4.1.1** PJM has calculated a preliminary Capacity Requirement for the ATSI Load Zone for each of the 2011-12 and 2012-13 Delivery Years. The preliminary Capacity Requirement calculations are itemized to reflect the Capacity Requirement for each wholesale LSE in the ATSI Zone. The ATSI Utilities will forward the preliminary Capacity Requirement calculations for each wholesale LSE to the affected wholesale LSEs by a separate letter. Wholesale LSEs will utilize the preliminary Capacity Requirement calculations as the basis for deciding whether to keep their respective loads in the ATSI Utilities' FRR Integration Auctions, to "opt-out" of the FRR Integration Auctions, or to obtain an Independent FRR Plan.
- 4.1.2** By no later than the 15th day of January that immediately precedes the commencement of each Delivery Period, PJM will update the load forecast for the ATSI Load Zone to obtain the final Capacity Requirement for the ATSI Load Zone for the applicable 2011-2012 or 2012-2013 Delivery Years. If the load forecast increases, PJM will increase the preliminary Capacity Requirement to obtain the final Capacity Requirement. If the load forecast does not increase, the preliminary Capacity Requirement will become the final Capacity Requirement. The ATSI Utilities will forward the final Capacity Requirement for each Opt-Out LSE and each Independent FRR LSE by the 31st day of January that immediately precedes the commencement of each Delivery Period. Each Opt-Out LSE will present an updated Resource Plan to the ATSI Utilities that demonstrates that the Opt-Out LSE has procured the full amount of Capacity Resources necessary to satisfy the final Capacity Requirement by no later than the 30th day of April that immediately precedes the commencement of each Delivery Year.

4.2 CAPACITY PAYMENT AGREEMENT

4.2.1 Each LSE that has any load included in the FRR Integration Auction or in a bilateral procurement administered by the ATSI Utilities will pay the ATSI Utilities' costs and expenses for procuring and managing the Capacity Requirement associated with such LSE's load for the relevant Delivery Year. The terms and conditions associated with this requirement are described in the Capacity Payment Agreement. All LSEs that have loads that are included in the FRR Integration Auction(s) will execute the Capacity Payment Agreement by no later than 4:30 p.m. prevailing Eastern Time on March 5, 2010.

4.3 ELECTION TO "OPT-OUT" OF THE FRR INTEGRATION AUCTION

4.3.1 Each LSE in the ATSI Load Zone, except the ATSI Utilities, may elect to opt-out of the FRR Integration Auction for one or both Delivery Years. Each LSE electing to opt-out of the FRR Integration Auction (an "Opt-Out LSE") must provide to the ATSI Utilities a Notice of Intent to Opt-Out for each Delivery Year for which it elects to opt-out, in the form attached hereto as Appendix 1, by January 31, 2010.

4.3.2 An LSE that opts-out of the FRR Integration Auction assumes all the risks of its election to opt-out, and neither the ATSI Utilities nor any other party have any responsibility to such Opt-Out LSE or for any obligation of such Opt-Out LSE to any suppliers of Capacity Resources identified in the Opt-Out LSE's Resource Plan.

4.3.3 Each Opt-Out LSE must submit a Resource Plan for each Delivery Year for which it elects to opt-out, in the form attached hereto as Appendix 2, to the ATSI Utilities by February 15, 2010. The ATSI Utilities (in consultation with PJM) will review the Opt-Out LSE's arrangements described in its Resource Plan to procure all the Capacity necessary to meet its load as required by PJM. In the event that the ATSI Utilities and the Opt-Out LSE elect to execute the Opt-Out Agreement for the applicable Delivery Year, a copy of the Resource Plan will be attached to the Opt-Out Agreement pursuant to Section 4.3.6 of the Opt-Out Agreement.

4.3.4 Each LSE that elects to opt-out of the FRR Integration Auction must obtain an executed Opt-Out Agreement from the ATSI Utilities for the applicable Delivery Year by no later than 4:30 p.m. prevailing Eastern Time on March 5, 2010.

