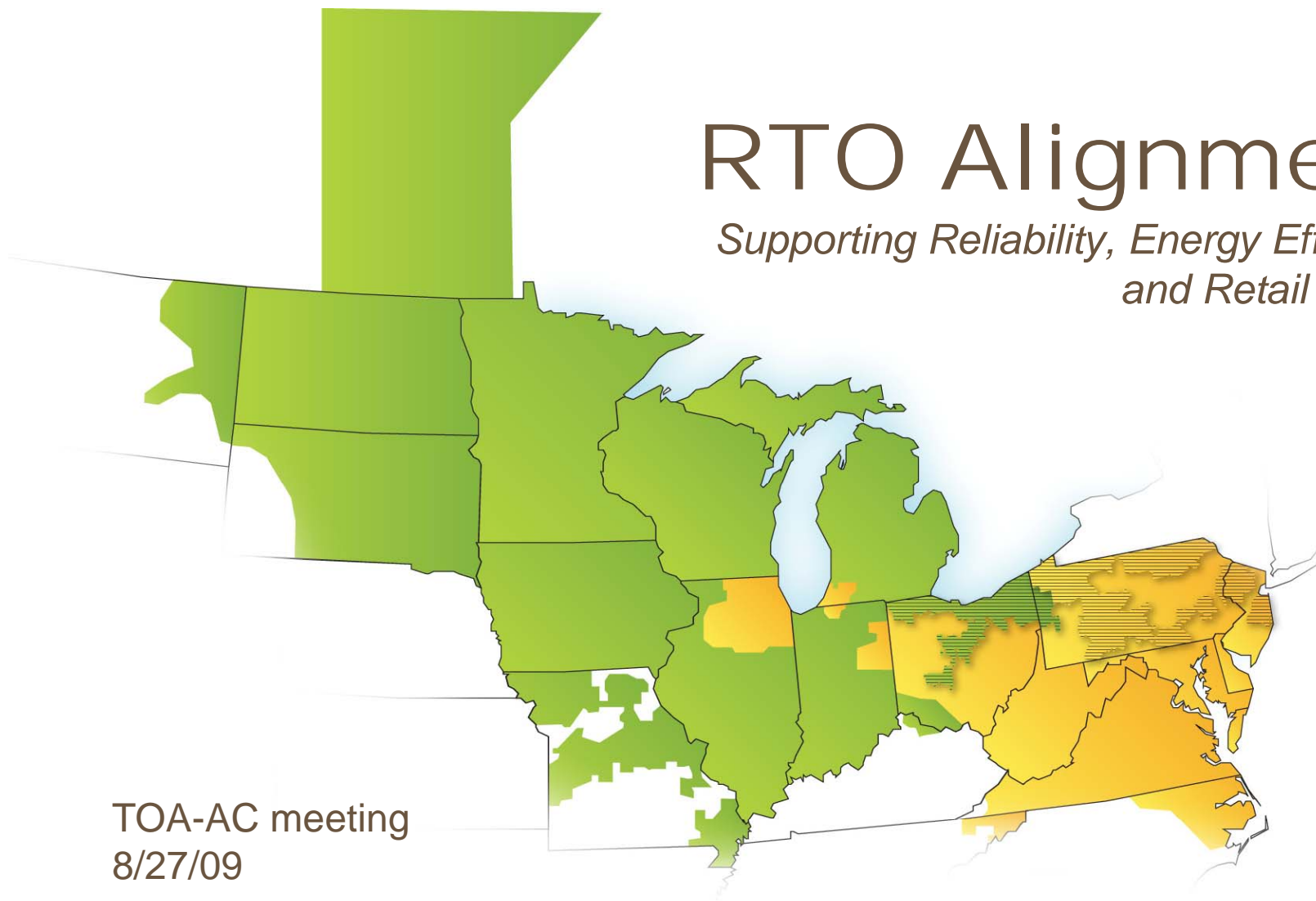


RTO Alignment

*Supporting Reliability, Energy Efficiency
and Retail Choice*



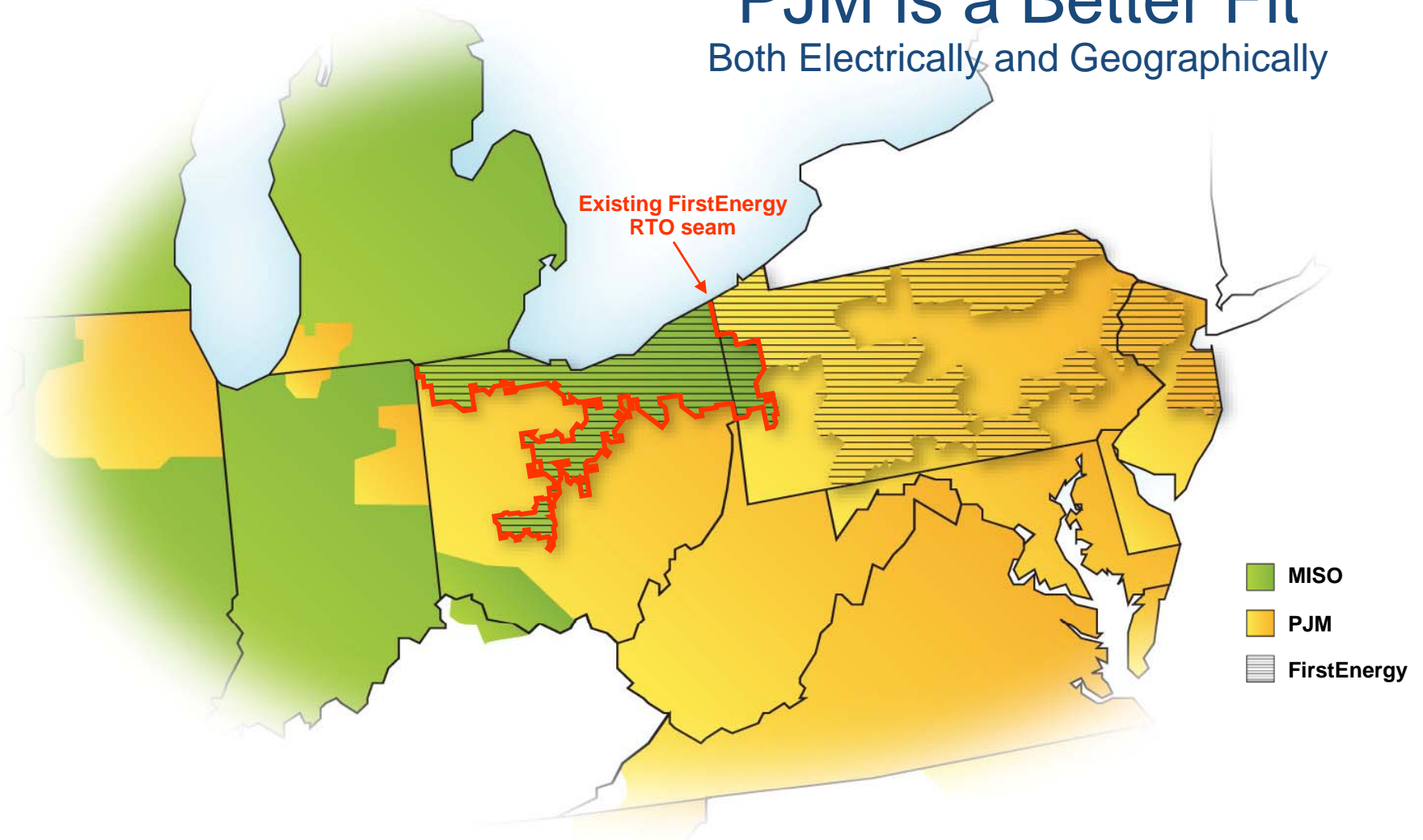
TOA-AC meeting
8/27/09

Why Align with PJM?

- **Consolidation provides long-term benefits to FirstEnergy and its customers, including:**
 - Better fit operationally
 - FirstEnergy has 32 interconnections with PJM, versus three with MISO
 - Single RTO will enhance operating efficiencies
 - More fully developed “retail choice” market
 - Larger pool of available merchant generation
 - Better access to more transparent, incentive-based energy efficiency and demand response programs
 - Enhanced long-term planning for supply resources
 - Supports construction of new, and retention of existing generation, when and where it’s needed
 - Capacity is committed in advance, so supply is assured