4.3.5 Each LSE may elect to opt-out from the FRR Integration Auction for all or only a portion of its total load. In the event it elects to opt-out only a portion of its total load, the opt-out LSE will be obligated to execute both the Opt-Out Agreement (in respect of its opted-out load) and the Capacity Payment Agreement (in respect of its load included in the ATSI Utilities' FRR Plan), in each case in accordance with, and by the deadlines set forth, in these LSE Instructions.

4.3.6 **Resource Plan.** The Opt-Out Agreement will include a Resource Plan which shall be in the form attached hereto as Appendix 2 and shall include at least the following information for each Delivery Year for which the Opt-Out LSE has an executed Opt-Out Agreement:

(a) A statement that the LSE has elected to opt-out of the FRR Integration Auction for the applicable Delivery Year.

(b) The amount of the LSE's Capacity Obligation for the applicable Delivery Year.

(c) Identification of the Capacity Resources and corresponding Capacity amounts in ICAP Megawatts and the Capacity Resource's Effective EFORD³ (and resulting UCAP Megawatts) to be used to satisfy the LSE's Capacity Obligation for the applicable Delivery Year.

(d) For LSEs that rely on Capacity Resources that are located within the metered boundaries of the PJM Balancing Authority to meet its Capacity Obligation, written confirmation from PJM that such Capacity Resources are deliverable to the PJM Balancing Authority throughout the applicable Delivery

³ Note: An LSE's Effective EFORD shall be based on 12 months of forced outage data from October 1, 2008 to September 30, 2009. If the Capacity Resource is a Demand Response Resource or Energy Efficiency Resource, an LSE must provide the Nominated DR Value or the Nominated EE Value in its Resource Plan.

Year.⁴

(e) For LSEs that rely on Capacity Resources that are located outside the metered boundaries of the PJM Balancing Authority to meet its Capacity Obligation, identification of such LSE's intended ATC path to deliver its Capacity Resource to the metered boundaries of the PJM Balancing Authority, and evidence demonstrating that prior to the commencement of the applicable Delivery Year, such LSE is capable of delivering its Capacity Resource to the metered boundaries of the PJM Balancing Authority through firm point-to-point transmission service from the external unit to the border of PJM and generation deliverability has been demonstrated into PJM by either (i) firm point-to-point transmission service on the PJM OASIS or (ii) Network External Designated Transmission Service.

(f) A certification by an authorized representative of the LSE that (i) all the information contained in such LSE's Resource Plan is true and correct in all respects, (ii) such LSE owns or has the contractual authority to control the output or load reduction capability of any Capacity Resource listed in its Resource Plan, in an amount that is at least equal to the Capacity required by PJM to serve its load for the applicable Delivery Year, and agrees not to transfer such authority to another entity during the applicable Delivery Year, and (iii) such LSE agrees to sign the Opt-Out Agreement for the applicable Delivery Year if it is authorized to opt-out of the Capacity procurement process by the ATSI Utilities.

(g) Any other information requested by the ATSI Utilities, including information demonstrating that the LSE has procured Capacity, in accordance with the PJM OATT, PJM Operating Agreement and PJM RAA and any PJM Manuals, necessary to satisfy its Capacity Obligation.

⁴ Note: PJM has conducted a study concluding that all currently planned and approved Capacity Resources in the PJM footprint are deliverable. Nevertheless, Opt-Out LSEs must still provide written confirmation of such deliverability.

4.3.7 The ATSI Utilities will work in good faith with LSEs that desire to opt-out to finalize proposed Resource Plan(s) by March 5, 2010. Nevertheless, the ATSI Utilities may reject all or part of an LSE's Resource Plan if, in the ATSI Utilities' sole discretion, the Resource Plan does not provide for PJM-qualified Capacity Resources to be deliverable to the PJM Balancing Authority for the full term of the applicable Delivery Year as contemplated in these Instructions for Load Serving Entities or in the Opt-Out Agreement.

4.4 INDEPENDENT FRR PLAN

4.4.1 PJM advises the ATSI Utilities that PJM and any ATSI Load Zone wholesale LSE (other than the ATSI Utilities) whose load is fully metered and meets all other requirements in Section 8.1 of the PJM RAA may enter into an Independent FRR Plan for the 2011-12 and/or 2012-13 Delivery Years. Wholesale LSEs that wish to pursue this option must deliver to the ATSI Utilities a Notice to Intent to Submit an Independent FRR Plan, in the form of Appendix 3, by January 31, 2010. By no later than February 15, 2010, such wholesale LSE will deliver to PJM a capacity resource plan and will work with PJM to formulate the terms of an Independent FRR Plan by no later than March 5, 2010.

4.4.2 LSEs that are not able to satisfy all of the following obligations by 4:30 p.m. prevailing Eastern Time on March 5, 2010 will be obligated to participate in the FRR Integration Auction and such LSE will be required to execute the Capacity Payment Agreement as described in Section 4.2. The following conditions must be fully satisfied in order for an Independent LSE to have an Independent FRR Plan:

- (1) PJM reduces the Capacity procurement requirement for the ATSI Utilities' FRR Plan for the Delivery Year(s) for which such Independent FRR Plan is in effect;
- (2) PJM and such LSE each certify in writing to the ATSI Utilities that agreement has been reached between PJM and such LSE regarding satisfaction of the LSE's Capacity Requirement for the Delivery Year for which an Independent FRR Plan is in effect; and

- (3) PJM and ATSI agree in writing that removal of the affected LSE's load from the ATSI Utilities' FRR Plan is irrevocable, and that the ATSI Utilities shall not have any obligation, responsibility or liability whatsoever for procuring, administering or providing Capacity or any Capacity requirement associated with such LSE's loads in the ATSI Load Zone during the Delivery Year(s) for which the Independent FRR Plan would be in effect.

ARTICLE 5: INSTRUCTIONS APPLICABLE TO "RETAIL CHOICE" LSEs⁵

5.1.1 Retail Choice LSEs may "opt-out" some portion of the Capacity Requirement associated with a forecast retail choice load; but do so at their own risk. In order to opt-out, a Retail Choice LSE must submit a Notice of Intent to Opt-Out to the ATSI Utilities by January 31, 2010 and present a Resource Plan for approval. To be approved, the Retail Choice LSE's Resource Plan must commit PJM-qualified Capacity Resources in the stated amount to the affected ATSI Utility's service territory for the full Delivery Year. Moreover, neither PJM nor the ATSI Utilities will be responsible for any difference between an opt-out Retail Choice LSE's actual load and the amount of load that was opted-out, such that if the actual load is less than the "opt-out" load, the opt-out Retail Choice LSE is fully and solely responsible for all payments due to suppliers of the Capacity Resources described in its Resource Plan. In addition, the opt-out Retail Choice LSE must sign the Opt-Out Agreement, thereby ensuring that the ATSI Utilities and their ratepayers are held harmless from any and all charges, costs or expenses that may attach by any reason of any performance or non-performance by the opt-out Retail Choice LSE or the Capacity Resources or firm transmission described in such opt-out Retail Choice LSE's Resource Plan. To the extent that actual load is higher than the Retail Choice LSE's "forecast" for "opt-out" load, the opt-out Retail Choice LSE will pay the capacity charges associated with such load as such charges result from the ATSI Utilities' capacity.

⁵ A Retail Choice LSE is an LSE in the ATSI Load Zone that does not have statutory "provider-of-last-resort" obligations for the ATSI Load Zone customers/loads that it serves.

ARTICLE 6: PJM’S eRPM SYSTEM

6.1.1 Each Opt-Out LSE, including opt-out Retail Choice LSEs, will enter a unit-specific ICAP transaction in the eRPM system for the relevant Delivery Year transferring Capacity from the LSE to the ATSI Utilities for each Capacity Resource in the Opt-Out LSE’s Resource Plan. The amount of ICAP that will be transferred in the unit-specific transaction will be equal to the amount of UCAP designated in the Resource Plan divided by one minus the Capacity Resource’s effective EFORD at the time the Resource Plan is submitted. The Capacity Resource’s effective EFORD at the time the Resource Plan is submitted will be an EFORD based on outage data from October 1, 2008 through September 30, 2009. The ATSI Utilities will then commit the transferred installed capacity to the FRR Plan. The installed capacity committed in the FRR Plan will be converted to UCAP MW in the FRR Plan based on the Capacity Resource’s effective EFORD in the eRPM system.