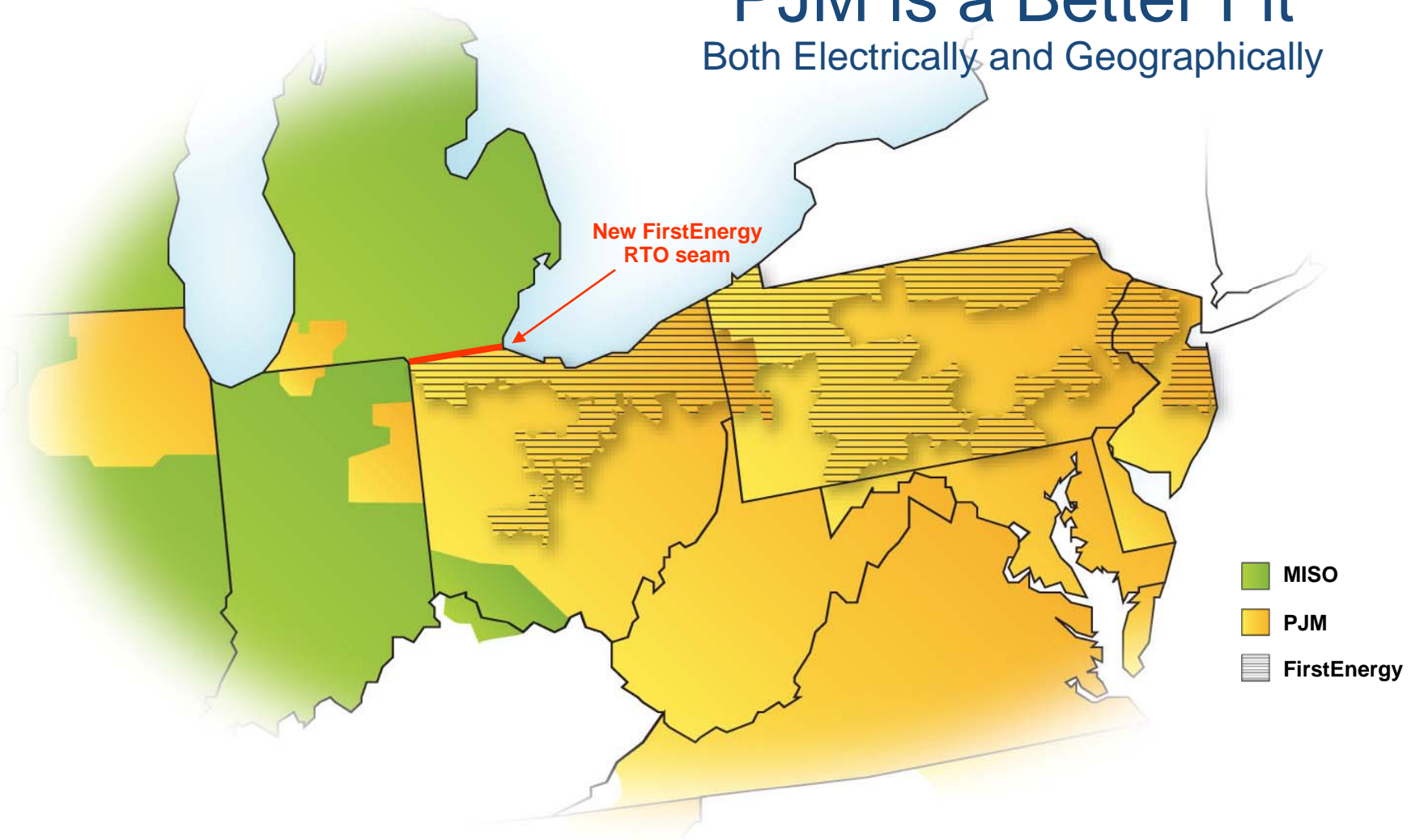
PJM is a Better Fit

Both Electrically and Geographically

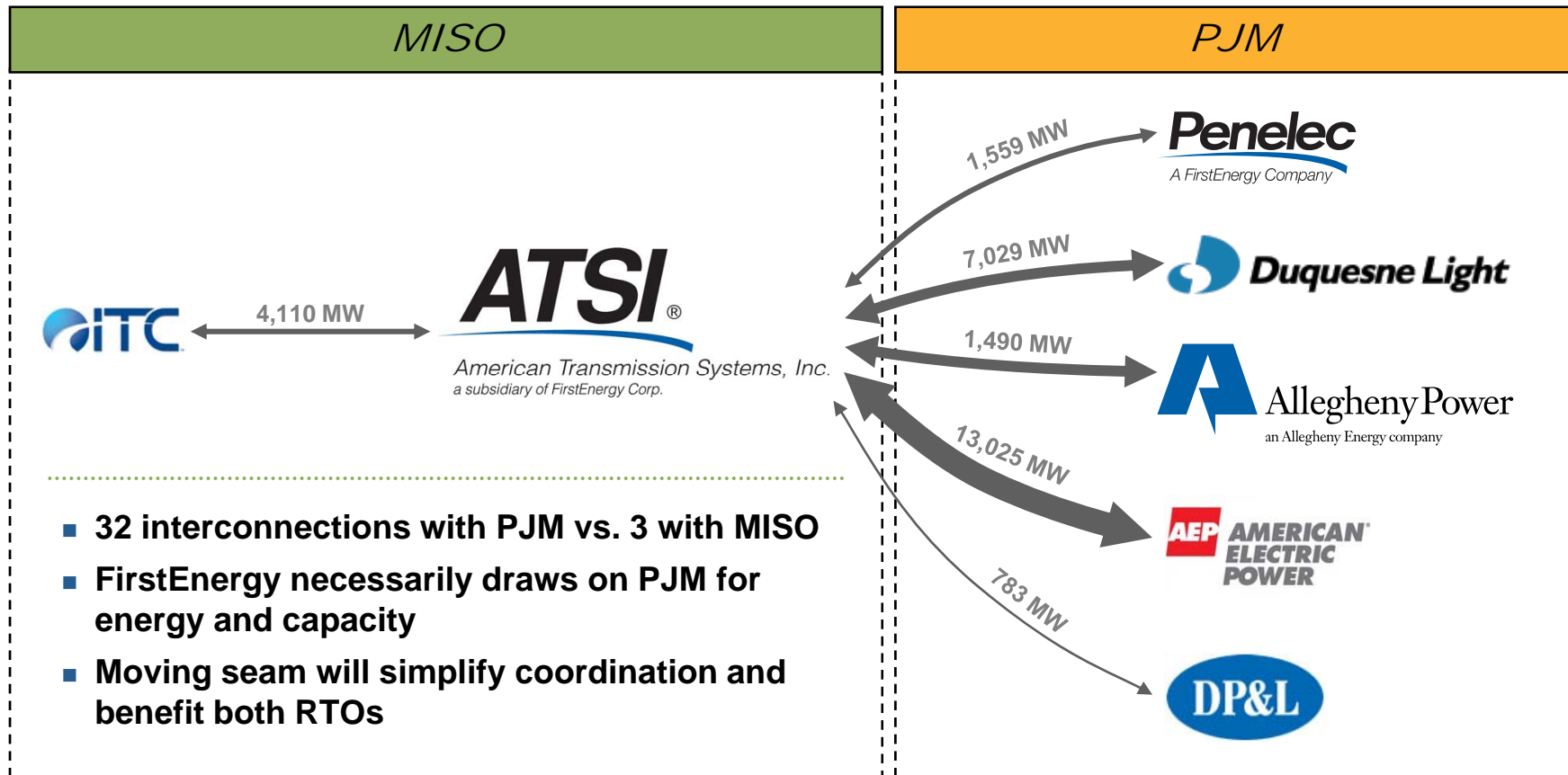


PJM is a Better Fit

Both Electrically and Geographically



FirstEnergy's ATSI has more transmission capacity into PJM than into MISO



PJM Energy Market Analysis Indicates Reductions in Congestion and Production Costs

Comparing ATSI Zone in PJM vs. MISO

	Hurdle Rate \$10/\$2.50	Hurdle Rate \$10/\$1
Reduction in Total System Congestion (\$ millions)	\$91	\$45
Reduction in Total System Production Cost (\$ millions)	\$26	\$27

note: *hurdle rate* is defined as the minimum LMP price differential between two independently dispatched areas to facilitate energy transfer between those two areas

- **Due to the strength of ATSI connections to PJM, moving ATSI footprint into PJM unit commitment improves efficiency of dispatch.**

What We're Proposing

- **Requesting consolidation of our transmission assets and operations into PJM, effective June 1, 2011**
- **Participate in May 2010 PJM capacity auction for 2013/2014 delivery year**
- **Establish transition capacity plan and competitive auction with PJM to align with next Ohio procurement process**
 - Out-of-time FRR plan – similar to Duquesne re-integration
 - Allows LSEs to opt-out if they meet FRR requirements
 - PJM would administer RPM-like auctions to secure capacity commitments for LSEs in ATSI footprint that have not opted out for 11/12 and 12/13 planning years
 - Auctions to be completed before next Ohio and PennPower POLR procurement processes

What We're Proposing - Continued

■ **Transmission Cost Allocation**

- Required to pay MTEP cost allocations for projects approved while a member of MISO
- Request to avoid RTEP cost allocations for projects approved before we joined PJM
- Not asking anyone in MISO or PJM to pay more or less for transmission cost allocation
- Will have full responsibility for RTEP cost allocations for projects approved after we join PJM
 - Larger PJM footprint to spread future expansion cost allocation

■ **Presents a larger policy question affecting RTO membership**

Orderly Transition

- **January 2010 commitment date for PJM auction provides ample notice to stakeholders – should not disrupt markets**
- **Transitional capacity auction by PJM ensures that ATSI load-serving entities have adequate capacity during the transition period to full integration in 2013**
- **June 1, 2011 integration date permits alignment with state retail plans**
- **FirstEnergy will fulfill contractual obligations to MISO**

Key Dates

August 17

Date of FERC filing

December 17

Requested date for FERC order

June 1, 2011

ATSI integration with PJM

June 1, 2013

Align with PJM capacity market