EFORD Update in eRPM	EFORD based on Outage Data from:	Application
November 30, 2009	October 1, 2008 through September 30, 2009	Effective EFORD at time of FRR Integration Auction
November 30, 2010	October 1, 2009 through September 30, 2010	Effective EFORD at time of FRR Capacity Plan Submittal Deadline Final EFORD for 2011-2012 Delivery Year
November 30, 2011	October 1, 2010 through September 30, 2011	Final EFORD for 2012-2013 Delivery Year

6.1.2 For Demand Resources or Energy Efficiency Resources (2011-2012 Delivery Year Delivery Year only), the amount of ICAP that will be transferred in the unit-specific transaction will be equal to UCAP submitted in the Resource Plan divided by (DR Factor multiplied by the Forecast Pool Requirement). The ATSI Utilities will then commit the transferred ICAP to the FRR Plan. The ICAP

committed in the FRR Plan will be converted to UCAP MW in the FRR Plan based on the DR Factor and Forecast Pool Requirement.

- 6.1.3** Once the final EFORD is established for the Delivery Year, if the final EFORD is different from the EFORD at the time the Resource Plan was submitted, resulting in more UCAP being available on that Capacity Resource, PJM will adjust the ICAP amount of the original unit-specific capacity transaction such that the ATSI Utilities will only receive the exact amount of UCAP specified in the resource plan.

ARTICLE 7: BILLING AND SETTLEMENT

- 7.1.1** Billing and settlement will be administered by PJM substantially in accordance with the billing procedures set forth in the PJM Agreements. The only significant difference from the billing procedures set forth in the PJM Agreements is that the LSEs will be directly charged on their invoices certain charges (including an ATSI-specific Locational Reliability Charge (calculated using the weighted average cost of procurement), Schedule 9-5 Charges, Schedule 9-6 Charges and other PJM charges (collectively, “PJM Charges”) and will be directly assessed certain credits (including Compliance Charges obtained from Capacity Suppliers).
- 7.1.2** Each Billing Period, PJM will invoice each LSE for Schedule 9-5 Charges and Schedule 9-6 Charges and apply to the ATSI Utilities’ invoice a corresponding charge equal to the amount assessed to the LSEs multiplied by -1. This corresponding charge is necessary because PJM will also charge the ATSI Utilities for the full amount of their FRR obligation and FRR MW since they are the FRR Entity. The negative charge is credited back to the ATSI Utilities so as not to double bill for the same FRR obligation and FRR MW.
- 7.1.3** With respect to Opt-Out LSEs, in order to account for changes in daily UCAP obligations above or below the stated opt-out Megawatt amount, Opt-Out LSEs will be billed an ATSI Locational Reliability Charge equal to their daily UCAP obligation multiplied by the weighted average cost of procurement. Opt-Out LSEs will also be credited via the use of Non-Unit Specific Capacity Transactions for

the amount of Capacity they transferred to the ATSI Utilities for use in the FRR Plan. The Non-Unit Specific Capacity Transaction Credit will be calculated as Capacity MW multiplied by the weighted average cost of procurement. If the Opt-Out LSE's daily UCAP obligation is equal to the opt-out Megawatt amount, this will result in \$0 billing, as intended. However, if such Opt-Out LSE's UCAP obligation is higher or lower than the opt-out amount, it could result in a net charge or credit to the Opt-Out LSE, which will be reflected on its invoice.

7.1.4 PJM will also bill to the ATSI Utilities (a) a corresponding ATSI Locational Reliability Credit in an identical amount to what was charged to the Opt-Out LSE and (b) a Non-Unit Specific Capacity Charge in an identical amount to what was credited to the Opt-Out LSE.

7.1.5 With respect to LSEs who submit to PJM their own Independent FRR Plan in accordance with Section 4.4, such LSEs will not be assessed an ATSI Locational Reliability Charge based on their daily UCAP obligation, nor will they be credited for the amount of Capacity committed to their Independent FRR Plan. However, they will still be subject to Schedule 9-5 Charges and Schedule 9-6 Charges. They will also be subject to any Compliance Charges resulting from the performance of the Capacity Resources committed to their Independent FRR Plan. They may also be entitled to credits associated with Compliance Charges received from other Capacity Suppliers, which will be reflected on their invoice.

ARTICLE 8: LSE PARTICIPATION AS A SUPPLIER IN THE FRR INTEGRATION AUCTION

8.1.1 LSEs may offer any and all Capacity Resources under their control into the FRR Integration Auction; provided that the Auction Rules will govern any and all such offers. The Auction Rules, together with supporting documents, are available at PJM's (in its capacity as Auction Manager) Internet website <http://www.pjm.com/markets-and-operations/atsi-integration/rpm-frr-integration-auctions.aspx>.

APPENDIX 1
FORM OF NOTICE TO OPT-OUT

To: The Cleveland Electric Illuminating Company, The Toledo Edison Company, Ohio Edison Company and Pennsylvania Power Company.

Re: Notice to Opt-Out of the FRR Integration Auction for [2011-12] [2012-13] Delivery Year

I, as an authorized representative of the undersigned, hereby notify you that [LSE] has elected to opt-out of the Capacity procurement process that is part of the ATSI Utilities' FRR Plan.

[LSE] will provide you with its Resource Plan, demonstrating [LSE] owns or has the contractual authority to control the output or load reduction capability of any Capacity Resource listed in its Resource Plan, in an amount that is at least equal to the Capacity required by PJM to serve its load for the [2011-2012][2012-2013] Delivery Year, by no later than February 15, 2010. [LSE] hereby agrees not to transfer such ownership or contractual authority to another entity during the [2011-2012][2012-2013] Delivery Year.

The following authorized representatives of [LSE] will be available to meet with you at your convenience to discuss the Resource Plan and to provide any other information you request in connection therewith: [*Authorized Representatives and contact information*].

All communications regarding credit may be addressed to the Credit Representative designated by [LSE] in the Credit Representative Form attached hereto as Annex A.

All other communications may be addressed to:
[*Contact name and contact information*]

[LSE] hereby agrees to execute the Agreement between the ATSI Utilities and each Opt-Out LSE for the [2011-2012][2012-2013] Delivery Year and provide the performance assurance described therein no later than March 5, 2010 if authorized by the ATSI Utilities to opt-out of its Capacity procurement process for such Delivery Year.

This notice is the Notice of Intent to Opt-Out (as such term is defined in the Instructions for Load Serving Entities). [LSE] hereby acknowledges and agrees that delivery of this notice does not obligate or require any or all of the ATSI Utilities to authorize [LSE] to opt-out of the ATSI Utilities' Capacity procurement process.

[LSE]
By: _____
Name:
Title:

ANNEX A TO APPENDIX 1
CREDIT REPRESENTATIVE FORM

The Credit Representative is the LSE's in-house credit representative who can answer questions or provide information to the ATSI Utilities about the LSE's credit with respect to the credit requirements in (i) the Opt-Out Agreement if the LSE elects to opt-out of the FRR Integration Auction, or (ii) the Capacity Payment Agreement if the LSE does not elect to opt-out of the FRR Integration Auction.

The person designated below is the LSE's Credit Representative:

Last Name

Mr/Mrs/Ms/Dr/(other)

Given Name(s)

Title

LSE Name

Street Address

City

State

Zip Code

Telephone No.

Fax No.

Email Address

APPENDIX 2
FORM OF OPT-OUT LSE RESOURCE PLAN

Delivery Year: [June 1, 2011 through May 31, 2012] [June 1, 2012 through May 31, 2013].

1. [LSE] has elected to opt-out of the FRR Integration Auction for the Delivery Year.
2. The Capacity Obligation for [LSE's] load for the Delivery Year is [_____] MW/day.
3. [LSE] will use the following Capacity Resources to satisfy its Capacity Obligation for the Delivery Year: _____
4. Capacity Resources and corresponding Megawatts of Capacity.⁶

*For Generation Capacity Resources, provide corresponding ICAP, Effective EFORD, and resulting UCAP (which in the case of Generation equals $ICAP * (1 - \text{Effective EFORD})$).*

*For Demand Resources or Energy Efficiency Resources, provide Nominated Demand Resource/ Energy Efficiency Value and resulting UCAP (which in this case equals $Nominated Value * DR Factor * Forecast Pool Requirement$).*

5. For each LSE that is relying on Capacity Resources located within the metered boundaries of the PJM Balancing Authority to meet its Capacity Obligation, such LSE has obtained written confirmation from PJM that such Capacity Resource is deliverable to the PJM Balancing Authority throughout the Delivery Year.
6. For each LSE that is relying on Capacity Resources located outside the metered boundaries of the PJM Balancing Authority to meet its Capacity Obligation, such LSE's intended ATC path to deliver its Capacity Resource to the metered boundaries of the PJM Balancing Authority is [_____].
7. [LSE] hereby certifies that (i) everything in its Resource Plan is true and correct in all respects, (ii) it owns or has the contractual authority to control the output or load reduction capability of any Capacity Resource listed in its Resource Plan, in an amount that is at least equal to the Capacity required by PJM to serve its load for the [2011-

⁶ Each Capacity Resource name should match the name used for such Capacity Resource in PJM's eRPM system.

2012][2012-2013] Delivery Year and agrees not to transfer such ownership or contractual authority to another entity during the [2011-2012][2012-2013] Delivery Year, (iii) it agrees to sign the Agreement between the ATSI Utilities and each Opt-Out LSE for the [2011-2012][2012-2013] Delivery Year if it is authorized to opt-out of the Capacity procurement process by the ATSI Utilities, and (iv) prior to the commencement of the [2011-2012][2012-2013] Delivery Year, such LSE will be capable of delivering its Capacity Resource to the metered boundaries of the PJM Balancing Authority through firm point-to-point transmission service from the external unit to the border of PJM and generation deliverability has been demonstrated into PJM by either (x) firm point-to-point transmission service on the PJM OASIS or (y) Network External Designated Transmission Service.

8. Attached hereto is all other information requested by the ATSI Utilities, including information demonstrating that [LSE] has procured Capacity, in accordance with the PJM OATT, PJM Operating Agreement, PJM RAA and any PJM Manuals, necessary to satisfy its Capacity Obligation.

[LSE]

By: _____

Name:

Title:

APPENDIX 3

FORM OF NOTICE OF INTENT TO SUBMIT AN INDEPENDENT FRR PLAN

To: The Cleveland Electric Illuminating Company, The Toledo Edison Company, Ohio Edison Company and Pennsylvania Power Company and PJM.

Re: Notice to Submit Independent FRR Plan for [2011-12] [2012-13] Delivery Year

I, as an authorized representative of the undersigned, hereby notify you that [LSE] has elected to submit an Independent FRR Plan.

LSE represents that it is an LSE which intends to model its load as separate RPM Zone/Areas within the ATSI Load Zone and meets all other requirements in Section 8.1 of the PJM RAA to submit an Independent FRR Plan and become an LSE FRR Entity.

LSE acknowledges that its satisfaction of the conditions set forth in Article 4.2.2 of the LSE Instructions constitutes an irrevocable election to exclude its load from the FRR Integration Auction and that the ATSI Utilities will not be responsible for procuring Capacity on its behalf and, in particular, Capacity will not be procured on its behalf in the FRR Integration Auctions.

LSE agrees to submit its Independent FRR Plan to PJM by February 15, 2010.

The following authorized representatives of [LSE] will be available to meet with you at your convenience to provide any other information you request in connection therewith: [*Authorized Representatives and contact information*].

All other communications may be addressed to:
[*Contact name and contact information*]

This notice is the Notice of Intent to Submit an Independent FRR Plan (as such term is defined in the Instructions for Load Serving Entities).

[LSE]
By: _____
Name:
Title: