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FILE

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255

TELECOPIER (513) 421-2764

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October 30, 2008

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case No. 08-935-EL-SSO

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies of the BRIEF OF OHIO ENERGY GROUP ON SHORT TERM ESP filed in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkcw
Encl.
Cc: Certificate of Service
Chairman Alan R. Schriber
Ronda Hartman Fergus
Valerie A. Lemmie
Paul A. Centolella
Cheryl Roberto
Gregory Price, Hearing Examiner
Christine Pirik, Hearing Examiner
Steve Lesser, Esq.

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 31st day of October, 2008 to the following:

CITY OF AKRON
166 S. HIGH ST, ROOM 200
AKRON OH 44308

CLEVELAND ELECTRIC ILLUMINATING CO
HARVEY L. WAGNER
76 S. MAIN STREET

HAYDEN, MARK A MR.
FIRSTENERGY CORP
76 SOUTH MAIN STREET

OHIO EDISON COMPANY
HARVEY WAGNER, VP AND CON
76 S. MAIN STREET
AKRON OH 44308

BURK, JAMES ATTORNEY-AT-LAW
FIRSTENERGY SERVICE COMPANY
76 SOUTH MAIN STREET
AKRON OH 44308

*PETRICOFF, HOWARD
VORYS, SATER, SEYMOUR AND PEASE LLP
52 E. GAY STREET
COLUMBUS OH 43215

*CAMPBELL, ANDREW J.
JONES DAY
325 JOHN H MCCONNELL BLVD
SUITE 600
COLUMBUS OH 43215-2673

MUNTEAN, DAVID A
161 SOUTH HIGH STREET SUITE 202
AKRON OH 44308

SCHMIDT, KEVIN
33 NORTH HIGH STREET
COLUMBUS OH 43215

YURICK, MARK S. ATTORNEY
CHESTER WILLCOX & SAXBE LLP
65 EAST STATE ST SUITE 1000
COLUMBUS OH 43215-4213

KUTIK, DAVID
JONES, DAY, REAVIS & POGUE
NORTH POINT 901 LAKESIDE AVENUE
CLEVELAND OH 44114

VOLLMAN, SEAN W.
161 S. HIGH STREET, SUITE 202
AKRON OH 44308

*MANCINO, DOUGLAS M. MR.
MCDERMOTT WILL & EMERY LLP
2049 CENTURY PARK EAST, SUITE 3800

KRASSEN, GLENN ATTORNEY AT LAW
BRICKER & ECKLER LLP
1375 EAST NINTH STREET SUITE 1500
CLEVELAND OH 44114-1718

ROTHAL, MAX DIRECTOR OF LAW
161 SOUTH HIGH STREET
SUITE 202
AKRON OH 44308

BENTINE, JOHN
CHESTER, WILLCOX & SAXBE LLP
65 E. STATE STREET SUITE 1000
COLUMBUS OH 43215-4259

BEELER, STEVEN L ASSISTANT DIRECTOR OF LAW
CITY OF CLEVELAND DEPARTMENT OF LAW
601 LAKESIDE AVENUE ROOM 106
CLEVELAND OH 44114

DUNN, GREGORY H
SCHOTTENSTEIN ZOX & DUNN CO LPA
250 WEST STREET
COLUMBUS OH 43215

PORTER, ANDRE T
SCHOTTENSTEIN ZOX & DUNN CO LPA
250 WEST STREET
COLUMBUS OH 43215

FONNER, CYNTHIA A
CONSTELLATION ENERGY GROUP, INC.

550 W. WASHINGTON ST. SUITE 300
CHICAGO IL 60661

*HOWARD, STEPHEN M
VORYS, SATER SEYMOUR
AND PEASE LLP
52 EAST GAY STREET P. O. BOX 1008
COLUMBUS OH 43216-1008

*BREITSCHWERDT, E. BRETT MR.
BRICKER & ECKLER LLP
100 SOUTH THIRD STREET
COLUMBUS OH 43215

BELL, LANGDON D
BELL & ROYER CO., LPA
33 SOUTH GRANT AVENUE
COLUMBUS OH 43215

TRIOZZI, ROBERT J
CLEVELAND CITY HALL
601-LAKESIDE AVE, ROOM 206
CLEVELAND OH 44114-1077

*RANDAZZO, SAMUEL C.
MCNEES WALLACE & NUICK
21 EAST STATE ST, 17TH FLOOR
COLUMBUS OH 43215

MORGAN STANLEY CAPITAL
GROUP, INC
1585 BROADWAY 4TH FLOOR
NEW YORK NY 10036

LAVANGA, MICHAEL K
BRICKFIELD, BURCHETTE, RITTS & STONE, P.C.
1025 THOMAS JEFFERSON STREET N.W.
8TH FLOOR WEST TOWER
WASHINGTON DC 20007

LAWRENCE, GREGORY K
MCDERMOTT WILL & EMERY LLP
28 STATE STREET
BOSTON MA 02109

*RINEBOLT, DAVID C MR.
OHIO PARTNERS FOR AFFORDABLE ENERGY
231 W LIMA ST PO BOX 1793
FINDLAY OH 45839-1793

WELDELE, ERIC D
TUCKER ELLIS & WEST LLP
1225 HUNTINGTON CENTER
41 SOUTH HIGH STREET
COLUMBUS OH 43215

*WHITT, MARK A
JONES DAY
P.O. BOX 165017
325 JOHN H MCCONNELL BLVD, SUITE 600
COLUMBUS OH 43216-5017

MCALISTER, LISA
MCNEES, WALLACE & NURIK
21 EAST STATE STREET, 17TH FLOOR
COLUMBUS OH 43215-4228

*SITES, RICHARD ATTORNEY AT LAW
OHIO HOSPITAL ASSOCIATION
155 EAST BROAD STREET 15TH FLOOR
COLUMBUS OH 43215-3620

NEILSEN, DANIEL J ATTORNEY AT LAW
MCNEES WALLACE & NURICK LLC
FIFTH THIRD CENTER, 17TH FL. 21 EAST STATE STREET
COLUMBUS OH 43215

AMERICAN WIND ENERGY ASSOC.
1101 14TH STREET NW
12TH FLOOR
WASHINGTON DC 20005

CITIZEN POWER
DAVID HUGHES, EX. DIR.
2121 MURRAY AVENUE THIRD FLOOR
PITTSBURGH PA 15217

CITY OF CLEVELAND
1300 LAKESIDE AVENUE
CLEVELAND OH 44114

CITY OF MAUMEE
SHEILAH MCADAMS
400 CONANT STREET
MAUMEE OH 43537

CITY OF NORTHWOOD
BRIAN BALLENGER
6000 WALES ROAD
NORTHWOOD OH 43619

CITY OF OREGON
PAUL GOLDBERG
5330 SEAMAN RD
OREGON OH 43616

CITY OF TOLEDO
SUITE 2250 ONE GOVERNMENT CENTER
TOLEDO OH 43604

CONSTELLATION ENERGY COMMODITIES GROUP, INC.
M. HOWARD PETRICOFF, ATTORNEY
VORYS, SATER, SEYMOUR, PEASE, LLP 52 E. GAY ST., P.O. BOX 1008
COLUMBUS OH 43216-1008

CONSTELLATION NEWENERGY, INC.
DAVID I. FEIN
SUITE 300
550 W. WASHINGTON BLVD.
CHICAGO IL 60661

BLOOMFIELD, SALLY ATTORNEY AT LAW
BRICKER & ECKLER LLP
100 SOUTH THIRD STREET
COLUMBUS OH 43215-4291

ROBINSON, THEODORE S
CITIZEN POWER
2121 MURRAY AVENUE
PITTSBURGH PA 15217

MILLER, CHRISTOPHER L.
SCHOTTENSTEIN ZOX & DUNN CO., LPA
250 WEST STREET
COLUMBUS 43215

MCADAMS, SHEILAH
CITY OF MAUMEE
204 W. WAYNE STREET
MAUMEE OH 43537

BALLENGER, BRIAN J. LAW DIRECTOR
BALLENGER & MOORE CO., L.P.A.
3401 WOODVILLE ROAD SUITE C
TOLEDO OH 43619

CITY OF SYLVANIA
JAMES E. MOAN
4930 HOLLAND-SYLVANIA ROAD
SYLVANIA OH 43560

PETRICOFF, M.
VORYS, SATER, SEYMOUR & PEASE
52 EAST GAY STREET P.O. BOX 1008
COLUMBUS OH 43216-1008

COUNCIL OF SMALLER ENTERPRISES
STEVE MILLARD
100 PUBLIC SQUARE SUITE 201
CLEVELAND OH 44113

DIRECT ENERGY SERVICES, LLC
ERIC STEPHENS
5400 FRANTZ ROAD SUITE 250
DUBLIN OH 43016

*PETRICOFF, HOWARD
VORYS, SATER, SEYMOUR AND PEASE LLP
52 E. GAY STREET
COLUMBUS OH 43215

DOMINION RETAIL, INC.
GARY A. JEFFRIES
501 MARTINDALE STREET SUITE 400
PITTSBURGH PA 15212-5817

ROYER, BARTH E
BELL & ROYER CO LPA
33 SOUTH GRANT AVENUE
COLUMBUS OH 43215-3927

FPL ENERGY POWER
MARKETING INC
700 UNIVERSE BOULEVARD CTR/JB
JUNO BEACH FL 33408

DUTTON, F MITCHELL
700 UNIVERSE BOULEVARD
CTR/JB
JUNO BEACH FL 33408

GEXA ENERGY HOLDINGS LLC
F MITCHELL DUTTON
700 UNIVERSE BOULEVARD CTR/JB
JUNO BEACH FL 33408

INDUSTRIAL ENERGY USERS OF OHIO
SAMUEL C. RANDAZZO, GENERAL COUNSEL

MCNEES WALLACE & NURICK LLC
21 E. STATE STREET, 17TH FLOOR
COLUMBUS OH 43215

CLARK , JOSEPH M ATTORNEY AT LAW
MCNEES WALLACE & NURICK LLC
21 EAST STATE STREET, 17TH FL.
COLUMBUS OH 43215-4228

INTEGRYS ENERGY SERVICES INC
BOBBY SINGH
300 WEST WILSON BRIDGE ROAD SUITE 350
WORTHINGTON OH 43085

KROGER COMPANY, THE
MR. DENIS GEORGE
1014 VINE STREET-GO7
CINCINNATI OH 45202-1100

WHITE , MATTHEW S. ATTORNEY AT LAW
CHESTER WILCOX & SAXBE LLP
65 EAST STATE STREET
SUITE 1000
COLUMBUS OH 43215

LAKE TOWNSHIP
THOMAS HAYS, SOLICITOR
3315 CENTENNIAL RD., SUITEA-2
SYLVANIA OH 43560

LUCAS COUNTY COMMISSIONERS
LANCE KEIFFER
2ND FLOOR 711 ADAMS
TOLEDO OH 43624

MATERIAL SCIENCE CORPORATION
CRAIG I SMITH
2824 COVENTRY ROAD
CLEVELAND OH 44120

ECKHART, HENRY
ATTORNEY AT LAW
50 WEST BROAD STREET SUITE 2117
COLUMBUS OH 43215-3301

NATIONAL ENERGY MARKETERS ASSOC
CRAIG G. GOODMAN, ESQ.
3333 K STREET N.W. SUITE 110
WASHINGTON DC 20007

NATURAL RESOURCES DEFENSE COUNCIL
101 N WACKER DR SUITE 609
CHICAGO IL 60606

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
GLEN S. KRASSEN, ATTORNEY
ONE CLEVELAND CENTER SUITE 1500 1375 E NINTH STREET
CLEVELAND OH 44114

NUCOR STEEL MARION, INC
912 CHENEY AVENUE
MARION OH 43302

STONE, GARRETT A ATTORNEY AT LAW
BRICKFIELD, BURCHETTE, RITTS & STONE, P.C.
1025 THOMAS JEFFERSON STREET N.W.
8TH FLOOR, WEST TOWER
WASHINGTON DC 20007

OHIO ADVANCED ENERGY
SALLY BLOOMFIELD ATTORNEY
100 SOUTH THIRD ST
COLUMBUS OH 43215-4291

BLOOMFIELD, SALLY ATTORNEY AT LAW
BRICKER & ECKLER LLP
100 SOUTH THIRD STREET
COLUMBUS OH 43215-4291

OHIO CONSUMERS COUNSEL
JEFFREY SMALL
10 WEST BROAD STREET, SUITE 1800
COLUMBUS OH 43215-3485

SMALL, JEFFREY
OHIO CONSUMERS' COUNSEL
10 WEST BROAD STREET SUITE 1800
COLUMBUS OH 43215-3485

OHIO FARM BUREAU FEDERATION, INC.
DALE ARNOLD
DIRECTOR ENERGY SERVICES P.O. BOX 182383
COLUMBUS OH 43218

GEARHARDT, LARRY R.
OHIO FARM BUREAU FEDARATION
280 N. HIGH STREET P.O. BOX 182383
COLUMBUS OH 43218-2383

OHIO HOSPITAL ASSOCIATION
RICHARD L. SITES
155 E. BROAD STREET 15TH FLOOR
COLUMBUS OH 43215-3620

OHIO MANUFACTURERS ASSN
33 N. HIGH ST
COLUMBUS OH 43215

OHIO PARTNERS FOR AFFORDABLE ENERGY
RINEBOLT DAVID C
231 WEST LIMA ST. PO BOX 1793
FINDLAY OH 45839-1793

RINEBOLT, DAVID C.
OHIO PARTNERS FOR AFFORDABLE ENERGY
231 W LIMA STREET
FINDLAY OH 45839-1793

OHIO SCHOOLS COUNCIL
6133 ROCKSIDE ROAD SUITE 10
INDEPENDENCE OH 44131

OMNISOURCE CORPORATION
DAMON E XENOPOULOS
1025 THOMAS JEFFERSON STREET NW 8TH FLOOR WEST TOWER
WASHINGTON DC 20007

SIERRA CLUB OHIO CHAPTER
BRANDI WHETSTONE
131 N HIGH ST., STE. 605
COLUMBUS OH 43215

VILLAGE OF HOLLAND
PAUL SKAFF, ASSISTANT VI
353 ELM STREET
PERRYSBURG OH 43551

WIND ON THE WIRES
1619 DAYTON AVENUE SUITE 203
SAINT PAUL MN 55104

NUCOR STEEL MARION, INC
912 CHENEY AVENUE
MARION OH 43302

ED HESS, ESQ.
PUBLIC UTILITIES COMMISSION OF OHIO
180 E. BROAD STREET
COLUMBUS, OHIO 43215

RICK CAHAAN
PUBLIC UTILITIES COMMISSION OF OHIO
180 E. BROAD STREET
COLUMBUS, OHIO 43215

TOM MCNAMEE, ESQ.
PUBLIC UTILITIES COMMISSION OF OHIO
180 E. BROAD STREET
COLUMBUS, OHIO 43215

BOB FORTNEY
PUBLIC UTILITIES COMMISSION OF OHIO
180 E. BROAD STREET
COLUMBUS, OHIO 43215

KRASSEN, GLENN ATTORNEY AT LAW
BRICKER & ECKLER LLP
1375 EAST NINTH STREET SUITE 1500
CLEVELAND OH 44114-1718

MOHLER, SHAUN C
BRICKFIELD BURCHETTE RITTS & STONE P C
1025 THOMAS JEFFERSON STREET NW
8TH FLOOR WEST TOWER
WASHINGTON DC 20007

ECKHART, HENRY
ATTORNEY AT LAW
50 WEST BROAD STREET SUITE 2117
COLUMBUS OH 43215-3301

BLOOMFIELD, SALLY ATTORNEY AT LAW
BRICKER & ECKLER LLP
100 SOUTH THIRD STREET
COLUMBUS OH 43215-4291

STONE, GARRETT A ATTORNEY AT LAW
BRICKFIELD, BURCHETTE, RITTS & STONE, P.C.
1025 THOMAS JEFFERSON STREET N.W.
8TH FLOOR, WEST TOWER
WASHINGTON DC 20007

Michael L. Kurtz

David F. Boehm, Esq.
Michael L. Kurtz, Esq.

BEFORE THE

PUBLIC UTILITY COMMISSION OF OHIO

In The Matter Of The Application Of Ohio Edison Company, The Cleveland Electric Illuminating Company And The Toledo Edison Company For Authority To Establish A Standard Service Offer Pursuant To R.C. §4928.143 In The Form Of An Electric Security Plan	: : : : : :	Case Nos. 08-935-EL-SS0

BRIEF OF OHIO ENERGY GROUP ON SHORT TERM ESP

The Ohio Energy Group (OEG)[1] submits this brief on the Short Term ESP

I. COMMISSION OVERVIEW

Ohio Edison, Toledo Edison, and Cleveland Electric Illuminating (Utilities) currently purchase generation for consumers who do not shop under a FERC-approved all-requirements contract with their affiliate FirstEnergy Solutions (FES). That wholesale power supply agreement was for a three-year

[1] The members of OEG who take service from the FirstEnergy Utilities are: Air Products and Chemicals, Inc., AK Steel Corporation, Alcoa Inc., ArcelorMittal USA, BP-Husky Refining, LLC, Brush Wellman, Inc., Charter Steel, Chrysler LLC, Ford Motor Company, Johns Manville, Linde, Inc., North Star BlueScope Steel, LLC, PPG Industries, Inc., Republic Engineered Products, Inc., Severstal Warren, Inc. (formerly WCI Steel, Inc.), Sunoco, Inc. (R&M) and Worthington Industries.

period and it expires on December 31, 2008. The maximum price FES can charge the Utilities under that FERC-approved contract for POLR service is $53.62/mWh.[2]

Assuming that a Long Term ESP is not in place before the end of the year, there are three likely scenarios by which the Utilities will procure generation for non-shopping consumers for the short-term period January 1, 2009 through April 30, 2009.

1. The Commission may accept the Severable Short Term ESP SSO Pricing proposal set forth on pages 35-37 of the Utilities' Application in this docket. The FES Short Term ESP generation price offer is $77.5/mWh. Because the terms and conditions of the Long Term ESP are incorporated, there are several additional distribution price adjustments in the Short Term ESP proposal. These include a non-bypassable Uncollectible Service Rider of approximately $22.8 million per year, a non-bypassable Delivery Service Improvement (DSI) Rider of approximately $112 million per year, and a non-bypassable Minimum Default Service (MDS) charge of $10/mWh for consumers who shop. The Short Term ESP offered by FES would result in rate <u>increases</u> on average of:

Ohio Edison – 15.73%
Toledo Edison – 18.19%
CEI – 36.6%[3]

These are the real generation rate increases without any deferrals. While the FES Short Term ESP has the virtue of providing relatively fixed pricing, guaranteed rate increases of 15% - 36% are a steep price to pay for relative certainty. This is especially true since: a) FES' Short Term ESP will severely hinder shopping through the non-bypassable $10/mWh MDS; and b) generation prices in the wholesale market

[2] *First Energy Solutions Corp.*, Docket No. ER06-117-000 October 17, 2006 Settlement Agreement, 117 FERC ¶61,278 (2006).
[3] The rate increase to CEI customers under the FES Short Term ESP was calculated assuming that CEI would not waive its right to collect four months worth of RTC payments (approximately $140 million) unless a Long Term ESP agreement is reached.

have fallen by approximately 24% since the FES Short Term ESP offer was made. We recommend against the FES Short Term ESP.

2. OEG has proposed an alternative Short Term ESP in the testimony of its witness Mr. Baron at pages 11-15. Our proposal would require the Utilities to purchase generation for consumers who do not shop through the FERC-regulated MISO wholesale market. Since this case was filed about three months ago, prices in the MISO wholesale market have fallen by approximately 24%. Using the methodology adopted by the Utilities' own witness, but updated to actual prices as of October 10, 2008, if the Utilities were to buy power for non-shoppers through the MISO market for the period January 2009 – April 2009 the expected forward price is $55.26/mWh. The FES alternative price of $77.50/mWh represents a 40% premium above current wholesale forward prices. Based upon forward pricing as of October 10, 2008, the Short Term MISO Option recommended by OEG would result in rate <u>decreases</u> for Ohio Edison and Toledo Edison and a small increase to CEI:

Ohio Edison – (13.3%)
Toledo Edison – (13.69%)
CEI – 4.38%

The contrast is sharp. Accept the above-market FES offer and guarantee 15-36% rate increases; or pay only current MISO market prices and have the opportunity for 13%-14% rate reductions for Ohio Edison and Toledo Edison customers (about 65% of the total First Energy load), and a small increase for the CEI customers.[4]

Our plan would not result in daily price changes at the retail level. Retail generation prices would be fixed at their current level, less RTCs as they naturally expire, and would be subject to a monthly true-up (credit or charge) to ensure full recovery of the FERC-regulated wholesale MISO rate.

[4] The small CEI increase results from the assumption that CEI would not agree to waive its right to collect four months worth of RTC payments (approximately $140 million) unless a Long Term ESP agreement is reached. This is the same assumption that was made in analyzing the Utilities' Short Term ESP offer.

This process would result in relatively stable prices from month to month. The monthly MISO true-up is similar to a fuel adjustment charge or gas cost recovery charge. Our plan would not burden shoppers with a non-bypassable \$10/mWh MDS charge.[5] Our plan would also avoid \$45 million in distribution riders over the four month period.

If Ohio and the rest of the economy continue to sink further into recession, then the reduced economic activity and lower demand for power may drive down wholesale market prices even further. For the four months at issue, the total savings to consumers under OEG's MISO Option (based upon October 10, 2008 forward pricing) compared to the FES offer is estimated to be \$418.6 million.

3. The final scenario is a generation rate freeze for all consumers. This cannot be ordered by the Commission, but can be agreed to by FES (subject to the same FERC approval or waiver process as FES' Short Term ESP offer). Because the intent here would be to maintain the status quo for the Utilities, FES and all individual consumers during a four-month period, it would be appropriate to impose the \$10/mWh MDS charge in order to prevent customer migration through shopping. As an incentive, it may also be appropriate to include the two distribution riders. OEG believes that the Short Term MISO Option should be ordered, but that the generation rate freeze/status quo option should be offered to FES as a compromise alternative. The generation rate freeze plus a 2.5% surcharge on each customer's 2008 total bill proposed by Staff is another reasonable alternative that could be offered to FES.

[5] Because energy would be procured in the day-ahead MISO market there is no volumetric risk associated with customers either leaving SSO service or returning from a third party marketer to SSO service. Therefore, there is no need to compensate the Utilities with this large POLR charge.

II. DISCUSSION

1. The FES Short Term ESP Offer Guarantees Rate Increases To Non-Shoppers Of 15%-36%, Would Place A Non-Bypassable $10/mWh Burden On Shoppers, Is Approximately $418.6 Million Above Prevailing Wholesale Market Prices And Therefore Should Be Rejected.

FES has offered to sell generation to the Utilities for non-shopping consumers for the period January 1, 2009 to April 1, 2009 in order to give the Commission additional time to act on the Long Term ESP. The Commission must choose to accept or reject the Short Term ESP by November 14, 2008 or the offer is withdrawn.[6] The base generation rate under the FES Short Term ESP is $77.5/mWh, with $10.0/mWh being deferred with interest for later recovery.[7] Except as otherwise provided in its Application, the terms and conditions of the Long Term ESP would apply to the Short Term ESP.[8] This means that consumers would be subject to additional rate increases for:

a) a non-bypassable Non-Distribution Service Uncollectible Rider of approximately $22.8 million per year;[9]

b) recovery of a non-bypassable Delivery Service Improvement (DSI) Rider of approximately $112 million per year;[10] and

c) recovery from shoppers of a non-bypassable Minimum Default Service (MDS) charge of $10/mWh.[11]

FES is currently providing all-requirements generation service to the Utilities for non-shopping (POLR) load. The current FES wholesale supply contract expires on December 31, 2008. The FES sales price to the Utilities under the current contract cannot exceed $53.62/mWh in 2008.

FES provides energy-related products and services to affiliated and non-affiliated companies and is a wholly owned subsidiary of FirstEnergy Corp. FES itself has two wholly owned subsidiaries:

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[6] Application at p. 35.
[7] Application at p. 37.
[8] Application at pp. 36-37.
[9] Application at p. 15.
[10] Application at p. 21.
[11] Application at p. 14.

FirstEnergy Generation Corp. (which owns and operates 9,395.8 MW of non-nuclear generating facilities); and FirstEnergy Nuclear Operating Company (which operates 3,407.5 MW of nuclear generating facilities). FES' total nuclear and non-nuclear generating capacity in 2007 was 12,803.3 MW. In 2007, these facilities generated 71,140,730 mWh. In 2007, the total fuel, operating and production costs of the FES facilities was \$35.39/mWh. In 2007, FES reported net income of \$528.9 million. This resulted in a 2007 return on common equity for FES of approximately 24%.[12]

FES has provided no cost or market data to justify its four-month price offer of \$77.50/mWh as being just and reasonable under the Federal Power Act. To cure this legal defect, on October 24, 2008 FES filed an application at FERC seeking a waiver from the requirement that it obtain prior approval from FERC for sales of energy or capacity to Ohio Edison, Toledo Edison, and CEI.[13] FES justified its application for waiver on the grounds that Ohio consumers are protected from affiliate abuse because: 1) retail ratepayers in Ohio are not "*captive*" since they retain the right to shop competitively for generation; and 2) the PUCO is *"fully empowered to protect the interests of Ohio's retail customers."*[14]

The assertion that the ratepayers of the Utilities are not "*captive*" fails to address some important matters. First, the Commission is specifically authorized to place *"limitations on customer shopping for retail electric generation service"* as part of an ESP. ORC §4928.143(2)(d). This statutory provision specifically authorizes the Commission to make customers in an ESP "*captive*". An MRO is different. The Commission has no authority to limit shopping in an MRO. Second, the non-bypassable \$10/mWh MDS charge for consumers who want to shop has the real world effect of making the right to shop much more difficult, and therefore provides the opportunity for affiliate abuse.

[12] Attachment 1.
[13] Attachment 2.
[14] Attachment 2 at pp. 2-3.

As to the assertion that the PUCO is *"fully empowered to protect the interests of Ohio's retail customers,"* we hope that FES is correct. But merely accepting the above-market $77.50/mWh generation price offer, plus the distribution riders of $45 million, plus the non-bypassable $10/mWh MDS, plus all of the other terms and conditions contained in the Short Term ESP would not constitute adequate protection from affiliate abuse. The FES Short Term ESP offer would result in above market pricing by $418.6 million. This is only possible because of affiliate abuse.

The following tables show the rate increases for each rate schedule for each Utility under the FES Short Term ESP offer of $77.5/mWh without a deferral.

Table 1
Ohio Edison Company
Proposed Short-term ESP Increases
No Generation Cost Deferral

	Present Revenue	Proposed Increase/(Decrease)	Percent Increase
Residential Service	$1,050,950,746	$119,295,249	11.4%
General Service - Secondary	$742,018,527	$90,407,752	12.2%
General Service - Primary	$274,619,326	$46,357,779	16.9%
General Service - Subtransmission	$71,549,620	$15,670,323	21.9%
General Service - Transmission	$324,456,963	$115,425,171	35.6%
Private Outdoor Lighting Service	$6,881,189	$553,280	8.0%
Street Lighting Service	$10,879,288	$2,541,948	23.4%
Traffic Lighting Service	$1,294,903	$388,852	30.0%
Total Company	$2,482,650,560	$390,640,354	15.7%

Source: Hussing Schedule 1a.

Table 2
The Toledo Edison Company
Proposed Short-term ESP Increases
No Generation Cost Deferral

	Present Revenue	Proposed Increase/(Decrease)	Percent Increase
Residential Service	$290,090,704	$41,983,659	14.5%
General Service - Secondary	$279,379,142	$3,661,012	1.3%
General Service - Primary	$112,735,395	($350,278)	-0.3%
General Service - Subtransmission	$9,014,762	($352,361)	-3.9%
General Service - Transmission	$239,113,335	$125,170,341	52.3%
Private Outdoor Lighting Service	$1,835,222	$412,163	22.5%
Street Lighting Service	$7,062,145	$645,956	9.1%
Traffic Lighting Service	$882,072	($146,049)	-16.6%
Total Company	$940,112,777	$171,024,443	18.2%

Source: Hussing Schedule 1a.

Table 3
The Cleveland Electric Illuminating Company
Proposed Short-term ESP Increases
No Generation Cost Deferral, Includes Current RTC Level in Proposed

	Present Revenue	Proposed Increase/(Decrease)	Percent Increase
Residential Service	$642,960,054	$193,264,797	30.1%
General Service - Secondary	$813,867,408	$313,216,424	38.5%
General Service - Primary	$30,272,861	$12,715,039	42.0%
General Service - Subtransmission	$262,511,781	$116,826,331	44.5%
General Service - Transmission	$45,793,241	$21,971,988	48.0%
Private Outdoor Lighting Service	$10,431,394	$3,398,767	32.6%
Street Lighting Service	$17,993,022	$5,618,971	31.2%
Traffic Lighting Service	$1,400,081	$592,732	42.3%
CEI Contracts	$101,559,051	$38,607,410	38.0%
Total Company	$1,926,788,893	$706,212,459	36.7%

Source: Hussing Schedule 1a.

The rate increase to CEI customers under the FES $77.5/mWh proposal shown above is much higher than for the other two Utilities because of RTC. The RTCs for Ohio Edison and Toledo Edison expire at the end of 2008. But the RTCs for CEI continue at their current level until April 30, 2009, at which time they will be reduced by approximately 30% - 35% and then continue until the end of 2010.[15] In 2008, CEI collected $418.8 million in RTC charges, or approximately $34.9 million per month. The above analysis assumes that CEI would not agree to waive its right to collect its January 2009 – April 2009 RTC payments of approximately $140 million unless a Long Term ESP agreement is reached.

The Commission should recognize that FES needs the Ohio load just as much as the Ohio load needs the FES generation. The 56.5 million mWh that Ohio consumers currently buy from the Utilities cannot easily be replaced. This was recognized in FES' October 24, 2008 waiver application at FERC:

> *"As explained below, under any plausible outcome of pending regulatory proceedings in Ohio, the FE MBR* [market based rate] *Sellers will have to continue supplying a material portion of the Ohio Regulated Utilities' load requirements beginning in January 2009.*
>
> ***
>
> *And, given the magnitude of the Ohio Regulated Utilities' generation needs relative to the amounts of uncommitted capacity in the regional bulk power market, it is virtually certain that Applicants will be selected to provide at least a portion of this power supply. For these same reasons, if Applicants did not participate, the liquidity and depth of the markets would suffer.*
>
> ***
>
> *Given the short lead times available prior to the expiration of the current rate plan on December 31, 2008, and the virtual certainty that Applicants' generation will be implicated under any new plan approved by the PUCO, the Commission should approve the tariff Amendments proposed herein, recognizing that the PUCO has the ability to protect Ohio retail customers against affiliate abuse."*[16]

As the de facto purchaser of billions of dollars worth of power, the Commission needs to exercise its buying clout for the benefit of consumers. Since the Utilities will not do it, this is necessary to protect against affiliate abuse.

[15] Case No. 05-1125-EL-ATA (RCP Stipulation).
[16] Attachment 2 at pp. 2, 9 and 13-14.

Risk is a two-way street. While consumers would prefer a fixed price generation option (but not at the above market rate offered by FES), so would FES prefer the revenue stability of a known load and fixed pricing. On October 9, 2008 FirstEnergy Corp. took the extraordinary step of issuing a letter to the Investment Community to calm fears about its liquidity position.[17] This letter was also submitted to the SEC through a Form 8-K filing. On October 8, 2008 FirstEnergy Corp. and FES filed another 8-K with the SEC advising investors that *"to enhance their liquidity position in the face of the turbulent credit and bond markets"* FirstEnergy Corp. and FES entered into a $300 million secured loan agreement with Credit Suisse under very stringent conditions.[18] These 8-K SEC filings about liquidity underscore the value to FES of having a secure customer base and stable pricing.

Well before the recent credit market turmoil occurred the rating agencies were concerned with FirstEnergy's exposure to volatile wholesale market pricing. On October 18, 2007, Standard & Poors lowered FirstEnergy's credit rating to BBB/Negative from BBB/Stable stating: *"we revised the outlook because of the company's aggressive efforts to expose its generating assets in Ohio and Pennsylvania to market commodity risk." "Committing to a market-based future for its generating assets could dampen credit quality."*[19] Moody's Investor Services raised the same concerns earlier this week: *"Power companies that sell electricity at market prices face growing challenges, including fewer trading partners, reduced electricity demand and continued volatility in commodity prices ... Moody's kept the outlook for the merchant power sector at stable, but sees the credit crisis and a slowing economy increasing risks for the industry."*[20]

The FES Short Term ESP proposal is not reasonable and should be rejected. It is the product of self dealing and affiliate abuse. It would unnecessarily cause consumers to suffer rate increases of 15%

[17] Attachment 3.
[18] Attachment 4.
[19] Attachment 5.
[20] Attachment 6.

- 36% through the payment of above-market generation rates and the payment of $45 million in distribution riders over four months. It would also unnecessarily burden shopping with a $10/mWh exit fee. In its place the Utilities should be required to purchase generation for non-shoppers under the Short Term MISO Option sponsored by OEG.

2. The Short Term MISO Market Plan Of OEG Should Be Approved.

OEG recommends that the Commission approve its Short Term MISO Market plan. This would allow all consumers to benefit from the 24% decline in wholesale generation prices since this case was filed.

OEG witness Mr. Baron tracks this decline in his updated testimony. Table 2 to his updated testimony is reproduced below. Mr. Baron used the same methodology as the Utilities' witnesses Mr. Graves to calculate wholesale market prices to serve load in the FirstEnergy control area. This is the wholesale energy and capacity price (plus reserves) without any retail premium, or mark-up, to account for shopping risk. For the January 2009 through April 2009 period the FERC-regulated wholesale market price has fallen from $72.49/mWh as of July 15, 2008; to $61.85/mWh as of September 19, 2008; to $55.26/mWh as of October 10, 2008.[21] This is a 23.8% decline in three months.

[21] As described in Mr. Graves's testimony, the market rate was developed using an average of Cinergy Hub and PJM West prices.

Table 4
Average of Cinergy Hub and PJM West Forward Prices

Month	July 15, 2008	Sept. 19, 2008	Oct 10, 2008
Jan-09	366,491,657	301,744,112	265,706,909
Feb-09	322,780,327	265,802,942	233,954,477
Mar-09	279,537,902	239,778,174	213,283,427
Apr-09	282,923,809	244,497,973	214,979,554
Jan-Apr Avg.	1,251,733,695	1,051,823,202	927,924,366
Capacity Cost Rate ($/mW/day)	69.17	69.17	69.17
Peak Load + Reserves	13,327	13,327	13,327
Capacity Cost (@ 120 Days)	$110,619,431	$110,619,431	$110,619,431
Total Cost	$1,362,353,125	$1,162,442,633	$1,038,543,797
MWH Sales	18,794,716	18,794,716	18,794,716
$/mWh	$72.49	$61.85	$55.26

The most current wholesale market price in the record is the October 10, 2008 price of $55.26/mWh. The FES Short Term offer represents a 40% premium over this current wholesale market price. In dollars, the FES Short Term offer represents a $418.6 million above market overpayment by consumers over the four month period.

The mechanics of OEG's Short Term MISO plan to avoid this $418.6 million overcharge are straightforward.

First, the existing tariff or contract generation charges as of December 31, 2008 would remain in effect during the first four months of 2009, except that the RTC charges would be removed from each tariff or contract as they expire.[22] The removal of RTC charges as they expire is required by ORC 4928.141(A).

[22] Baron Direct Testimony at pp. 12-13.

Next, each Utility's total average generation revenue per kWh would be calculated based on calendar year 2008 data. This will become the base-rate generation revenue for purposes of calculating future adjustments.[23]

Finally, the Utilities would purchase generation in the MISO day-ahead market to serve non-shopping load. The Utilities could also hedge by locking in the pricing for all or part of projected load for one or more months. The difference between each Utility's actual cost of wholesale MISO generation and its average base-rate generation revenue would be added to or subtracted from each retail tariff or contract on an equal cents per kWh basis in the following months.[24] The monthly true-up of base generation revenue collected in rates compared to actual purchase power costs from MISO is similar to a fuel adjustment clause or gas cost recovery clause.

This three step process would give the Utilities full recovery of their wholesale power costs as required by federal law. The Utilities would suffer no loss. Retail rates would not change daily. They would change (up or down) only monthly to reflect the MISO true up. Because existing tariff or contract generation rates would be maintained (subject to the monthly MISO true-up) rate continuity for each customer would be achieved.

No retail risk premium would need to be added to the MISO wholesale rate. As shopping customers come and go, the Utilities would simply buy more or less in the daily MISO market. The Utilities would have no retail shopping or POLR risk.

Buying power for non-shoppers from the MISO administered wholesale market is operationally feasible. In the MRO case the Utilities testified that if a winning bidder defaulted on its supply obligations, then *"the Companies will procure the defaulted power in MISO administered markets at*

[23] Id.
[24] Id.

prevailing FirstEnergy zonal spot prices."[25] The Utilities further testified in the MRO case that if a supplier defaulted the Utilities could engage in hedging to manage MISO day ahead LMP price risk but would only do so if ordered to by the Commission.[26] Therefore, the Utilities obviously know how this process works. But if the Commission has concerns about MISO's regulations, business rules or scheduling protocols, then MISO should be contacted directly. Presumably MISO will be very responsive to the efforts of a state commission in this regard.

An additional benefit of this Short Term MISO plan is that no FERC approval would be needed as there would be no direct affiliate sales. In contrast, the FES Short Term ESP proposal would be subject to FERC approval unless the October 24, 2008 FES waiver application is granted in the next two months.

We have developed the following tables which calculate the rate changes each rate schedule would experience under the October 10, 2008 forward price of $55.26/mWh. The tables do not include the distribution rate changes which are a condition of the FES Short Term offer.

Table 5
Ohio Edison Company
Impact of OEG Proposed Short-term ESP
No Distribution Rate Change, Generation at $55.26 per mWh

	Present Revenue	Proposed Increase/(Decrease)	Percent Increase
Residential Service	$1,050,950,746	($102,398,622)	-9.7%
General Service - Secondary	$742,018,527	($103,226,391)	-13.9%
General Service - Primary	$274,619,326	($44,027,333)	-16.0%
General Service - Subtransmission	$71,549,620	($12,500,394)	-17.5%
General Service - Transmission	$324,456,963	($65,507,720)	-20.2%
Private Outdoor Lighting Service	$10,879,288	($667,448)	-6.1%
Street Lighting Service	$1,294,903	($377,451)	-29.1%
Traffic Lighting Service	$6,881,189	($747,243)	-10.9%
Total Company	$2,482,650,560	($329,452,601)	-13.3%

[25] Case No. 08-936 Direct Testimony of Kevin Warvell at p.14.
[26] *Id.* at 15.

Table 6
The Toledo Edison Company
Impact of OEG Proposed Short-term ESP
No Distribution Rate Change, Generation at $55.26 per mWh

	Present Revenue	Proposed Increase/(Decrease)	Percent Increase
Residential Service	$290,090,704	($32,158,707)	-11.1%
General Service - Secondary	$279,379,142	($50,544,178)	-18.1%
General Service - Primary	$112,735,395	($24,648,727)	-21.9%
General Service - Subtransmission	$9,014,762	($1,687,204)	-18.7%
General Service - Transmission	$239,113,335	($19,590,921)	-8.2%
Private Outdoor Lighting Service	$7,062,145	$371,675	5.3%
Street Lighting Service	$882,072	$57,736	6.5%
Traffic Lighting Service	$1,835,222	$84,136	4.6%
Total Company	$940,112,777	($128,116,191)	-13.6%

Table 7
The Cleveland Electric Illuminating Company
Impact of OEG Proposed Short-term ESP
No Distribution Rate Change, Generation at $55.26 per mWh

	Present Revenue	Proposed Increase/(Decrease)	Percent Increase
Residential Service	$642,960,054	$25,751,073	4.0%
General Service - Secondary	$813,867,408	$33,944,791	4.2%
General Service - Primary	$30,272,861	$1,543,087	5.1%
General Service - Subtransmission	$262,511,781	$14,526,127	5.5%
General Service - Transmission	$45,793,241	$3,329,978	7.3%
Private Outdoor Lighting Service	$17,993,022	$588,003	3.3%
Street Lighting Service	$1,400,081	$132,468	9.5%
Traffic Lighting Service	$10,431,394	$295,439	2.8%
CEI Contracts	$101,559,051	$0	0.0%
Total Company	$1,926,788,893	$80,110,966	4.2%

Consistent with the prior analysis, the CEI rate impact assumes that CEI would not agree to waive its right to collect RTC payments of $140 million absent a Long Term ESP agreement. That is why CEI customers would have a small rate increase.

The economic slowdown or recession this country is currently experiencing may have a silver lining here. NYMEX natural gas futures for months January, February, March and April 2009 are all currently trading in the $7/mmBtu range.[27] When the Utilities' ESP was filed, these same gas futures were nearly double in price.[28] Since natural gas generation sets the LMP clearing price in peak hours this indicates continued low MISO pricing during the Short Term ESP.

We have also included a graph showing the Cinergy Hub real time and day ahead prices which actually occurred over the last twelve months.[29] The future will obviously be different, but from this graph you can see that Cinergy Hub LMP pricing has been below $77.5/mWh for the vast majority of the hours over the last year. Again, keep in mind that an economic slowdown and low natural gas prices will tend to dampen LMP pricing even further.

Under these circumstances, reliance on the MISO market for generation for non-shoppers is a better choice than the above-market FES Short Term ESP offer coupled with shopping limitations and unnecessary distribution riders.

3. A Four Month Generation Rate Freeze Would Be A Reasonable Compromise.

Freezing the existing 2008 generation rates for the first four months of 2009 would result in an effective generation rate for Ohio Edison of $67.92/mWh, for Toledo Edison $67.28/mWh and for CEI $47.86/mWh.[30] This rate freeze analysis takes into account the fact that the RTCs for Ohio Edison and Toledo Edison expire at the end of 2008, but will continue for CEI. The weighted average generation price from FES needed to freeze existing rates is $60.77/mWh. This is a 21.6% reduction in the FES

[27] Attachment 7.
[28] *Id.*
[29] Attachment 8.
[30] Attachment 9.

Short Term ESP price. Considering that in the last three months wholesale generation prices have declined by 23.8%, a price of $60.77/mWh seems reasonable.

This proposal would result in all customers, including customers currently served under special contracts which expire at the end of 2008, to maintain stable rates for the first four months of 2009. Staff witness Mr. Fortney made a similar proposal at page 10 of his direct testimony, except that he would also add a 2.5% surcharge on each customer's 2008 bill. A 2.5% surcharge on 2008 total bills would yield approximately $44.6 million in additional revenue to the Utilities over the four month period. Staff's approach to impose a 2.5% rate increase on each ratepayer for four months is reasonable and should be offered to the Utilities as an alternative.

In order to provide FES with a stable load the non-bypassable $10/mWh MDS charge could be imposed for four months to limit customer migration through shopping. Finally, an additional incentive to consider would be to allow the two distribution surcharges to operate thus providing the Utilities with an additional $45 million.

Respectfully submitted,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
Ph: 513.421.2255 Fax: 513.421.2764
E-Mail: dboehm@BKLlawfirm.com
mkurtz@BKLlawfirm.com

COUNSEL FOR THE OHIO ENERGY GROUP

October 30, 2008

Attachment 1

FirstEnergy Solutions Corporation

Don't have a portfolio? Create one!

Corporate Profile

Corporate Data

Headquarters	76 South Main Street Akron, OH 44308-1890 USA
Phone	(800) 736-3402
Web Address	www.firstenergysolutions.com
Ultimate Parent	FirstEnergy Corp.
Industry	Power
Lines of Business	Electricity
SIC Code	4911
CEO	Charles E. Jones
CFO	Richard H. Marsh
More officers >>	**Professionals >>**
States of Operation	MD, MI, NJ, OH, PA

Recent News

More >>

5/29/2008	**Extra Pennsylvania utilities, suppliers meeting alternative energy requirements**
5/23/2008	**Pennsylvania approves Penn Power residential rates**
4/17/2008	***Maxim Power closes acquisition of New Jersey power plant***
4/15/2008	**Research & Analysis: RRAlert--Ohio House Committee passes Substitute Senate Bill 221; Full House to consider the bill**
4/4/2008	**Bills for Penn Power commercial customers to rise slightly**
3/31/2008	**FirstEnergy subsidiary signs renewable power supply contract**
3/7/2008	**Extra FirstEnergy subsidiary to increase stake in Pennsylvania nuke**
11/21/2007	**Extra FirstEnergy, subsidiaries agree to amend $2.75 billion credit agreement**

Financial Performance

More >>

Period Ended	6/30/2008
Assets ($000)	10,513,387
Total Capitalization ($M)	7,138.91
Total Debt/Total Cap (%)	64.90
Total Preferred/Total Cap (%)	0.00
Common Equity/Total Cap (%)	35.10
Pretax Int Coverage + Pref Divs (x)	5.88
Recurring EBITDA/Int Exp + Pref Divs (x)	10.32

Credit Ratings - Long Term Issuer

More >>

Moody's	Baa2	3/27/2007

Document Highlights

More >>

10-Q	8/7/2008
Company Tearsheet (TEARSHEET)	3/31/2008
10-K	2/29/2008
Electric Regulatory Filing (Misc) (Form 566)	2/2/2006

Company Description

Based in Akron, Ohio, FirstEnergy Solutions is an unregulated retail energy business subsidiary of FirstEnergy Corp., the nation's fifth largest investor-owned electric utility. FirstEnergy Solutions currently provides energy-related products and services to wholesale and retail customers, including supplying electric generation to more than 400,000 customers throughout Illinois, Maryland, Michigan, New Jersey, Ohio, and Pennsylvania, and manages the energy and procurement needs for more than 120,000 accounts.

As of Date: 8/7/2008

Lines Of Business

This Report Includes Proprietary Information.
Please Do Not Use This Report,
Or Information Contained Herein,
Outside The Context Of This Proceeding.

- Electricity
  - Generation
    - Regulated
  - Sales
    - Retail

FirstEnergy Solutions Corporation

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Officers

Top Executives

Position	Name	Age	Compensation
Chief Executive Officer	Charles E. Jones	52	NA
President	Charles E. Jones	52	NA
Chief Financial Officer	Richard H. Marsh	57	NA

Board of Directors [Committee Membership]

Name	Age	Employee?	Elected
Anthony J. Alexander	56	No	1999
Joseph J. Hagan	57	No	2007
Richard H. Marsh	57	Yes	2002

Board Composition

Number of Employees on Board	1 of 3
Average Age	57
Average Tenure	5

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FirstEnergy Solutions Corporation

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Financial Highlights

Native Currency: U.S. dollar(USD) **Current Currency:** U.S. dollar(USD) Modify Currency

Modify Periods View Definitions

	2004 Y	2005 Y	2006 Y	2007 Y	06/08 LTM
Period Ended	NA	NA	12/31/2006	12/31/2007	06/30/2008
Period Restated?	NA	NA	No	No	No
Balance Sheet Highlights ($000)					
Current Assets	NA	NA	1,640,166	1,126,309	1,816,022
Net PP&E	NA	NA	4,876,962	5,164,456	6,829,005
Total Assets	NA	NA	7,999,007	8,422,264	10,513,387
Long-term Debt	NA	NA	1,614,222	533,712	478,312
Equity	NA	NA	1,859,363	2,414,231	2,505,676
Total Capitalization, at Book Value	NA	NA	5,965,442	4,953,203	7,138,910
Income Statement Highlights ($000)					
Energy Operating Revenues	NA	NA	4,011,353	4,325,027	4,408,397
Operating Expense	NA	NA	3,233,208	3,406,239	3,624,274
Recurring EBITDA	NA	NA	1,100,988	1,265,296	1,076,029
Reported EBIT	NA	NA	NA	NA	NA
Reported Net Operating Income	NA	NA	778,145	918,788	784,185
Net Income before Taxes	NA	NA	655,001	833,472	692,636
Net Income before Extraordinary	NA	NA	418,653	528,864	433,022
Cash Flow Statement Highlights ($000)					
Cash Flow from Operating Activities	NA	NA	858,841	294,317	NA
Cash Flow from Investing Activities	NA	NA	(915,890)	1,295,404	NA
Cash Flow from Financing Activities	NA	NA	57,049	(1,589,721)	NA
Other Cash Flow	NA	NA	0	0	NA
Net Increase in Cash and Cash Equivalents	NA	NA	0	0	NA
Balance Sheet Ratios/ Capital (%)					
Total Equity/ Total Assets	NA	NA	23.24	28.66	23.83
Working Capital ($000)	NA	NA	(1,758,543)	(1,910,593)	(3,238,207)
Long-term Debt/ Book Capital	NA	NA	27.06	10.78	6.70
Debt/ Book Capitalization	NA	NA	68.83	51.26	64.90
Preferred Incl. Mezzanine/ Book-Value Capital	NA	NA	0.00	0.00	0.00
Income Statement Ratios (%)					
Recurring Revenue Growth	NA	NA	NA	7.67	NA
Net Income Growth	NA	NA	NA	26.33	NA
EPS Growth after Extra	NA	NA	NA	NA	NA
Dividend Payout Ratio	NA	NA	NA	NA	NA
Electric Revenue/ Operating Revenue	NA	NA	96.60	97.49	NA
Gas Revenue/ Operating Revenue	NA	NA	0.00	0.00	0.00
Operations & Maintenance/ Operating Expense	NA	NA	31.78	30.56	31.14
Electric Generation/ Operating Expense	NA	NA	60.41	61.22	60.87
Gas Cost/ Operating Expense	NA	NA	0.00	0.00	0.00
Operating D&A/ Operating Expense	NA	NA	5.54	5.66	5.58
Profitability Ratios (%)					
ROAA	NA	NA	NA	6.44	NA
ROAE	NA	NA	NA	[redacted]	NA
ROACE	NA	NA	NA		NA
Liquidity Ratios (x)					
Pre-tax Interest Coverage Excl. AFUDC	NA	NA	4.11	5.83	5.88
Pre-tax Interest and Pfd Coverage Excl. AFUDC	NA	NA	4.11	5.83	5.88

Adjusted Cash Flow Coverage	NA	NA	5.47	3.49	NA
Recurring EBITDA/ Adjusted Interest & Preferred	NA	NA	5.82	8.02	8.07
Earnings/ Fixed Charges	NA	NA	4.43	5.57	NA
Adjusted Operating Cash Flow/ Capital Expenditures (%)	NA	NA	144.89	35.36	NA
Per Share Information ($)					
Common Shares Outstanding (actual)	NA	NA	NA	NA	NA
Avg Diluted Shares Out (actual)	NA	NA	NA	NA	NA
Book Value per Share	NA	NA	NA	NA	NA
Tangible Book Value per Share	NA	NA	NA	NA	NA
Common Dividends Declared	NA	NA	NA	NA	NA
Basic EPS after Extra	NA	NA	NA	NA	NA
Diluted EPS after Extraordinary	NA	NA	NA	NA	NA
EPS Growth after Extra (%)	NA	NA	NA	NA	NA

FirstEnergy Solutions Corporation

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Balance Sheet

Native Currency: U.S. dollar(USD)   **Current Currency:** U.S. dollar(USD)   Modify Currency

Modify Periods   **View Definitions**

	2004 Y	2005 Y	2006 Y	2007 Y	06/08 LTM
Period Ended	NA	NA	12/31/2006	12/31/2007	06/30/2008
Period Restated?	NA	NA	No	No	No
Current Assets ($000)					
Cash and Cash Equivalents	NA	NA	2	2	2
Gross Trade Accounts Receivable	NA	NA	111,781	114,918	125,236
Trade Accounts Receivable Allowance	NA	NA	7,938	8,072	7,378
Net Customer and Trade Accounts Receivable	NA	NA	103,843	106,846	117,858
Other Accounts Receivable	NA	NA	992,536	473,106	1,036,209
Accounts Receivable	NA	NA	1,096,379	579,952	1,154,067
Unbilled Revenues	NA	NA	26,000	27,000	NA
Inventories	NA	NA	460,239	427,015	489,544
Prepaid Expense	NA	NA	57,546	92,340	172,409
Current Investments	NA	NA	0	0	0
Short-term Energy Risk-mgmt Assets	NA	NA	NA	NA	NA
Deferred Taxes, Current	NA	NA	NA	NA	NA
Other Current Assets	NA	NA	NA	NA	NA
Current Assets	NA	NA	1,640,166	1,126,309	1,816,022
Property, Plant and Equipment ($000)					
Electric PP&E in Service, Gross	NA	NA	8,355,344	8,294,768	9,741,996
Gas PP&E in Service, Gross	NA	NA	0	0	0
Other PP&E in Service, Gross	NA	NA	0	0	0
PP&E in Service, Gross	NA	NA	8,355,344	8,294,768	9,741,996
Accumulated Depletion, Depreciation & Amortization	NA	NA	3,818,268	3,892,013	4,134,280
Net PP&E in Service	NA	NA	4,537,076	4,402,755	5,607,716
Construction Work in Progress	NA	NA	339,886	761,701	1,221,289
Net Nuclear Fuel	NA	NA	NA	NA	NA
Other Net PP&E	NA	NA	0	0	0
Net PP&E	NA	NA	4,876,962	5,164,456	6,829,005
Other Assets ($000)					
Noncurrent Investments	NA	NA	1,373,681	1,435,817	1,363,527
Intangible Assets	NA	NA	24,248	24,248	24,248
Long-term Energy Risk-mgmt Assets	NA	NA	NA	NA	NA
Deferred Taxes, Noncurrent	NA	NA	0	276,923	247,968
Regulatory Assets	NA	NA	NA	NA	NA
Total Other Assets	NA	NA	83,950	394,511	232,617
Total Assets	NA	NA	7,999,007	8,422,264	10,513,387
Current Liabilities ($000)					
Short-term Debt	NA	NA	1,022,197	564,064	2,216,707
Current Portion of Long-term Debt	NA	NA	1,469,660	1,441,196	1,938,215
Short-term and Current Long-term Debt	NA	NA	2,491,857	2,005,260	4,154,922
Current Portion of Preferred Equity	NA	NA	0	0	0
Accrued Interest Payable	NA	NA	NA	NA	NA
Income Taxes Payable	NA	NA	113,231	171,451	72,538
Customer Security Deposits	NA	NA	0	0	0
Other Accounts Payable and Accrued Expense	NA	NA	692,680	622,385	562,544
Accounts Payable and Accrued Expense	NA	NA	805,911	793,836	635,082
Short-term Energy Risk-mgmt Liabilities	NA	NA	NA	NA	NA
Other Current Liabilities	NA	NA	100,941	237,806	264,225
Current Liabilities	NA	NA	3,398,709	3,036,902	5,054,229
Other Liabilities ($000)					

Postretirement Benefits	NA	NA	103,027	63,136	66,515
Deferred Tax Liability	NA	NA	187,200	61,116	58,822
Obligations under Capital Leases	NA	NA	0	199	NA
Long-term Debt	NA	NA	1,614,222	533,712	478,312
Long-term Energy Risk-mgmt Liabilities	NA	NA	NA	NA	NA
Regulatory Liabilities	NA	NA	NA	NA	NA
Total Other Liabilities	NA	NA	836,486	2,313,167	2,349,833
Total Liabilities	NA	NA	6,139,644	6,008,033	8,007,711
Mezzanine ($000)					
Redeemable Preferred	NA	NA	0	0	0
Trust Preferred Securities	NA	NA	0	0	0
Minority Interest	NA	NA	0	0	0
Subsidiary Preferred	NA	NA	0	0	0
Total Minority Interest	NA	NA	0	0	0
Other Mezzanine Items	NA	NA	0	0	0
Total Mezzanine Level Items	NA	NA	0	0	0
Equity ($000)					
Total Preferred Equity	NA	NA	0	0	0
Common Equity	NA	NA	1,859,363	2,414,231	2,505,676
Equity	NA	NA	1,859,363	2,414,231	2,505,676
Common Shares Outstanding (actual)	NA	NA	NA	NA	NA

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FirstEnergy Solutions Corporation

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Income Statement

Native Currency: U.S. dollar(USD) **Current Currency:** U.S. dollar(USD) Modify Currency

Modify Periods **View Definitions**

	2004 Y	2005 Y	2006 Y	2007 Y	06/08 LTM
Period Ended	NA	NA	12/31/2006	12/31/2007	06/30/2008
Period Restated?	NA	NA	No	No	No
Operating Revenue ($000)					
Electric Revenue	NA	NA	3,874,903	4,216,295	NA
Oil & Natural Gas Revenues	NA	NA	0	0	0
Other Operating Revenues	NA	NA	136,450	108,732	NA
Energy Operating Revenues	NA	NA	4,011,353	4,325,027	4,408,397
Operating Expenses ($000)					
Total Electrical Generation Cost	NA	NA	1,953,149	2,085,190	2,205,946
Gas for Distribution	NA	NA	0	0	0
Operations and Maintenance Expense	NA	NA	1,027,564	1,041,039	1,128,582
Other Operating Expense	NA	NA	0	0	0
Operating DD&A	NA	NA	179,163	192,912	202,284
Taxes, Other than Income Tax	NA	NA	73,332	87,098	87,462
Operating Expense	NA	NA	3,233,208	3,406,239	3,624,274
Other Revenue ($000)					
Partnership Income	NA	NA	NA	NA	NA
Allowance for Equity Funds - Construction	NA	NA	NA	NA	NA
Other Noninterest Income	NA	NA	54,502	52,876	12,797
Nonrecurring Revenue	NA	NA	0	0	0
Other Expenses ($000)					
Interest Paid and Accrued	NA	NA	189,141	157,700	133,364
Interest Capitalized	NA	NA	11,495	19,508	29,080
Allowance for Borrowed Funds - Construction	NA	NA	NA	NA	NA
Amortization of Deferred Financing Costs	NA	NA	NA	NA	NA
Interest Expense	NA	NA	177,646	138,192	104,284
Other Expense	NA	NA	0	0	0
Nonrecurring Expense	NA	NA	0	0	0
Net Income ($000)					
Net Income before Taxes	NA	NA	655,001	833,472	692,636
Provision for Taxes	NA	NA	236,348	304,608	259,614
Preferred Divs of Sub	NA	NA	0	0	0
Other Minority Interest Expense	NA	NA	0	0	0
Total Minority Interest Expense	NA	NA	0	0	0
Trust Preferred Distributions	NA	NA	0	0	0
Other After-tax Items	NA	NA	0	0	0
Trust Preferred Distributions	NA	NA	0	0	0
Net Income before Extraordinary	NA	NA	418,653	528,864	433,022
Discontinued Operations	NA	NA	0	0	0
Change in Accounting Principles	NA	NA	0	0	0
Early Retirement of Debt	NA	NA	0	0	0
Other Extraordinary Items	NA	NA	0	0	0
Extraordinary Items	NA	NA	0	0	0
Net Income	NA	NA	418,653	528,864	433,022
Preferred Dividends	NA	NA	0	0	0
Other Preferred Dividends after Net Income	NA	NA	0	0	0
Other Changes to Net Income	NA	NA	0	0	0
Net Income Avail to Common	NA	NA	418,653	528,864	433,022
Reported Net Operating Income	NA	NA	778,145	918,788	784,185

Per Share Information ($)					
Diluted EPS after Extraordinary	NA	NA	NA	NA	NA
Common Dividends Declared	NA	NA	NA	NA	NA
Avg Diluted Shares Out (actual)	NA	NA	NA	NA	NA

FirstEnergy Solutions Corporation

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Performance Analysis

Modify Periods | View Definitions

	2004 Y	2005 Y	2006 Y	2007 Y	06/08 LTM
Period Ended	NA	NA	12/31/2006	12/31/2007	06/30/2008
Period Restated?	NA	NA	No	No	No
Capitalization Ratios (%)					
Debt/ Book Capitalization	NA	NA	68.83	51.26	64.90
Preferred Incl. Mezzanine/ Book-Value Capital	NA	NA	0.00	0.00	0.00
Common Equity/ Book Capital	NA	NA	31.17	48.74	35.10
Balance Sheet Ratios (%)					
Work in Progress/ Net PP&E	NA	NA	6.97	14.75	17.88
PP&E/ Assets	NA	NA	60.97	61.32	64.96
Total Equity/ Total Assets	NA	NA	23.24	28.66	23.83
Debt Analysis (%)					
Short-term Debt/ Debt	NA	NA	60.69	78.98	89.68
Long-term Debt/ Debt	NA	NA	39.31	21.02	10.32
Recurring EBITDA/ Adjusted Interest & Preferred (X)	NA	NA	5.82	8.02	8.07
Credit Facilities/ Debt	NA	NA	NA	NA	NA
Commercial Paper/ Debt	NA	NA	NA	NA	NA
Income Statement Ratios (%)					
Reported Operating Income/ Revenues	NA	NA	19.14	20.99	17.74
Electric Revenue/ Operating Revenue	NA	NA	96.60	97.49	NA
Gas Revenue/ Operating Revenue	NA	NA	0.00	0.00	0.00
Operations & Maintenance/ Operating Expense	NA	NA	31.78	30.56	31.14
Electric Generation/ Operating Expense	NA	NA	60.41	61.22	60.87
Gas Cost/ Operating Expense	NA	NA	0.00	0.00	0.00
Operating D&A/ Operating Expense	NA	NA	5.54	5.66	5.58
Profitability Ratios (%)					
ROAA	NA	NA	NA	6.44	NA
ROAE	NA	NA	NA	24.75	NA
ROACE	NA	NA	NA	24.75	NA
Return on Capital	NA	NA	NA	9.69	NA

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FirstEnergy Solutions Corporation

Don't have a portfolio? Create one!

Operating Power Plants

Operating Power Plants

Plant Name	Owner	Nameplate Capacity	Generation Technology	Primary Fuel Type	State	In-service Year	Ownership Percentage
Ashtabula	FirstEnergy Generation Corp	256.0	Steam Turbine: Boiler	Coal	OH	1953	100.00
Bay Shore	FirstEnergy Generation Corp	639.4	Steam Turbine: Boiler	Coal	OH	1955	100.00
Bay Shore CT	FirstEnergy Generation Corp	16.0	Combustion Turbine	Oil	OH	1967	100.00
Beaver Valley	FirstEnergy Nuclear Generation	1,969.8	Nuclear: PWR	Nuclear	PA	1976	81.14
Bruce Mansfield	FirstEnergy Generation Corp	2,741.1	Steam Turbine: Boiler	Coal	PA	1976	100.00
Davis-Besse	FirstEnergy Nuclear Generation	939.2	Nuclear: PWR	Nuclear	OH	1977	100.00
Eastlake	FirstEnergy Generation Corp	1,257.0	Steam Turbine: Boiler	Coal	OH	1953	100.00
Eastlake CT	FirstEnergy Generation Corp	32.0	Combustion Turbine	Oil	OH	1973	100.00
Edgewater CT	FirstEnergy Generation Corp	57.6	Combustion Turbine	Oil	OH	1973	100.00
Lake Shore	FirstEnergy Generation Corp	256.0	Steam Turbine: Boiler	Coal	OH	1962	100.00
Lake Shore GT	FirstEnergy Generation Corp	4.0	Internal Combustion	Oil	OH	1966	100.00
Mad River	FirstEnergy Generation Corp	54.0	Combustion Turbine	Oil	OH	1972	100.00
Perry	FirstEnergy Nuclear Generation	1,252.5	Nuclear: Boiling Water Reactor	Nuclear	OH	1987	87.42
R.E. Burger	FirstEnergy Generation Corp	415.8	Steam Turbine: Boiler	Coal	OH	1944	100.00
R.E. Burger IC	FirstEnergy Generation Corp	7.5	Internal Combustion	Oil	OH	1972	100.00
Richland	FirstEnergy Generation Corp	450.0	Combustion Turbine	Gas	OH	1965	100.00
Seneca	FirstEnergy Generation Corp	469.0	Pumped Storage	Water	PA	1970	100.00
Stryker	FirstEnergy Generation Corp	19.0	Combustion Turbine	Oil	OH	1968	100.00
Sumpter	FirstEnergy Generation Corp	340.0	Combustion Turbine	Gas	MI	2002	100.00
W.H. Sammis	FirstEnergy Generation Corp	2,455.6	Steam Turbine: Boiler	Coal	OH	1959	100.00
W.H. Sammis IC	FirstEnergy Generation Corp	12.5	Internal Combustion	Oil	OH	1972	100.00
West Lorain	FirstEnergy Generation Corp	555.6	Combustion Turbine	Gas	OH	1973	100.00

FirstEnergy Solutions Corporation

Don't have a portfolio? Create one!

Power Plants in Development

Generation Projects Planned

Name	Owner	Percent Ownership	Plant Operating Status	Planned Capacity	Fuel Type	Technology	State	Year in Service	Development Status	Construction Costs ($000)
Davis-Besse	FirstEnergy Nuclear Generation	100.0	Operating	12.0	Nuclear	Nuclear: PWR	OH	2008	Advanced Development	9,600*
Fremont Energy Center	FirstEnergy Generation Corp	100.0	Under Construction	739.5	Gas	Combined Cycle	OH	2009	Construction Begun	388,238*

Environmental Projects Planned

Name	Owner	Percent Ownership	Project Type	Nameplate Capacity	Fuel Type	Technology	State	Year in Service	Development Status	Construction Costs ($000)
Bay Shore	FirstEnergy Generation Corp	100.0	FGD, Mercury, NOx	639.4	Coal	Steam Turbine: Boiler	OH	2010	Postponed	100,000
R.E. Burger	FirstEnergy Generation Corp	100.0	FGD, Mercury, NOx	415.8	Coal	Steam Turbine: Boiler	OH	2010	Announced	180,000
W.H. Sammis	FirstEnergy Generation Corp	100.0	FGD, NOx	2,455.6	Coal	Steam Turbine: Boiler	OH	2010	Announced	-

*Cost estimated by SNL.

Above numbers represent entire project, not proportioned by owner

FirstEnergy Solutions Corporation

Don't have a portfolio? Create one!

Power Plants by Type

Data as of 2007 Y based on current ownership.

Report by Fuel Type **Regulatory Status** All

Apply Restore Defaults

Company Totals

All Plants

(19 of 22 Plants Reporting, representing 99% of total capacity)

	Coal	Gas	Nuclear	Oil	Hydro	Wind	Other	Total
Number of Plants Reporting	7 of 7	3 of 3	3 of 3	5 of 8	1 of 1	-	-	19 of 22
Installed Nameplate Capacity (MW)	7,851.7	1,345.6	3,598.7	202.6	469.0	-	-	13,467.6
Operating Capacity (MW)	7,447.8	1,317.0	3,407.5	196.0	435.0	-	-	12,803.3
Net Generation (MWh)	44,783,544	169,262	26,294,073	262	-106,411	-	-	71,140,730
Capacity Factor (%)	68.64	1.47	88.09	0.02	0.00	-	-	63.43
Fuel Expense ($000)	760,427	19,423	117,828	288	NA	-	-	897,965
Non-fuel Operating Expense ($000)	208,550	1,417	1,132,942	120	NA	-	-	1,343,029
Total Operating Expense($000)	968,977	20,841	1,250,770	407	NA	-	-	2,240,995
Total Maintenance Expense ($000)	146,502	2,261	130,924	844	NA	-	-	280,531
Plant Operating and Maintenance Expense ($000)	1,115,479	23,101	1,381,694	1,252	NA	-	-	2,521,526
Unit Fuel Expense ($/MWh)	16.98	114.75	4.48	446.05	NA	-	-	12.60
Operating & Maintenance Production Costs ($/MWh)	24.91	136.48	52.55	1,940.39	NA	-	-	35.39

Subsidiary Totals

FirstEnergy Generation Corp.

(16 of 19 Plants Reporting, representing 98% of total capacity)

	Coal	Gas	Nuclear	Oil	Hydro	Wind	Other	Total
Number of Plants Reporting	7 of 7	3 of 3	-	5 of 8	1 of 1	-	-	16 of 19
Installed Nameplate Capacity (MW)	7,851.7	1,345.6	-	202.6	469.0	-	-	9,868.9
Operating Capacity (MW)	7,447.8	1,317.0	-	196.0	435.0	-	-	9,395.8
Net Generation (MWh)	44,783,544	169,262	-	262	-106,411	-	-	44,846,657
Capacity Factor (%)	68.64	1.47	-	0.02	0.00	-	-	54.49
Fuel Expense ($000)	760,427	19,423	-	288	NA	-	-	780,137
Non-fuel Operating Expense ($000)	208,550	1,417	-	120	NA	-	-	210,087
Total Operating Expense($000)	968,977	20,841	-	407	NA	-	-	990,225
Total Maintenance Expense ($000)	146,502	2,261	-	844	NA	-	-	149,607
Plant Operating and Maintenance Expense ($000)	1,115,479	23,101	-	1,252	NA	-	-	1,139,832
Unit Fuel Expense ($/MWh)	16.98	114.75	-	446.05	NA	-	-	17.35
Operating & Maintenance Production Costs ($/MWh)	24.91	136.48	-	1,940.39	NA	-	-	25.36

FirstEnergy Nuclear Generation Corp.

(3 of 3 Plants Reporting, representing 100% of total capacity)

	Coal	Gas	Nuclear	Oil	Hydro	Wind	Other	Total
Number of Plants Reporting	-	-	3 of 3	-	-	-	-	3 of 3
Installed Nameplate Capacity (MW)	-	-	3,598.7	-	-	-	-	3,598.7
Operating Capacity (MW)	-	-	3,407.5	-	-	-	-	3,407.5
Net Generation (MWh)	-	-	26,294,073	-	-	-	-	26,294,073
Capacity Factor (%)	-	-	88.09	-	-	-	-	88.09
Fuel Expense ($000)	-	-	117,828	-	-	-	-	117,828
Non-fuel Operating Expense ($000)	-	-	1,132,942	-	-	-	-	1,132,942
Total Operating Expense($000)	-	-	1,250,770	-	-	-	-	1,250,770
Total Maintenance Expense ($000)	-	-	130,924	-	-	-	-	130,924
Plant Operating and Maintenance Expense ($000)	-	-	1,381,694	-	-	-	-	1,381,694
Unit Fuel Expense ($/MWh)	-	-	4.48	-	-	-	-	4.48
Operating & Maintenance Production Costs ($/MWh)	-	-	52.55	-	-	-	-	52.55

Currently-owned regulated and unregulated operating plants.
Nameplate and Operating capacities represent owned capacity.
Generation and expense data represent an aggregate of all reported and estimated operating data only.

Attachment 2

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

TEL: (202) 371-7000
FAX: (202) 393-5760
WWW.SKADDEN.COM

DIRECT DIAL
PHONE: 202-371-7009
DIRECT FAX
FAX: 202-661-9053
EMAIL ADDRESS
JPFEFFER@SKADDEN.COM

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October 24, 2008

By Hand Delivery

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: FirstEnergy Solutions Corp., Docket No. ER09-
FirstEnergy Generation Corporation, Docket No. ER09-
FirstEnergy Nuclear Generation Corporation, Docket No. ER09-
FirstEnergy Generation Mansfield Unit 1 Corp., Docket No. ER09-
Amendments to Market-Based Rate Tariffs Waiving Affiliate Restrictions in Ohio

Dear Secretary Bose:

FirstEnergy Solutions Corp. ("Solutions"), FirstEnergy Generation Corporation ("GenCorp"), FirstEnergy Nuclear Generation Corporation ("Nuclear GenCorp"), and FirstEnergy Generation Mansfield Unit 1 Corp. ("Mansfield") (collectively, "FE MBR Sellers" or "Applicants") hereby request the Commission to accept for filing under section 205 of the Federal Power Act ("FPA") an original and six copies of proposed amendments to their market-based rate tariffs (the "Amendments"). The Applicants are requesting a

Commission determination that the Order No. 697[1] requirement to obtain prior approvals for affiliate sales of electric energy or capacity do not apply to the Applicants' power sales to FirstEnergy's regulated franchised public utilities in Ohio: The Cleveland Electric Illuminating Company ("Cleveland Electric Illuminating"), Ohio Edison Company ("Ohio Edison"), and The Toledo Edison Company ("Toledo Edison") (collectively "Ohio Regulated Utilities").

Approval of the Amendments is necessary to assure uninterrupted service to the more than 2 million retail customers served by the Ohio Regulated Utilities upon expiration of current supply arrangements on December 31, 2008. **As explained below, under any plausible outcome of pending regulatory proceedings in Ohio, the FE MBR Sellers will have to continue supplying a material portion of the Ohio Regulated Utilities' load requirements beginning in January 2009.** However, under the terms of their existing market-based rate tariffs and the Commission's regulations governing affiliate transactions, such power deliveries cannot be continued beyond December 31, 2008 without this Commission's authorization.

The requested waiver of the Commission's affiliate rules is based on the Commission's policy of granting such relief where no captive customers exist or are otherwise protected against affiliate abuse. Both of those concerns are satisfied in this filing. First, there will be no wholesale customers served by the Ohio Regulated Utilities at the time any affiliate sales authorized by the Amendments become effective.[2] Second, as discussed below, the Commission has previously determined that retail ratepayers in Ohio are not "captive" for purposes of determining whether the Order No. 697 restrictions on affiliate sales and other rules governing affiliate relationships should apply. Third, Applicants note that even if the requested authorization is granted, the Ohio Regulated Utilities could not make any purchases from the FE MBR Sellers

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1 *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252 ("Order No. 697"), *order clarifying final rule*, 121 FERC ¶ 61,260 (2007), *order on reh'g and clarification*, Order No. 697-A, 123 FERC ¶ 61,055 ("Order No. 697-A"), *order on reh'g and clarification*, 124 FERC ¶ 61,055 (2008) (codified at 18 C.F.R. pt. 35).

2 As discussed below, power sales to the only remaining wholesale customer served by the Ohio Regulated Utilities will terminate on December 31, 2008. In the unlikely event there are any wholesale power sales beyond that date, Applicants will hold such customer harmless from any increased costs that might result from any affiliate sales authorized by the Commission in this proceeding.

without the prior approval of Ohio regulators who are fully empowered to protect the interests of Ohio's retail customers.[3]

For purposes of this filing, the Applicants are seeking a Commission determination that the provisions of section 35.39 related to power sales and other restrictions between affiliates now codified in the Commission's regulations do not apply in relation to Applicants' sales to the Ohio Regulated Utilities. To the extent necessary, the Applicants also seek waiver of the corresponding restriction on affiliate sales of electric energy of section 35.44(a), and the restrictions governing sales of non-power goods and services of section 35.44(b), adopted by the Commission in Order Nos. 707 and 707-A.[4] These determinations are reflected in the proposed Amendments to Applicants' market-based tariffs attached hereto. The Applicants respectfully request an effective date of December 15, 2008 for the Amendments.

I. Background

Order No. 697-A at P 202 defines captive customers as "any wholesale or retail electric energy customers served by a franchised public utility under cost-based regulation." Order No. 697 (at P 479) specifically excludes from the term "captive customers" those customers who have the ability to select a retail supplier based on the rates, terms, and conditions of service offered. Retail customers who choose to be served under cost-based rates, but have the ability, by virtue of State law, to choose one retail supplier over another, are not captive.[5] By this definition, the retail customers of the Ohio Regulated Utilities are not captive and, in any event, will continue to be fully protected

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[3] As outlined herein, Applicants submit that the relief requested should be granted under the provisions of Order No. 697 governing affiliate waivers, given that there are no *wholesale* customers that might be affected by any sales from the FE MBR Sellers to the Ohio Regulated Utilities. Any concerns regarding *retail* affiliate abuse are fully addressed by the continuing requirement for prior state regulatory approval of any purchases by the Ohio Regulated Utilities from the FE MBR Sellers. Thus, given the unique factual circumstances and timing issues arising from recent Ohio legislation governing post-2008 retail supply, approval can be granted without having to address the merits of the "captive customer" issue.

[4] *Cross-Subsidization Restrictions on Affiliate Transactions*, Order No. 707, FERC Stats. & Regs. ¶ 31,264 ("Order No. 707"), *order on reh'g*, Order No. 707-A, FERC Stats. & Regs. ¶ 31,272 (2008) (codified at 18 C.F.R. pt. 35).

[5] Order 697 at PP 478, 479; Order 697-A at PP 192-93, 202-03.

against affiliate abuse by the need for prior state approval of any affiliate purchases by the Ohio regulated Utilities. Accordingly, the Commission should approve the Amendments.

Commission approval of the Amendments will complete the process of conforming Applicants' market-based rate tariffs to the provisions of Order Nos. 697 and 697-A by eliminating Code of Conduct and affiliate sales restrictions for power sales between the FE MBR Sellers and their regulated franchised public utility affiliates, in all four jurisdictions they serve, on the grounds that there are no "captive" customers. That process began in orders approved by the Commission in *FirstEnergy* and *Penn Power*,[6] eliminating such restrictions for transactions between Solutions and FirstEnergy's regulated franchised utilities in Pennsylvania, New Jersey and New York. More recently, the Commission accepted the triennial market-based rate filing of the FirstEnergy Operating Companies and the associated tariff sheets continuing these existing affiliate waivers.[7]

The Amendments submitted herein would make the necessary tariff sheet changes to extend the same authorization to affiliate sales between the Applicants and the Ohio Regulated Utilities. The Commission has stated in Order No. 697 that the restrictions on affiliate sales and relationships now codified in 18 C.F.R. subsections 35.39, 35.44(a), and 35.44(b) of its regulations are not applicable in jurisdictions where there are no captive customers needing the protections afforded by these restrictions.[8]

The Applicants submit that the same factual conditions supporting the Commission's prior findings in *FirstEnergy*, *Penn Power*, and *FirstEnergy Operating Companies*—that there are no captive retail or wholesale customers served by FirstEnergy's regulated franchised utilities in Pennsylvania, New

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6 *FirstEnergy Servs. Co.*, 117 FERC ¶ 61,081 (2006) ("*FirstEnergy*"); *Pa. Power Co.*, Docket Nos. ER07-434-000 and ER07-434-001 (unpublished delegated letter order issued Mar. 21, 2007) ("*Penn Power*").

7 *FirstEnergy Operating Cos.*, 125 FERC ¶ 61,074 (2008) ("*FirstEnergy Operating*"). As noted, the three generating companies currently sell their power through Solutions, which has previously been granted waiver of the affiliate rules to make sales in these jurisdictions to FirstEnergy's regulated utility subsidiaries.

8 Order No. 697 at PP 467, 552; Order 697-A at P 388; *see also* Order No. 707 at PP 4, 46.

Jersey and New York—also apply to the Ohio Regulated Utilities. Specifically, retail and wholesale customers of FirstEnergy's three franchised utilities in Ohio are protected from any potential for affiliate abuse because: (1) all retail customers have retail choice under Ohio's restructuring law, as modified by Am. Sub. S.B. No. 221; (2) the Ohio Regulated Utilities' single power sales agreement with a wholesale customer will be cancelled at year end (subject to pending Commission approval); and (3) the Ohio Regulated Utilities' territories are part of a Regional Transmission Organization—the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO")—with market monitoring and mitigation provisions in place. Should any of the above circumstances change in the future, FE MBR Sellers will report any such change to the Commission on a timely basis. Thus, the Commission should determine that the provisions of subsections 35.39, 35.44(a), and 35.44(b) do not apply to power sales and other affiliate interactions between Applicants and the Ohio Regulated Utilities.

II. Communications

Copies of all correspondence, pleadings, orders and other communications concerning this filing should be addressed to the following:

Michael R. Beiting, Esq.*
FirstEnergy Service Compan
76 South Main Street
Akron, OH 44308
Tel: (330) 384-5795
Fax: (330) 384-3875
beitingm@firstenergycorp.co

John N. Estes III
Jerry L. Pfeffer*
Energy Industries Advisor
Skadden, Arps, Slate, Meagher
& Flom, LLP
1440 New York Ave.
Washington, DC 20005-2111
Tel: (202) 371-7950
Fax: (202) 661-8213
jestes@skadden.com

Persons denoted with an asterisk are designated for service pursuant to 18 C.F.R. § 385.2010.

III. Contents of Filing

This filing includes the amended market-based rate tariffs of Applicants (clean and black-lined versions) as Attachment A.

IV. Description of the Applicants and Affiliates

Solutions, GenCorp, Nuclear GenCorp, and Mansfield are FirstEnergy market-regulated power sales affiliates. Solutions controls the output of the fossil, nuclear, and hydro generating assets that were transferred during the last several years by the Ohio Regulated Utilities, or independently developed or purchased by Solutions. GenCorp and Nuclear GenCorp are wholly-owned subsidiaries of Solutions and Mansfield is a wholly-owned subsidiary of GenCorp.

Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison each are a "franchised public utility" as defined in section 35.36(a)(5) of the Commission's regulations.[9] Cleveland Electric Illuminating, Ohio Edison and Toledo Edison have a joint market-based rate tariff.[10] These entities serve retail load in Ohio as providers of last resort ("POLR"), meaning that all of their retail customers can choose alternative suppliers under state law, and hence are not captive customers. In addition, Ohio law permits municipal corporations, townships, and counties to aggregate the retail electric loads within their boundaries for the purpose of purchasing electricity from competitive retail electric suppliers. Ohio Revised Code ("R.C.") § 4928.20.

The Ohio Regulated Utilities currently serve one wholesale customer, American Municipal Power-Ohio, Inc., at fixed rates assuring that no costs associated with any affiliate power sale, sale of non-power goods or services, or other affiliate interaction could be flowed through to wholesale customers without Commission approval. On October 14, 2008, American Municipal Power-Ohio, Inc. ("AMP-Ohio") and Toledo Edison filed a joint notice of cancellation, which, upon acceptance by the Commission, will cancel this power sale effective midnight December 31, 2008.[11] Transmission service over all transmission facilities owned by affiliates of the Ohio Regulated Utilities is provided by the Midwest ISO, and thus transmission service customers are fully protected against any increased costs linked to affiliate power sales transactions by the Applicants.

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9 18 C.F.R. § 35.6(5). Amendments needed to conform each of the FirstEnergy Companies' market-based rate tariffs with Order Nos. 697 and 697-A were accepted on October 17, 2008 in *FirstEnergy Operating.*

10 *See FirstEnergy.*

11 *Toledo Edison Co.*, Docket Nos. ER08-1020-000 and EL08-65-000, Substitute Notice of Cancellation (filed Oct. 14, 2008).

V. Description of Ohio Retail Power Supply Arrangements

In 1999, the Ohio General Assembly passed Am. Sub. S.B. No. 3, which restructured the Ohio model for the rendition of electric service, moving it from a vertically integrated utility responsible for providing all components of retail electric service then under cost-based regulation to a structure where the generation function was separated, removed from regulation, and supplied by the utility only on a provider of last resort basis, in an environment where retail customers can shop for their generation service from competitive suppliers. Comprehensive Electric Transition Plans ("ETPs") for each of the utilities, including the Ohio Regulated Utilities, were approved by the Public Utilities Commission of Ohio ("PUCO"), providing for recovery of stranded investment over a five-year period during the transition to a competitive environment. During this five-year market development period, utility rates for POLR service were frozen at levels that had been established in 1990 for Ohio Edison and 1996 for Cleveland Electric Illuminating and Toledo Edison. In order to complete the corporate separation required by the statute, the Ohio Regulated Utilities transferred all of their operating generation plants to GenCorp. Nuclear GenCorp and Mansfield. The Ohio Regulated Utilities no longer own any generation and rely upon purchased power to serve their entire load.

Near the end of the market development period in Ohio (which lasted from 2001-2005) wholesale electricity markets experienced price volatility, indicating that retail customers would experience abrupt increases in prices for POLR service in 2006, with the expiration of frozen rates imposed under the ETPs during the market development period. Accordingly, the PUCO solicited proposals from Ohio utilities for extended rate plans for POLR service beyond 2005 that provided rate certainty, financial stability, and further development of competitive markets.[12] In response to this directive, a Rate Stabilization Plan ("RSP"), and, subsequently, a Rate Certainty Plan ("RCP"), were proposed by the Ohio Regulated Utilities and adopted by the PUCO, with the effect of assuring customers rate certainty through 2008. Solutions provided the wholesale power required by the Ohio Regulated Utilities for POLR service, as well as certain wholesale obligations, under an affiliate power supply agreement authorized by this Commission.[13]

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12 PUCO Entry of September 23, 2003 in Case No.03-1461-EL-UNC.

13 *FirstEnergy Solutions Corp.*, 117 FERC ¶ 61,278 (2006).

In light of the experience in other states, where electricity rates rose dramatically after generation price caps were lifted, and with the expiration of the Ohio rate plans approaching in 2009, concerns about customer exposure to rate shock in Ohio emerged in 2007, and brought a legislative response in the form of Am. Sub. S.B. No. 221. This legislation included options for meeting the Ohio Regulated Utilities POLR obligations, as well as addressing a broad range of issues, including enhancing reliability and performance of an aging delivery system, promoting renewable energy sources, promoting energy efficiency and demand response, and, importantly, advancing the economic interests of Ohio in terms of job retention and economic development. However, the ability of the Ohio Regulated Utilities' retail customers to choose competitive retail electric suppliers, either individually or through aggregation programs, was retained.

As relevant here, Am. Sub. S.B. No. 221 makes available two mechanisms to address how generation supply for POLR service will be made available to customers in Ohio in 2009. One, a Market-Rate Offer ("MRO") under R.C. § 4928.142, provides for a competitive solicitation process to establish a utility's price for the standard service offer available to customers taking POLR service. The other, an Electric Security Plan ("ESP") under R.C. § 4928.143, provides a much broader, more flexible approach that can address not only the supply of generation as part of a standard service offer for POLR service, but also the inclusion of various provisions in an overall package to address the range of issues included within the scope of Am. Sub. S.B. No. 221. The legislation grants authority to the PUCO to decide if the ESP, considered as a whole, is more favorable to customers than the result that would be expected under the MRO. R.C. § 4928.143(C). If the PUCO concludes that the ESP is more favorable, the PUCO-administered competitive solicitation process envisioned by the MRO will not go forward. Under either option, however, Ohio retail customers retain their right to select alternative retail electric suppliers.

The Ohio Regulated Utilities have filed an application with the PUCO requesting authority to establish a standard service offer pursuant to R.C. § 4928.141, to be effective for a three-year period commencing January 1, 2009. The Ohio Regulated Utilities propose to implement a comprehensive ESP as their standard service offer in order to provide stable pricing of energy services for their customers, assure supplies of electricity, enhance distribution service, maintain and improve the existing distribution system, and promote economic development, job retention, energy efficiency and peak demand reduction within their service areas. *See* R.C. § 4928.143. The ESP is based upon supply of generation for POLR service pursuant to a wholesale contract with Solutions, with the price for retail generation service determined by the

PUCO as part of its review of the ESP. Approval of the Amendments herein would permit the ESP to be implemented by the Ohio Regulated Utilities.

The Ohio Regulated Utilities also filed an application for approval of an MRO under R.C. § 4928.142. As part of their MRO, the companies proposed a competitive solicitation process to acquire generation required for POLR service. This process would result in a standard service offer for generation services derived from a competitive solicitation process managed by an independent third party. The PUCO, however, will select the winning bidder(s) and determine that the auction meets the relevant statutory criteria. Applicants intend to participate in any competitive solicitation approved by the PUCO. And, given the magnitude of the Ohio Regulated Utilities' generation needs relative to the amounts of uncommitted capacity in the regional bulk power market, it is virtually certain that Applicants will be selected to provide at least a portion of this power supply. For these same reasons, if Applicants did not participate, the liquidity and depth of the markets would suffer. Approval of the Amendments herein would permit the MRO to be implemented by the Ohio Regulated Utilities without the necessity of an *Allegheny* type section 205 application.[14]

As noted above, however, the Ohio Regulated Utilities' ability to implement either an ESP or a MRO is dependent upon approval by the PUCO. The PUCO can choose to reject the ESP or MRO, or delay implementation of a plan beyond 2008. In either case, the matter of generation supply beginning January 1, 2009 still must be addressed because the Ohio Regulated Utilities do not own generation, and current Commission authorization for affiliate sales from Solutions expires at the end of 2008.[15] Commission approval of the Amendments filed herein would provide the necessary flexibility to ensure the availability of power to the Ohio Regulated Utilities at stable prices beyond 2008 in the event that a MRO is rejected or delayed.

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[14] *Allegheny Energy Supply Co.*, 108 FERC ¶ 61,082 (2004).

[15] In addition, the PUCO is not required to act on a MRO until ninety days after the filing or October 29, 2008, or to approve either a MRO or an ESP until one hundred fifty days after the filing or December 29, 2008. R.C. §§ 4928.142(B)(3); 4928.143(C)(1). This makes the case for the flexibility provided by an affiliate waiver even more compelling.

VI. Description of the Proposed Amendments

The Amendments propose to insert language into the "Limitations and Exemptions" subsection of Applicants' market-based rate tariffs, stating that the provisions of subsections 35.39, 35.44(a), and 35.44(b) of the Commission's regulations are waived for power sales and other affiliate interactions between the Applicants and the Ohio Regulated Utilities effective December 15, 2008. Upon acceptance of the instant filing by the Commission, the Applicants would make a compliance filing inserting a citation in the appropriate Tariff sheets to the Commission's order issued in response to this request for a waiver of the affiliate sales and other applicable restrictions. Solutions has already inserted citations to the prior Commission authorizations to make affiliate sales in New Jersey, New York and Pennsylvania, as well as approval of the existing three-year power supply agreement to the Ohio Regulated Utilities.

VII. The Proposed Amendments Conform with Commission Rules and Precedent Since Ohio Customers are Protected Against Affiliate Abuse

In *Penn Power* and *FirstEnergy*, the Commission approved amendments providing for elimination of the affiliate sales restrictions between Solutions and FirstEnergy's franchised utilities in Pennsylvania, New Jersey and New York because those companies do not have captive retail or wholesale customers needing such protection. These tariffs, as amended to comply with Order Nos. 697 and 697-A, were accepted in the FirstEnergy Operating Companies' triennial filing for the PJM footprint.[16] Applicants submit that the same conditions pertain to the Ohio Regulated Utilities and conforming amendments to the FE MBR Sellers' market-based rate tariffs providing the same authorization to make affiliate sales and waiver of the other affiliate restrictions should be approved.

Ohio law provides that all of the retail customers of the Ohio Regulated Utilities have retail choice, and by virtue of that law can purchase their power requirements at market-based rates from competitive electric retail suppliers. Further, the single wholesale partial requirements contract held by the Ohio Regulated Utilities will expire at year end.[17] Finally, in a recent case involving

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[16] *See FirstEnergy Operating.*

[17] The term of Toledo Edison's current wholesale contract with AMP-Ohio was set for hearing in Docket Nos. ER08-1020-000 and EL08-65-000. *Toledo Edison Co.*, 124 *(cont'd)*

Dayton Power & Light Company ("Dayton Power & Light"), the Commission determined that retail ratepayers in Ohio are not "captive" for purposes of determining whether the affiliate restrictions apply.[18] Under longstanding precedent, as recently affirmed by the Commission in Order No. 697 and again in Order No. 707, these facts alone are sufficient to support a finding that the affiliate restrictions should not apply to the Ohio Regulated Utilities. No further inquiry is needed for such a determination since the Commission has repeatedly stated that it will not seek to examine the efficacy of state retail access programs.[19]

As noted, the Commission has recently reviewed and affirmed its policies underlying waiver of the affiliate restrictions in two separate rulemakings; Order No. 697 dealing with market-based rate authorizations and Order No. 707 addressing cross-subsidization issues linked to affiliate transactions. In Order No. 697, the Commission affirmed the current policy of linking such waivers to the absence of retail and wholesale "captive customers."[20] In Order No. 697, the Commission stated that it will continue to rely on the "captive customer" test in determining the applicability of the affiliate restrictions, and concluded that, "where a seller demonstrates and the Commission agrees that it has no captive customers, the affiliate restrictions will not apply."[21]

(cont'd from previous page)

FERC ¶ 61,168 at P 30 (2008) ("August 18th Order"). However, as noted above, the parties filed a settlement agreement and joint notice of cancellation with the Commission on October 14, 2008. Subject to acceptance by the Commission, Toledo Edison's contract with AMP-Ohio will expire on December 31, 2008.

18 The Commission reached this conclusion for retail customers of Dayton Power & Light. *Dayton Power & Light Co.*, 123 FERC ¶ 61,231 at P 21 (2008). See also, the Commission's decision that Duke Energy Ohio's Ohio retail customers are protected from affiliate abuse due to affiliate contracts, and has waived affiliate sales and Code of Conduct restrictions on pricing of sales of non-power goods and services accordingly. *See Cincinnati Gas & Elec. Co.*, 113 FERC ¶ 61,197 (2005); *Cinergy Mktg. & Trading, LP*, 116 FERC ¶ 62,197 (2006).

19 Order No. 697 at P 481; Order No. 707 at P 45 n.40 (citing Order No. 697 at P 481).

20 *See* note 5, *supra*.

21 Order No. 697 at P 552.

Subsequently, in Order No. 707, the Commission reaffirmed those findings with respect to retail choice jurisdictions such as Ohio, stating as follows:

> With respect to requested clarifications regarding retail customers in states with retail competition, consistent with our Market-Based Rate Final Rule, *we clarify that customers with retail choice are not considered to be customers served under "cost-based regulation" and therefore are not considered captive customers. These customers have retail choice, i.e., by virtue of state law they can purchase at market-based rates from retail suppliers other than a franchised public utility.* As the Commission explained in the Market-Based Rate Final Rule, in a regulatory regime in which retail customers have no ability to choose a supplier, they are considered captive because they must purchase from the local utility pursuant to rates set by a state or local regulatory authority. However, retail customers in retail choice states who choose to buy power from their local utility at cost-based rates as part of that utility's provider-of-last resort obligation are not considered captive customers because, although they may choose not to do so, they have the ability to take service from a different supplier whose rates are set by the marketplace.[22]

For the reasons stated above, Applicants submit that they have demonstrated that Ohio retail customers are not "captive customers" within the meaning of Order Nos. 697, 697-A, 707 and 707-A, and that retail customers of the Ohio Regulated Utilities are adequately protected against affiliate abuse. Accordingly, waiver of the affiliate restrictions now codified in subsections 35.39, 35.44(a), and 35.44(b) is appropriate. In particular, based on the 1999 Ohio restructuring legislation, and preserved in Am. Sub. S.B. No. 221, and implementing rules adopted by the PUCO, the Commission's "captive customer" test is satisfied, given that: (i) all retail customers of the Ohio Regulated Utilities have full retail choice and can purchase from unaffiliated suppliers,[23] and (ii) the only wholesale customer of the Ohio Regulated Utilities

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[22] Order No. 707 at P 45 (footnotes omitted and emphasis added).

[23] As noted above, the Commission has previously made such findings in relation to the retail customers of Duke Energy Ohio and Dayton Power & Light's retail customers. Under Ohio law, essentially the same retail access regime is applicable to the customers of all franchised utilities in Ohio, including those of the Ohio *(cont'd)*

is served under a fixed-rate contract that will expire at year end by agreement of the parties.

Applicants submit that under ordinary circumstances, no further inquiry is needed for a determination that there are no captive wholesale or retail customers and that the affiliate restrictions do not apply since the Commission has repeatedly stated that it will not seek to examine the efficacy of state retail access programs.[24] Therefore, consistent with its existing precedent as recently affirmed in Order Nos. 697, 697-A and 707, the Commission should approve Applicants' request to amend their tariffs to eliminate affiliate restrictions for power sales and other activities between Applicants and the Ohio Regulated Utilities. However, Applicants submit that the Commission need not rely on a captive customer determination to provide the relief requested here since Ohio retail customers are fully protected against affiliate abuse without regard to the efficacy of retail choice.[25]

The PUCO will make the final decision concerning the method for providing post-2008 POLR service under the either the ESP or MRO options of Am. Sub. S.B. No. 221, considering its balancing of supply security and economic protections for its multiple stakeholders. Ultimately, that arrangement must be approved by the PUCO as providing the best outcome for the customers of the Ohio Regulated Utilities. Under Ohio law, the PUCO may not issue its decision until December 29, 2008. Given the short lead times available prior to the expiration of the current rate plan on December 31, 2008, and the virtual certainty that Applicants' generation will be implicated under any new plan approved by the PUCO, the Commission should approve the tariff

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(cont'd from previous page)

Regulated Utilities even though each Ohio company may have different PUCO approved plans for implementing customer choice and resource procurement for POLR customers. The common feature, however, is that all share the essential option of selecting from among competing retail electric suppliers and thus do not require the protection of the Commission's affiliate regulations.

[24] *See* note 19, *supra*.

[25] Applicants note that the number of retail customers in any retail choice jurisdiction, such as Ohio, that actually are receiving service from alternative suppliers at any point in time is largely a function of market conditions relative to the "shopping credits" and standard service prices set by state regulatory agencies in those jurisdictions.

Amendments proposed herein, recognizing that the PUCO has the ability to protect Ohio retail customers against affiliate abuse.

The Amendments also will provide the PUCO with the maximum flexibility to make its decision at year end, with the knowledge that the Ohio Regulated Utilities have the necessary Commission authorization to implement whatever new retail supply option it approves. While Applicants have demonstrated that the Amendments should be accepted for filing under the Commission's Order No. 697 guidelines, since Ohio retail customers retain their right to choose alternative competitive retail electric suppliers under existing Ohio law, they have also shown that continuing PUCO regulation of affiliate *purchases* provides sufficient safeguards without having to inquire into the efficacy of Ohio's retail choice program. In this regard, it is our understanding that the PUCO has reviewed this filing and does not oppose the relief sought herein.

VIII. Conclusion

For the reasons set forth herein, the Applicants request that the Commission accept for filing their amended market-based rate tariffs and allow the amended tariffs to become effective on December 15, 2008.

Respectfully submitted,

Michael R. Beiting, Esq.
FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
Tel: (330) 384-5795
beitingm@firstenergycorp.com

John N. Estes III
Jerry L. Pfeffer
Energy Industries Advisor
Skadden, Arps, Slate, Meagher
& Flom, LLP
1440 New York Ave., N.W.
Washington, DC 20005-2111
Tel: (202) 371-7950
Fax: (202) 661-8213
jestes@skadden.com
jlpfeffer@skadden.com

Counsel for Applicants

October 24, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have on this day caused to be served a copy of the foregoing upon the Public Utilities Commission of Ohio, The Office of the Ohio Consumers' Counsel, and parties on the service lists for Applicants' underlying market-based rate authorizations in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Washington, DC, this 24th day of October, 2008.

Jerry L. Pfeffer

869193

Attachment A

Clean and Redline Tariff Sheets

FirstEnergy Solutions Corp.

market-based rate authority under the Federal Power Act. Seller has been granted waivers of Subparts B and C of Part 35 of the Commission's regulations requiring the filing of cost-of-service information, except as to sections 35.12(a), 35.13(b), 35.15, and 35.16; granted waiver of Parts 41, 101 and 141 of the Commission's accounting and reporting regulations, and granted blanket authorization for all future issuances of securities and assumptions of liabilities pursuant to Section 204 of the Federal Power Act, 16 U.S.C. § 824e, and Part 34 of the Commission's regulations. See, FirstEnergy Services, Inc., 94 FERC ¶ 61,052 (2001).

10. Affiliate Sales: Seller has been authorized to sell power to Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company, each of which is a franchised public utility with which it is affiliated. Pennsylvania Power Company, *et al.*, FERC Docket No. ER07-434-000, letter order issued March 21, 2007. Seller has also been authorized to sell power to The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company ("collectively, "Ohio Regulated Utilities"), each of which is also a franchised public utility with which it is affiliated. FirstEnergy Solutions Corp., 117 FERC ¶ 61,278 (2006). Additionally, the Commission granted waivers of sections 35.39, 35.44(a) and 35.44(b) of the Commission's regulations for power sales and other affiliate interactions between Seller and the Ohio Regulated Utilities.

11. Seller Category: Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller, as defined in all other regions.

market-based rate authority under the Federal Power Act. Seller has been granted waivers of Subparts B and C of Part 35 of the Commission's regulations requiring the filing of cost-of-service information, except as to sections 35.12(a), 35.13(b), 35.15, and 35.16; granted waiver of Parts 41, 101 and 141 of the Commission's accounting and reporting regulations, and granted blanket authorization for all future issuances of securities and assumptions of liabilities pursuant to Section 204 of the Federal Power Act, 16 U.S.C. § 824e, and Part 34 of the Commission's regulations. See, FirstEnergy Services, Inc., 94 FERC ¶ 61,052 (2001).

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11. Seller Category: Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller, as defined in all other regions.

FirstEnergy Generation Corporation

9. Affiliate Sales: The Commission granted waivers of sections 35.39, 35.44(a) and 35.44(b) of the Commission's regulations for power sales and other affiliate interactions between Seller and The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company.

10. Seller Category: Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central Regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller in all other regions.

9. Affiliate Sales: The Commission granted waivers of sections 35.39, 35.44(a) and 35.44(b) of the Commission's regulations for power sales and other affiliate interactions between Seller and The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company.

~~9~~10. Seller Category: Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central Regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller in all other regions.

FirstEnergy Nuclear Generation Corporation

35.16; granted waiver of Parts 41, 101 and 141 of the Commission's accounting and reporting regulations with the exception of 18 C.F.R. §§ 141.14 and 141.15; and granted blanket authorization for all future issuances of securities and assumptions of liabilities pursuant to Section 204 of the Federal Power Act, 16 U.S.C. § 824e, and Part 34 of the Commission's regulations. See, FirstEnergy Nuclear Generation Corp., Docket No. ER05-1122-000 at 3-4 (September 29, 2005) (unpublished letter order).

9. **Affiliate Sales:** The Commission granted waivers of sections 35.39, 35.44(a) and 35.44(b) of the Commission's regulations for power sales and other affiliate interactions between Seller and The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company.

10. **Seller Category:** Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller in all other regions.

35.16; granted waiver of Parts 41, 101 and 141 of the Commission's accounting and reporting regulations with the exception of 18 C.F.R. §§ 141.14 and 141.15; and granted blanket authorization for all future issuances of securities and assumptions of liabilities pursuant to Section 204 of the Federal Power Act, 16 U.S.C. § 824e, and Part 34 of the Commission's regulations. See, FirstEnergy Nuclear Generation Corp., Docket No. ER05-1122-000 at 3-4 (September 29, 2005) (unpublished letter order).

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~~9~~10. **Seller Category:** Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller in all other regions.

FirstEnergy Generation Mansfield Unit 1 Corp.

FIRSTENERGY GENERATION MANSFIELD UNIT 1 CORP.
FERC ELECTRIC TARIFF, ORIGINAL VOLUME NO. 1

1. Availability: FirstEnergy Generation Mansfield Unit 1 Corp. ("Seller") makes available under this Tariff electric energy and capacity for resale to any purchaser with whom Seller has executed a service agreement, except as provided in paragraph 5 below.

2. Applicability: This Tariff is applicable to all sales and resales of the foregoing by Seller that are not otherwise subject to a particular rate schedule of Seller.

3. Rates: All sales shall be made at rates established by agreement between the Purchaser and Seller.

4. Other Terms and Conditions: All other terms and conditions shall be established by agreement between the purchaser and Seller.

5. Compliance with Commission Regulations: Seller shall comply with the provisions of 18 C.F.R. Part 35, Subpart H, as applicable and with any conditions the Commission imposes in its orders concerning seller's market-based rate authority, including orders in which the Commission authorizes seller to engage in affiliate sales under this Tariff or otherwise restricts or limits the seller's market-based rate authority. Failure to comply with the applicable provisions of 18 C.F.R. Part 35, Subpart H, and with any orders of the Commission concerning seller's market-based rate authority, will constitute a violation of this Tariff.

6. Limitations and Exemptions Regarding Market-Based Rate Authority: Seller has been granted waivers of Subparts B and C of Part 35 of the Commission's regulations, except as to sections 35.12(a), 35.13(b), 35.15, and 35.16; granted waiver of Parts 41, 101 and 141 of the Commission's accounting and reporting regulations; and granted blanket authorization for all future issuances of securities and assumptions of liabilities pursuant to Part 34 of the Commission's regulations. FirstEnergy Generation Mansfield Unit 1 Corp., Docket No. ER08-107-000 at 2-3 (December 10, 2007) (unpublished letter order).

7. Affiliate Sales: The Commission granted waivers of sections 35.39, 35.44(a) and 35.44(b) of the Commission's regulations for power sales and other affiliate interactions between Seller and The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company.

8. Seller Category: Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller in all other regions.

FIRSTENERGY GENERATION MANSFIELD UNIT 1 CORP.
FERC ELECTRIC TARIFF, ORIGINAL VOLUME NO. 1

1. Availability: FirstEnergy Generation Mansfield Unit 1 Corp. ("Seller") makes available under this Tariff electric energy and capacity for resale to any purchaser with whom Seller has executed a service agreement, except as provided in paragraph 5 below.

2. Applicability: This Tariff is applicable to all sales and resales of the foregoing by Seller that are not otherwise subject to a particular rate schedule of Seller.

3. Rates: All sales shall be made at rates established by agreement between the Purchaser and Seller.

4. Other Terms and Conditions: All other terms and conditions shall be established by agreement between the purchaser and Seller.

5. Compliance with Commission Regulations: Seller shall comply with the provisions of 18 C.F.R. Part 35, Subpart H, as applicable and with any conditions the Commission imposes in its orders concerning seller's market-based rate authority, including orders in which the Commission authorizes seller to engage in affiliate sales under this Tariff or otherwise restricts or limits the seller's market-based rate authority. Failure to comply with the applicable provisions of 18 C.F.R. Part 35, Subpart H, and with any orders of the Commission concerning seller's market-based rate authority, will constitute a violation of this Tariff.

6. Limitations and Exemptions Regarding Market-Based Rate Authority: Seller has been granted waivers of Subparts B and C of Part 35 of the Commission's regulations, except as to sections 35.12(a), 35.13(b), 35.15, and 35.16; granted waiver of Parts 41, 101 and 141 of the Commission's accounting and reporting regulations; and granted blanket authorization for all future issuances of securities and assumptions of liabilities pursuant to Part 34 of the Commission's regulations. FirstEnergy Generation Mansfield Unit 1 Corp., Docket No. ER08-107-000 at 2-3 (December 10, 2007) (unpublished letter order).

7. Affiliate Sales: The Commission granted waivers of sections 35.39, 35.44(a) and 35.44(b) of the Commission's regulations for power sales and other affiliate interactions between Seller and The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company.

~~7~~8. Seller Category: Seller is a Category 2 seller, as defined in 18 CFR § 35.36(a), in the Northeast and Central regions (as defined in FERC Order Nos. 697 and 697-A), and is a Category 1 seller in all other regions.

Attachment 3

FirstEnergy

Ronald E. Seeholzer
Vice President
Investor Relations

FirstEnergy Corp.
76 S. Main Street
Akron, Ohio 44308
Tel 330-384-5415

October 9, 2008

TO THE INVESTMENT COMMUNITY:[1]

The purpose of this letter is to provide additional clarity to investors regarding FirstEnergy Corp.'s (FirstEnergy or the Company) current liquidity position and the status of our ongoing financing activities.

Despite unprecedented volatility in the capital markets, we believe that our liquidity position remains strong. We expect our existing sources of liquidity to remain sufficient to meet our anticipated obligations and those of our subsidiaries, and that the successful execution of our planned long-term financings will further reinforce the stability of our financial position.

In response to questions regarding the impact of current market turmoil, we are providing the following comprehensive summary of our liquidity position, financing strategy, and variable-rate pollution control revenue bond (PCRB) position. As always, we are available to answer questions should investors need additional information.

Current Liquidity Position

As of October 8, 2008, FirstEnergy and its subsidiaries have access to more than $4 billion of liquidity, of which approximately $1.7 billion is currently available. FirstEnergy and its subsidiaries do not have a commercial paper program and are not reliant on that market. Our liquidity sources are described in more detail in the following table.

[1] Please see the forward-looking statements at the end of this letter.

As of October 8, 2008

Company	Type	Maturity	Amount (M)	Available (M)
FirstEnergy[1]	Revolving	Aug. 2012	$2,750	$408
FirstEnergy & FirstEnergy Solutions	Revolving	May 2009	300	300
FirstEnergy	Bank Lines	Various[2]	120	20
FirstEnergy Generation Corp.	Term Loan	Oct. 2009[3]	300	300
OH & PA Utilities	A/R Fin.	Various[4]	550	532
		Subtotal:	$4,020	$1,560
		Cash:	-	101
		Total:	$4,020	[illegible]

[1] FirstEnergy Corp. and subsidiary borrowers
[2] $100M matures November 30, 2009; $20M uncommitted line of credit with no maturity date
[3] Drawn amounts are payable within 30 days and may not be reborrowed
[4] $370M matures March 21, 2009; $180M matures October 27, 2008 with an extension requested pending state regulatory approval of replacement facility

As reflected in the table, FirstEnergy and certain subsidiaries are parties to a $2.75 billion revolving credit facility which is available through August 24, 2012. A total of 25 banks participate in this facility, with no one bank having more than 7.3% of the total commitments.

During the year, we have utilized our revolving credit facility to fund a number of strategic acquisitions including the Fremont natural gas plant ($275 million), Signal Peak Energy, formerly Bull Mountain ($125 million), and the acquisition of certain nuclear sale and leaseback lessor equity interests ($438 million).

As of September 30, 2008, we had $420 million of bank credit facilities in addition to the $2.75 billion revolving credit facility. We subsequently obtained a new $300 million secured term loan facility with Credit Suisse to reinforce our liquidity in light of the unprecedented disruptions in the credit markets. As also shown in the above table, an aggregate of $550 million of accounts receivable financing facilities are available through our Ohio and Pennsylvania electric distribution utilities to meet working capital requirements and other general corporate purposes.

Financing Plan

We intend to continue to fund our capital requirements through our strong projected cash flow from operations as well as from capital market issuances. Our financing plans for the remainder of 2008 include potential issuances of new secured taxable long-term debt of up to $600 million through our Ohio electric distribution utilities as market conditions permit.

We have regulatory authorization for these issuances and also for $300 million of long-term debt for one of our Pennsylvania electric distribution utilities. In addition, we have similar requests pending before New Jersey, Pennsylvania and Ohio state regulatory agencies for authority to issue up to $700 million in the aggregate of additional utility long-term debt.

We have minimal maturities of long-term debt over the next several years as shown below:

Year	2008 [1]	2009	2010
Amount (M)	**$0.5**	**$256.7**	**$166.7**

[1] Remainder of 2008

Variable-Rate Pollution Control Revenue Bonds

Pollution Control Revenue Bonds have been used by the Company since the 1970s. Of the $2.1 billion variable-rate PCRBs outstanding, $1.9 billion are obligations of FirstEnergy Solutions Corp., $156 million are obligations of Ohio Edison Company, $29 million are obligations of Metropolitan Edison Company, and $45 million are obligations of Pennsylvania Electric Company. The interest rates on our PCRBs are reset daily or weekly.

Bondholders can tender their PCRBs for mandatory purchase prior to maturity with the purchase price payable from remarketing proceeds, or if the PCRBs are not successfully remarketed, by drawings under irrevocable direct pay letters of credit (LOCs). The subsidiary obligor is required to reimburse the applicable LOC bank for any such drawings or, if the LOC bank fails to honor its LOC for any reason, must itself pay the purchase price.

The LOCs for our variable-rate PCRBs were issued by seven banks summarized in the following table:

LOC Bank	Aggregate LOC Amount (M)	LOC Draw as of 10/08/08	LOC Termination Date	Reimbursements of LOC Draws Due
Barclays Bank [1]	**$ 149.2**	**$0.0**	**June 2009**	**June 2009**
Bank of America [1]	**101.0**	**0.0**	**June 2009**	**June 2009**
The Bank of Nova Scotia [1]	**255.5**	**0.0**	**Beginning June 2010**	**Shorter of 6 months or LOC termination date**
The Royal Bank of Scotland [1]	**130.9**	**0.0**	**June 2012**	**6 months**
KeyBank [1]	**265.6**	**0.0**	**June 2010**	**6 months**
Wachovia Bank	**647.9**	**191.1**	**March 2009**	**March 2009**
Barclays Bank	**528.1**	**0.0**	**Beginning December 2010**	**30 days**
PNC Bank	**69.8**	**0.0**	**Beginning December 2010**	**5 days**
Total	**$2,148.0**	**$191.1**		

[1] Due dates for reimbursements of LOC draws for these banks were extended in October 2008 from 30 days or less to the dates indicated.

Prior to September 18, 2008, we had not experienced any unsuccessful remarketings of these variable-rate PCRBs. Coincident with recent disruptions in the variable-rate demand bond and capital markets, $195 million of the PCRBs backed by Wachovia Bank LOCs have been tendered by bondholders to the trustee. A majority of these tenders occurred prior to announcements regarding the sale of Wachovia. Of these tendered PCRBs, $191 million were not successfully remarketed and resulted in draws on the applicable LOCs, all of which Wachovia honored. As described in the table above, the reimbursement agreements between the subsidiary obligors and Wachovia do not require reimbursement of these LOC draws until March 18, 2009.

There have been no other unsuccessful remarketings of our variable-rate PCRBs.

Summary

FirstEnergy believes that its current sources of liquidity as described above will be more than sufficient to meet its anticipated obligations. Additionally, we believe the taxable secured subsidiary financings described above, combined with the additional liquidity secured after September 30, 2008, further enhance the strength of our liquidity position.

Our business model, which stresses financial discipline and a strong focus on execution, positions FirstEnergy to continue to execute its strategy during the current volatile capital market conditions. Major elements include:

- Strong projected cash from operations;
- Opportunities for favorable earnings growth as we anticipate the transition to competitive generation markets in Ohio in 2009 and Pennsylvania in 2011;
- A focus on maximizing generation output from our existing assets rather than large, capital-intensive new-build projects;
- No speculative trading operations;
- Appropriate long-term commodity hedge positions;
- A manageable capital expenditure program that is expected to peak in 2008;
- A well funded pension plan, with $1.3 billion in cash funding since 2004;
- Minimal maturities of existing long-term debt over the next several years; and
- A commitment to a secure and growing common dividend.

Upcoming FirstEnergy Investor Events

3rd Quarter, 2008 Earnings Release
November 4, 2008

Edison Electric Institute (EEI) Financial Conference
November 9-12, 2008
Phoenix, AZ

If you have any questions concerning the information in this update, please contact me at (330) 384-5415, Irene Prezelj, manager of Investor Relations, at (330) 384-3859, or Rey Jimenez, manager of Investor Relations, at (330) 761-4239.

Sincerely,

Ronald E. Seeholzer
Vice President, Investor Relations

Forward-looking Statements

This Letter to the Investment Community includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding our, or our management's, intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ materially due to the speed and nature of increased competition in the electric utility industry and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Ohio and Pennsylvania, the impact of the PUCO's rulemaking process on our Ohio utility subsidiaries' Electric Security Plan and Market Rate Offer filings, economic or weather conditions affecting future sales and margins, changes in markets for energy services, changing energy and commodity market prices and availability, replacement power costs being higher than anticipated or inadequately hedged, the continued ability of FirstEnergy's regulated utilities to collect transition and other charges or to recover increased transmission costs, maintenance costs being higher than anticipated, other legislative and regulatory changes including revised environmental requirements and possible greenhouse gas emissions regulation, the impact of the U.S. Court of Appeals' July 11, 2008 decision to vacate the CAIR rules and the scope of any laws, rules or regulations that may ultimately take their place, the uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the Air Quality Compliance Plan (including that such amounts could be higher than anticipated) or levels of emission reductions related to the Consent Decree resolving the New Source Review litigation or other potential regulatory initiatives, adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight by the Nuclear Regulatory Commission including, but not limited to, the Demand for Information issued to FENOC on May 14, 2007) as disclosed in our SEC filings, the timing and outcome of various proceedings before the PUCO (including, but not limited to, the Distribution Rate Cases and the generation supply plan filing for the Ohio Companies and the successful resolution of the issues remanded to the PUCO by the Supreme Court of Ohio regarding the Rate Stabilization Plan and the Rate Certainty Plan, including the recovery of deferred fuel costs) and Met-Ed and Penelec's transmission service charge filings with the PPUC (as well as the resolution of the Petitions for Review filed with the Commonwealth Court of Pennsylvania with respect to the transition rate plan for Met-Ed and Penelec), the continuing availability of generating units and their ability to continue to operate at or near full capacity, the ability to comply with applicable state and federal reliability standards, the ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives), the ability to improve electric commodity margins and to experience growth in the distribution business, changing market conditions that could affect the value of assets held in our nuclear decommissioning trust fund, pension fund and other trust funds, the ability to access the public securities and other capital and credit markets in accordance with our financing plan and the cost of such capital, changes in general economic conditions affecting the Company, the state of the capital and credit markets affecting the Company, and the risks and other factors discussed from time to time in our SEC filings, and other similar factors. The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for us to predict all such factors, nor can we assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. Dividends declared from time to time on FirstEnergy's common stock during any annual period depend on circumstances considered by FirstEnergy's Board of Directors at the time of the actual declarations. We expressly disclaim any current intention to update any forward-looking statements contained herein as a result of new information, future events, or otherwise.

Attachment 4

FirstEnergy Solutions Corp 8-K 10/8/2008

Section 1: 8-K (FORM 8K DATED OCTOBER 8, 2008)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) October 8, 2008

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
333-145140-01	FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

On October 8, 2008, to enhance their liquidity position in the face of the turbulent credit and bond markets, FirstEnergy Corp. (FirstEnergy) and its subsidiaries, FirstEnergy Solutions Corp. (FES) and FirstEnergy Generation Corp. (FGCO), entered into a $300 million secured term loan facility (Facility), with Credit Suisse (CS), as administrative agent and lender, and such other lenders as may become parties to the Facility from time to time. Under the Facility, FGCO is the borrower and FES and FirstEnergy are guarantors.

Generally, the Facility is available to FGCO until October 7, 2009, with a minimum borrowing amount of $100 million. Each borrowing will mature 30 days from the date of borrowing (or, if earlier, on October 7, 2009), excluding any "blackout periods" agreed upon by FirstEnergy and CS for the purpose of issuing registered or Rule 144A securities. Blackout periods will commence on the first day following the end of a fiscal quarter of FirstEnergy and shall end not later than two days following the date on which earnings for FirstEnergy for such fiscal quarter are publicly released. Once repaid, a loan may not be reborrowed. The proceeds of the loans may be used for general corporate purposes of FirstEnergy and its subsidiaries, other than, with certain exceptions, the payment of indebtedness under other revolving credit or term loan credit facilities of FirstEnergy and its subsidiaries.

Borrowings under the Facility may take the form of alternate base rate loans or Eurodollar rate loans. Outstanding alternate base rate loans will bear interest on each day at a fluctuating rate per annum equal to the sum of the higher of CS's prime rate in effect on such day and the Federal Funds Effective Rate in effect on such day plus 1/2 of 1.00%, plus the applicable margin, which is the higher of 2.00% and a rate determined on the basis of FirstEnergy's and CS's applicable credit default swap spread. The interest on alternate base rate loans will be payable quarterly in arrears on the last business day of each quarter, on the maturity date of the loan, on the date such alternate base rate loan would be converted to a Eurodollar rate loan and on the date such loan is paid in full. Outstanding Eurodollar rate loans will bear interest for interest periods of one month at a rate per annum equal to the sum of the applicable London Interbank Offered Rate (LIBOR) two days prior to the commencement of the interest period for such Eurodollar rate loan, plus the applicable margin, which is the higher of 3.00% and a rate determined on the basis of FirstEnergy's and CS's applicable credit default swap spread. The interest on Eurodollar rate loans will be payable on the last day of each interest period for such Eurodollar rate loan, on the maturity date for the loan, on the date such Eurodollar rate loan would be converted to an alternate base rate loan and on the date such loan is paid in full.

In addition, under the terms of the Facility, FGCO has agreed to pay each lender, through CS, an unused commitment fee equal to 0.75% per annum of the daily unused amount of the commitment of such lender during the preceding quarter or other period starting with the date of the Facility or at the completion of the 364 day availability period or the date on which the commitment of such lender would expire or be terminated.

The loans under the Facility are subject to mandatory prepayment if FirstEnergy or any subsidiary incurs or issues debt for borrowed money owed to, or issues equity to, a person other than FirstEnergy or any of its subsidiaries. However, any debt incurred or issued under certain credit facilities in existence as of the date of the new Facility will not result in a mandatory prepayment.

In addition to customary conditions precedent to borrowing under the Facility, FGCO must issue to the administrative agent for its benefit and the benefit of the lenders, a first mortgage bond pursuant to its General Mortgage Indenture and Deed of Trust dated as of June 19, 2008, to The Bank of New York Trust Company, N.A. (FGCO Mortgage). It is a further condition that the aggregate outstanding amount of bonds issued under the FGCO Mortgage must not exceed 60% (or such higher percentage as may be agreed to by CS) of the lesser of the cost or fair value of all property additions (as determined in accordance with the FGCO Mortgage). Also, certain existing credit facilities of FirstEnergy and its subsidiaries must be drawn in full, and FirstEnergy must engage an investment bank satisfactory to CS to publicly sell or privately place debt or equity securities of FirstEnergy or any of its subsidiaries, the proceeds of which would be used to provide funds for the prepayment in full of the loans and termination of the Facility.

The Facility contains customary events of default, including, without limitation, defaults relating to or arising from non-payment, breach of covenants, inaccuracy of representations and warranties, cross-defaults to other indebtedness (including the occurrence of an event of default under the FGCO Mortgage), bankruptcy and insolvency events, judgments, ERISA defaults, invalidity of loan and collateral documents, and change of control. If an event of default under the Facility occurs and is continuing, CS may declare the commitment of each lender to make loans to be terminated and declare the unpaid principal amount of all outstanding loans and interests accrued under the Facility immediately due and payable, and the lenders may exercise their other rights and remedies under the Facility and the FGCO Mortgage.

FGCO, FES and FirstEnergy are subject to certain affirmative and negative covenants, including limitations on the ability to sell, lease, transfer or dispose of assets, to grant or permit liens upon properties to secure debt, to merge or consolidate, to enter into any prohibited transactions as defined in the Employee Retirement Income Security Act of 1974, to use the proceeds of any borrowing for prohibited purposes or to make certain payments on, or reduce or terminate the lending commitments under, certain other indebtedness. Also, FirstEnergy must maintain a debt to capitalization ratio of no more than 0.65 to 1.00, determined as of the last day of each fiscal quarter.

The foregoing is a summary description of certain terms of the Facility and is qualified in its entirety by reference to the Facility, which FirstEnergy intends to file as an exhibit to its quarterly report on Form 10-Q for the quarter ending September 30, 2008.

For a more complete discussion of the liquidity position of FirstEnergy and its subsidiaries, see FirstEnergy's letter to the investment community filed by the registrants with the SEC on Form 8-K on October 9, 2008.

Forward-Looking Statements: This Form 8-K includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ materially due to the speed and nature of increased competition in the electric utility industry and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Ohio and Pennsylvania, the impact of the PUCO's rulemaking process on the Ohio Companies' Electric Security Plan and Market Rate Offer filings, economic or weather conditions affecting future sales and margins, changes in markets for energy services, changing energy and commodity market prices and availability, replacement power costs being higher than anticipated or inadequately hedged, the continued ability of FirstEnergy's regulated utilities to collect transition and other charges or to recover increased transmission costs, maintenance costs being higher than anticipated, other legislative and regulatory changes including revised environmental requirements and possible greenhouse gas emissions regulation, the impact of the U.S. Court of Appeals' July 11, 2008 decision to vacate the CAIR rules and the scope of any laws, rules or regulations that may ultimately take their place, the uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the Air Quality Compliance Plan (including that such amounts could be higher than anticipated) or levels of emission reductions related to the Consent Decree resolving the New Source Review litigation or other potential regulatory initiatives, adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight by the Nuclear Regulatory Commission including, but not limited to, the Demand for Information issued to FENOC on May 14, 2007) as disclosed in the registrants' SEC filings, the timing and outcome of various proceedings before the PUCO (including, but not limited to, the Distribution Rate Cases and the generation supply plan filing for the Ohio Companies and the successful resolution of the issues remanded to the PUCO by the Supreme Court of Ohio regarding the Rate Stabilization Plan and the Rate Certainty Plan, including the recovery of deferred fuel costs) and Met-Ed's and Penelec's transmission service charge filings with the PPUC (as well as the resolution of the Petitions for Review filed with the Commonwealth Court of Pennsylvania with respect to the transition rate plan for Met-Ed and Penelec), the continuing availability of generating units and their ability to continue to operate at or near full capacity, the ability to comply with applicable state and federal reliability standards, the ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives), the ability to improve electric commodity margins and to experience growth in the distribution business, changing market conditions that could affect the value of assets held in the registrants' nuclear decommissioning trust funds, pension funds and other trust funds, the ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan and the cost of such capital, changes in general economic conditions affecting the registrants, the state of the capital and credit markets affecting the registrants, and the risks and other factors discussed from time to time in the registrants' SEC filings, and other similar factors. The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on the registrants' business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. Dividends declared from time to time on FirstEnergy's common stock during any annual period depend on circumstances considered by FirstEnergy's Board of Directors at the time of the actual declarations. The registrants expressly disclaim any current intention to update any forward-looking statements contained herein as a result of new information, future events, or otherwise.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

October 15, 2008

FIRSTENERGY CORP.
Registrant

FIRSTENERGY SOLUTIONS CORP.
Registrant

/s/ Harvey L. Wagner

Harvey L. Wagner
Vice President, Controller
and Chief Accounting Officer

Attachment 5

AGDE-4.162/446

STANDARD
&POOR'S

RATINGSDIRECT®

December 19, 2007

Industry Report Card:

U.S. Electric Utility Industry Faces Rising Costs, But Credit Quality Should Hold

Primary Credit Analysts:
John W Whitlock, New York (1) 212-438-7678; john_whitlock@standardandpoors.com
Todd A Shipman, CFA, New York (1) 212-438-7676; todd_shipman@standardandpoors.com

Table Of Contents

Industry Report Card:

U.S. Electric Utility Industry Faces Rising Costs, But Credit Quality Should Hold

Industry Credit Outlook

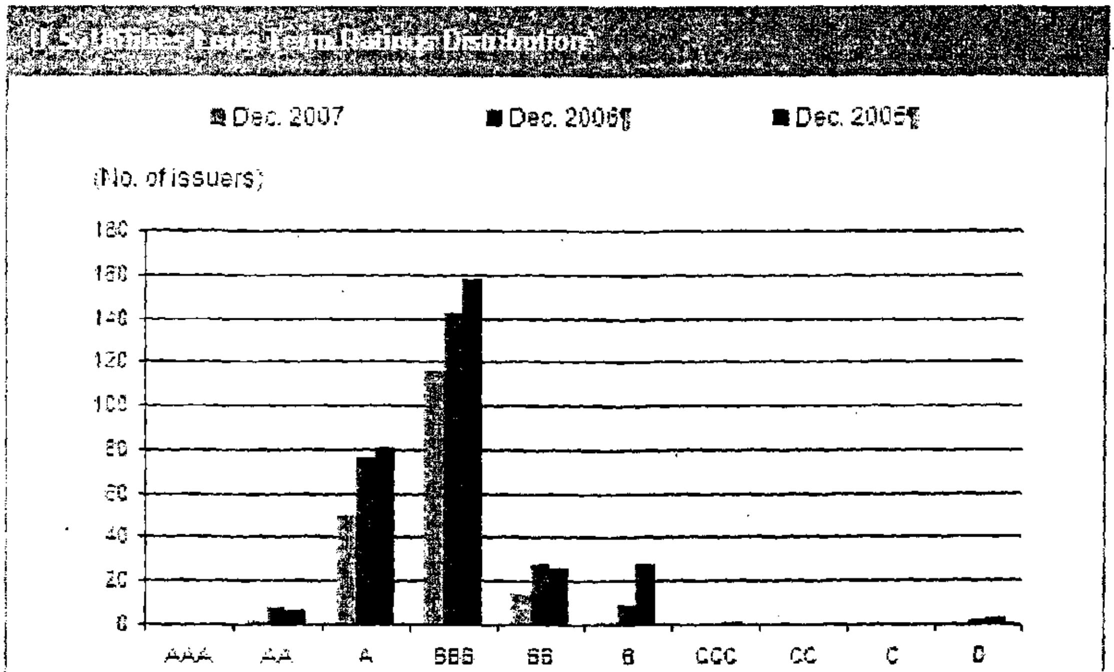
Standard & Poor's Ratings Services expects credit quality for the U.S. electric utility industry to withstand several challenges in 2008 as companies continue a protracted buildout of needed infrastructure. Rising costs for construction materials, fuel, and labor will continue to test the sector. Timely recovery of these outlays through regulatory support is important for continued credit stability.

Ratings for the sector have been steady, with upgrades slightly outnumbering downgrades by a count of 30 to 24 in 2007. Negative outlooks are outpacing positive outlooks by a narrow margin, excluding merger-related activity. Notable deals include the Great Plains Energy Inc./Black Hills Corp. /Aquila Inc. transactions, the proposed sale of Puget Sound Energy Inc. to a consortium of private investors, and Spanish utility Iberdrola S.A.'s bid for Energy East Corp.

Regulators' decisions concerning preapproval mechanisms for recovering plant construction costs and fuel costs continue to benefit companies' cash flow and have eliminated volatility and uncertainty. The expiration of the transition periods for restructuring in Ohio (2008) and Pennsylvania (2010) may cause some friction among state legislators, but not at levels previously seen in Illinois and Maryland.

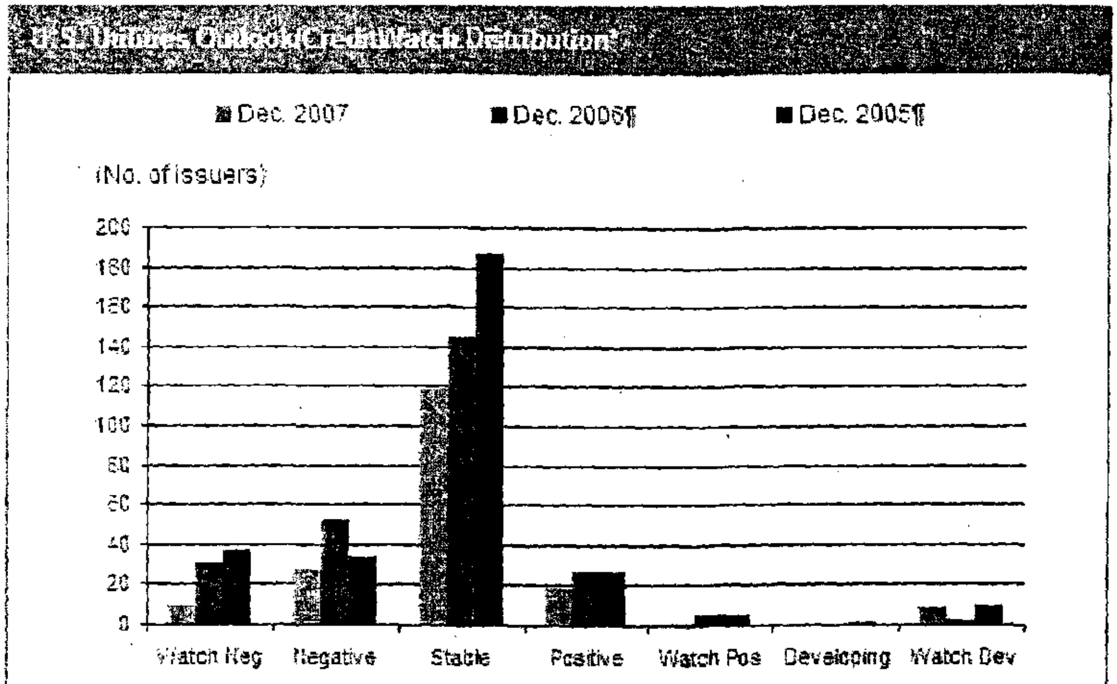
The national and global debate over global warming will continue far beyond 2008. What the ultimate outcome will be is cloudy right now, but legislation addressing carbon emissions and other greenhouse gases is extremely probable in the near future. What is clear is that electric utilities' ability to recover environmentally mandated costs in authorized rates and consumers' willingness to pay them will determine the industry's future credit strength.

Chart 1



*Dates represent current and previously published report card data. ¶Previous report cards included gas, merchant, water, pipeline, and midstream energy companies.

Chart 2



*Dates represent current and previously published report card data. ¶Previous report cards included gas, merchant, water, pipeline, and midstream energy companies.

Issuer Review

Company/Rating*/Comments	Analyst
AEP Texas Central Co.(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
AEP Texas North Co.(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
Alabama Power Co.(A/Stable/A-1) See Southern Co.	Dimitri Nikas
Allegheny Energy Inc.(BBB-/Stable/A-3) We will monitor Allegheny's transmission construction program and the recently proposed POLR power-procurement plan that would be implemented in 2011 after the existing plan expires in 2010. There is no time limit within which the Pennsylvania PUC needs to issue a decision. Trailing 12-month cash flow financial measures are adequate for the aggressive financial risk profile. Adjusted FFO to total debt was 17.5% and FFO interest coverage was 3.8x, both as of Sept. 30, 2007. Adjusted debt leverage remains high for the aggressive profile, but net cash flow to capital spending exceeds 100%, indicating that FFO minus dividends exceeds capital spending for the 12 months ended Sept. 30, 2007. Free operating cash flow was $80 million for the same period.	Gerrit Jepsen
Allegheny Energy Supply Co. LLC(BBB-/Stable/--)	

See Allegheny Energy Inc.	Gerrit Jepsen
ALLETE Inc.(BBB+/Stable/A-2) Because a material portion of ALLETE's cash flow comes from its real estate operations in Florida, a prolonged downturn in that market could weaken cash flow measures such as FFO to total debt, which was 19% for the 12 months ended Sept. 30, 2007. However, the intermediate financial risk profile is bolstered by significant cash on hand and adjusted debt leverage of 49%, which is adequate for the rating.	Gerrit Jepsen
Alliant Energy Corp.(BBB+/Stable/A-2) In the near term, we are monitoring Interstate Power & Light's sale of its transmission assets to ITC Holdings for about $750 million. Sale proceeds can be used to build three new wind farms by the end of 2008 and two pulverized coal plants by year-end 2013. Cash flow metrics are currently strong for the rating, with adjusted FFO/debt at 33% and total debt to total capital of 49%, but these ratios may weaken as spending starts on the proposed large construction projects.	Gerrit Jepsen
Alliant Energy Resources Inc.(BBB+/Stable/A-2) See Alliant Energy Corp.	Gerrit Jepsen
Ameren Corp.(BBB-/Stable/A-3) On Aug. 29, we affirmed our ratings on Ameren and its subsidiaries and removed them from CreditWatch after the Illinois governor assigned into law under which Ameren's Illinois utilities, Commonwealth Edison, and certain merchant generators will provide a total of $1 billion in rate relief over four years to the state's electric customers. In addition, the law created a state agency, the Illinois Power Agency, which will administer the power-procurement process on behalf of the state's utilities, replacing the reverse-auction process that had resulted in huge retail rate increases at the beginning of the year. Under the agreement, Ameren will provide $150 million of the $1 billion. While the financial impact is manageable, Ameren's ratings are more a function of the apparent indifference by state leaders to the financial health of the state's utilities during the debate over the level of rates that had been determined in accordance with the 1997 restructuring law. This debate raises the prospect of future uncertainty if electric rates again climb to politically unacceptable levels. Accordingly, constructive responses to recently filed electric and gas rates cases that lift subpar earned returns and enhance cash flows will be critical to restoring the utilities' financial health.	Barbara Eiseman
American Electric Power Co. Inc.(BBB/Stable/A-2) AEP faces an almost constant cycle of regulatory proceedings in one or more of the 11 states in which it operates, as well as at the federal level. The mostly coal-burning company has spent a lot of money on environmental compliance and plans to spend more on new generation, a massive undertaking that heightens operating and regulatory risk and could possibly erode AEP's generation cost advantage. Longer-term challenges include, most prominently, the prospect of climate change legislation and its effect on AEP's existing resources and planning decisions, and the evolving state of the regulatory compact in Ohio.	Todd Shipman
American Transmission Co.(A+/Stable/A-1) The stable outlook reflects the expectation that ATC will maintain its financial measures during the implementation of its large capital plan. For the 12 months ending Sept. 30, 2007, adjusted FFO to debt was 20% and FFO interest coverage was 4.7x. ATC operates under the FERC's jurisdiction, which provides for a constructive regulatory environment. This includes prospectively setting rates with annual true-ups, providing a return on construction work in progress, and authorizing a high ROE (12.2%).	Gabe Grosberg
Appalachian Power Co.(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
Aquila Inc.(B+/Watch Pos/--) We are monitoring the pending sale of 100% of Aquila common stock to Great Plains Energy Inc. and forthcoming regulatory decisions related to acquisition. Also, Aquila's capital spending program includes an interest in the proposed Iatan II coal unit that could further pressure already weak operating cash flow during construction, which we expect to extend through 2010 and could result in higher debt levels. Currently, cash flow measures are adequate for the rating, with adjusted FFO/total debt at about 5% and FFO interest coverage around 1.7x.	Gerrit Jepsen
Arizona Public Service Co.(BBB-/Stable/A-3) See Pinnacle West Capital Corp.	Anne Selting
Atlantic City Electric Co.(BBB/Stable/A-2) See PEPCO Holdings Inc.	Gerrit Jepsen

Avista Corp.(BB+/Positive/B-1) The completion of the Avista Energy sale last summer has improved the company's consolidated business risks, which, coupled with expectations in improvement in the company's financial performance, could be sufficient to result in a ratings improvement. A slightly below normal hydro year has suppressed cash flow metrics, as has the need to update fuel and purchased power costs in base rates. FFO to debt and interest were 15.8% and 3.0x, respectively as of Sept. 30, 2007, with leverage at 58.6%. The company recently announced it had reached a rate case settlement for gas and electric rates in its Washington service areas, which is the company's largest market. If approved by the commission, the company's credit metrics should improve modestly in the next 12 months. The utility faces large maturities in 2008, but we expect it to be able to refinance its obligations in the capital markets.	Anne Selting
Baltimore Gas & Electric Co.(BBB+/Negative/A-2) Ratings reflect BGE's affiliation with Constellation's nonregulated companies. BGE's cash flow represents less than 30% of the consolidated cash flows. The negative outlook reflects the weak consolidated financial measures for the rating. For the 12 months ending Sept. 30, 2007, consolidated adjusted FFO to debt was below 20% and FFO interest coverage was 3.6x. On Oct. 31, 2007, Constellation announced a share repurchase for up to $1 billion.	Gabe Grosberg
Black Hills Corp.(BBB-/Stable/--) In the pending acquisition of Aquila's non-Missouri utility assets for $940 million, we are montioring regulatory outcomes and the company's financing of the acquisition. Black Hills has indicated that a combination of common stock, mandatory convertible securities, holding company debt, and internally generated cash will be used. We are also closely watching results at unregulated operations for quality-of-reserve issues at the company's E&P segment. Financial measures are currently adequate for the rating, with adjusted FFO to total debt at 23.6% for the 12 months ended Sept. 30, 2007, and adjusted debt to total capital was 45%.	Gerrit Jepsen
Black Hills Power Inc.(BBB-/Stable/--) See Black Hills Corp.	Gerrit Jepsen
Carolina Power & Light Co d/b/a Progress Energy Carolinas Inc(BBB+/Stable/A-2) See Progress Energy Inc.	Dimitri Nikas
CenterPoint Energy Houston Electric LLC(BBB/Positive/--) See CenterPoint Energy Inc.	Dimitri Nikas
CenterPoint Energy Inc.(BBB/Positive/A-2) CenterPoint's credit profile continues to benefit from significant reliance on low operating risk regulated operations for electricity distribution that lack commodity exposure and gas transmission operations. The company's generally conservative growth strategy can be seen in the careful approach to expanding and funding its gas transmission operations. Leverage continues to be high, but financial performance should benefit in 2008 as the company completes the third phase of expanding the 1.5 bcf Carthage-to-Perryville pipeline, completes construction of the new Southeast Supply Header, and continues to expand its Houston distribution operations' satisfactory customer growth. While the company is working through some regulatory challenges in Minnesota to recover previously incurred gas costs, the recent regulatory approvals in Arkansas and Texas are favorable for credit quality.	Dimitri Nikas
CenterPoint Energy Resources Corp.(BBB/Positive/--) See CenterPoint Energy Inc.	Dimitri Nikas
Central Hudson Gas & Electric Corp.(A/Stable/--) Parent CH Energy's credit ratios are somewhat weak for the current rating with FFO interest coverage of about 4.2x, FFO to debt of 15%, and debt to capital at 59%. The company's earnings and cash flow generation should remain weak through the first quarter of 2008, due to the winter heating season, conservation efforts, volatile commodity prices, and additional investments in Central Hudson and the nonregulated subsidiaries. Central Hudson's three-year rate agreement, approved in July 2006, includes a $54 million increase in electric revenues and $14 million increase in gas revenues. Concurrent with the rate agreement, the commission authorized an ROE of 9.6%, which is materially lower than the previous 10.3%. The increased revenues are required to cover increased operating costs, particularly pension and other postemployment benefits, and infrastructure improvements. CH Energy has invested $25 million for various energy-related assets as part of its plan to build a portfolio with the proceeds from the sale of its generating facilities in 2001.	John Kennedy
Central Illinois Light Co.(BB/Positive/--) See Ameren Corp.	Barbara Eiseman
Central Illinois Public Service Co.(BB/Positive/--)	

See Ameren Corp. — Barbara Eiseman

Central Maine Power Co.(BBB+/Negative/--)
See Energy East Corp. — John Kennedy

Central Vermont Public Service Corp.(BB+/Stable/--)
On Nov. 30, 2007, the company reached a settlement with the Vermont Department of Public Service for a 2.4% rate increase. The hike, which the Vermont Public Service Board must approve, falls short of the 4.46% increase originally sought by the utility, and will only modestly lift the company's somewhat weak financial parameters. Meanwhile, the more significant consideration for the credit quality of CVPS will be the outcome of the pending alternative regulation plan, filed by the company in August 2007. Implementation of certain mechanisms, such as a fuel-adjustment clause, would enable the company to recoup fuel and purchased-power costs in a more timely fashion and could lead to more substantial financial improvement. — Barbara Eiseman

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CILCORP Inc.(BB/Positive/--)
See Ameren Corp. — Barbara Eiseman

Cleco Corp.(BBB/Stable/--)
Cleco's credit profile is dominated by the construction of the $1 billion, 600 MW Rodemacher Unit 3 generation facility that will address Cleco Power's shortfall in owned generation, currently filled through short-term power purchases, and will provide some diversification away from natural gas. Cleco issued $158 million of equity to finance part of Rodemacher in late 2006. An interim regulatory rate plan allows recovery of 75% of the financing costs in rates. Cleco's liquidity is strong, given that the company received $85 million for the termination of priority and guaranteed payments when the sale of Calpine's 50% interest in Acadia to Cajun was complete. Also, in September 2007, the LPSC approved a financing order (about $187 million) that allows Cleco to securitize both the unrecovered costs of restoration from Hurricanes Katrina and Rita as well as a restricted storm reserve of $50 million to be available to fund future storm restorations. — Dimitri Nikas

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Cleco Power LLC(BBB/Stable/--)
See Cleco Corp. — Dimitri Nikas

Cleveland Electric Illuminating Co.(BBB/Negative/--)
See FirstEnergy Corp. — Todd Shipman

CMS Energy Corp.(BBB-/Stable/A-3)
CMS's business profile has improved due to some nonregulated asset sales. Also, the company's financial profile has improved as sale proceeds will be used to reduce debt. CMS's announcement regarding the purchase of a 964 MW power plant from LS Power Group doesn't affect the rating on the company. The transaction supports CMS's Balanced Energy Initiative, which is reflected in current ratings. Capital spending will be heavy at Consumers Energy in 2008 as the company considers spending on advanced metering, distribution reliability, environmental expenditures (e.g., sulfur dioxide remediation and the potential for federal carbon dioxide legislation), and the potential for a new generating plant. — John Kennedy

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Columbus Southern Power Co.(BBB/Stable/--)
See American Electric Power Co. Inc. — Todd Shipman

Commonwealth Edison Co.(BB/Positive/B)
The ratings on ComEd reflect its stand alone credit quality following the political events of 2006 and 2007. On Aug. 29, 2007, we affirmed the rating on ComEd, removed it from CreditWatch, and assigned a positive outlook, following the Illinois governor signed into law the settlement agreement that will provide for $1 billion in rate relief over the next four years. ComEd's cash flow constitutes 15% to 20% of Exelon's consolidated cash flow. The rating for ComEd remains four notches below its parent's rating due to the ongoing political rhetoric in Illinois. On Oct. 17, 2007, ComEd filed for a distribution revenue increase of $361 million, for which a decision is not expected before September 2008. — Gabe Grosberg

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Connecticut Light & Power Co.(BBB/Stable/--)
See Northeast Utilities — John Kennedy

Connecticut Natural Gas Corp.(BBB+/Negative/--)
See Energy East Corp. — John

	Kennedy
Consolidated Edison Co. of New York Inc.(A/Negative/A-2) See Consolidated Edison Inc.	John Kennedy
Consolidated Edison Inc.(A/Negative/A-2) Financial ratios remain weak due to a regulatory lag associated with the company's capital program, higher levels of debt, and spending related to the outages incurred in the summer of 2006. We expect financial measures to continue to improve, given subsidiary Consolidated Edison Co. of New York's rate increase of $220 million in 2007. Implicit in the current rating is our expectation that rate increases through 2008 will be sufficient to improve FFO to debt to over 16% and FFO interest above 3.5x.	John Kennedy
Consumers Energy Co.(BBB-/Stable/--) See CMS Energy Corp.	John Kennedy
Dayton Power & Light Co.(BBB/Stable/--) See DPL Inc.	Todd Shipman
Delmarva Power & Light Co.(BBB/Stable/A-2) See PEPCO Holdings Inc.	Gerrit Jepsen
Detroit Edison Co.(BBB/Stable/A-2) See DTE Energy Co.	John Kennedy
Dominion Resources Inc.(BBB/Positive/A-2) Lower gas prices and mild weather have lowered fuel-related expenses, which were not fully recoverable through mid-2007 and are deferrable thereafter. The company has sold most of its exploration and production (E&P) assets. The company used sale proceeds in part to achieve financial measures that support credit quality. The E&P sales, along with reregulation in Virginia, have improved business risk. Liquidity concerns have receded.	Todd Shipman
DPL Inc.(BBB/Stable/--) DPL's focus on its core electric utility operations, which include primarily coal-fired base load generating assets, has helped to reduce business risk. With regard to the legislative and regulatory uncertainty in Ohio, DPL has stated that it would like to extend its current RSP, which expires two years later than the other three utilities in 2010. While the company has significant capital expenditure needs over the next two years, a large portion of the spending program has been completed, and as a result financial metrics should continue to improve. FFO interest coverage was 4.5x and FFO/debt was 22.2% for the 12 months ended Sept. 30, 2007.	Todd Shipman
DTE Energy Co.(BBB/Stable/A-2) DTE's improvement in its business risk profile stems from selling a significant portion of its nonregulated businesses. We anticipate regulated units to represent over 90% of the total business mix, up from a historical average of about 70%. Still, we expect the weak local economy and service territory to challenge the company's efforts to improve financial strength.	John Kennedy
Duke Energy Carolinas LLC(A-/Stable/A-2) See Duke Energy Corp.	Dimitri Nikas
Duke Energy Corp.(A-/Stable/A-2) Duke Energy Carolinas received NCUC approval for a settlement reached with intervenors regarding its June 2007 rate filing. While the settlement will reduce base rates by $287 million annually, such reduction is partly mitigated by the ability to recover 58% of merger-related cost savings during 2008 totaling $80 million while providing a refund of 42% of such costs over the next three years. Furthermore, the company will have to capitalize expenses related to the Clean Smokestacks legislation in excess of $1.05 billion for recovery through a rate case filing. The decision reflects an ROE of 11% on a capital structure of 53% equity and 47% debt and should provide rate certainty over the next three years as the company pursues a large capital spending program to address load growth and environmental compliance. Duke Energy Ohio is still awaiting resolution of how the regulatory landscape will evolve after its rate stabilization plan expires at year-end 2008, providing some uncertainty, while Duke Energy Indiana received approval to build a 630 MW integrated gasification combined cycle plant that is estimated to cost about $2 billion. While the consolidated financial profile remains robust for the 12 months ending Sept. 30, 2007, with interest coverage of 5.9x and FFO/total debt of 33%, the significant capital spending program will necessitate ongoing constructive regulatory relationships to avoid increases in business risk and to preserve the financial profile.	Dimitri Nikas

Duke Energy Indiana Inc.(A-/Stable/A-2)
See Duke Energy Corp. — Dimitri Nikas

Duke Energy Kentucky Inc.(A-/Stable/--)
See Duke Energy Corp. — Dimitri Nikas

Duke Energy Ohio Inc.(A-/Stable/A-2)
See Duke Energy Corp. — Dimitri Nikas

Duquesne Light Co.(BBB-/Stable/--)
See Duquesne Light Holdings Inc. — Gerrit Jepsen

Duquesne Light Holdings Inc.(BBB-/Stable/--)
Privately held Duquesne has been streamlining its operations down to a T&D electric utility and affiliates serving electricity customers. We will monitor ongoing financial performance and cash flow stability. After adjustments and on a consolidated basis, total debt to total capital, FFO to total debt, and FFO interest coverage are adequate for the rating. — Gerrit Jepsen

E.ON U.S. LLC(BBB+/Stable/--)
E.ON U.S.'s two utilities in Kentucky perform well, with low costs, a reasonable regulatory environment, and high customer satisfaction ratings. A sizable portion of capital spending on environmental compliance upgrades has been mostly completed, although significant environmental costs still remain. The agreement to terminate its Big Rivers lease agreement will have a positive impact on the company's business risk. Parent E.ON AG continues to support E.ON U.S., which is important for ratings stability. — Todd Shipman

Edison International(BBB-/Stable/--)
Edison International has produced sound consolidated credit metrics year to date due to good pricing and operational performance at its the unregulated merchant operations owned by Edison Mission Energy and continued solid cash flows at Southern California Edison (SCE), which provides about 75% of operating cash flows. Consolidated FFO to debt and interest coverage were 12.5% and 3.4x respectively, as of Sept. 30 with leverage at 63%. In November, the utility filed a general rate case for 2009 through 2011, requesting a 6.2% increase in overall rates (a 16.2% increase in base rates) to support its large capital program. The case should be decided at the end of 2008. Also pending before the California Public Utilities Commission is the company's 2007 cost of capital filing. A recent draft decision supports no change in the company's 11.6% ROE. — Anne Selting

El Paso Electric Co. (BBB/Stable/--)
Credit ratios remain strong at El Paso Electric. Adjusted FFO to total debt was 22.6% and adjusted FFO to interest coverage was 5.0x during the 12 months ended Sept. 30 2007. The company has enjoyed a good year, helped by customer growth, increased cooling degree days, and off-system sales driven by improved operations at the Palo Verde nuclear plant. In July 2007, the New Mexico Public Regulation Commission approved an increase of $5.8 million in base rates--the utility had requested $13.1 million, an elimination of the cap on 10% of its fuel costs, and 75% share of off-system sales margin until 2010. Over the next few years, significant capital spending is planned for distribution and additional generation to meet load growth. — Antonio Bettinelli

Empire District Electric Co.(BBB-/Stable/A-3)
The company's relatively heavy construction program will continue to constrain its financial condition. Therefore, continued conservative financing, the return to service of its Asbury Generating Station in February 2008, and constructive regulatory treatment, including sufficient amounts of rate relief, will be essential to support key financial metrics at levels suitable for current ratings. The company has filed a request with the Missouri Public Service Commission for a $34.7 million (10.11%) rate hike and a request to adopt a fuel-adjustment mechanism, which would allow the company to recoup fuel and purchased power costs sooner. A final commission decision is expected in the fall of 2008. Adjusted financial metrics for the 12 months ended Sept. 30, 2007 were adequate for the rating level, with FFO interest coverage of 4.2x, FFO to total debt of 17.8%, and total debt to total capital of 56.1%. — Barbara Eiseman

Energy East Corp.(BBB+/Negative/A-2)
The FERC recently approved the acquisition of Energy East by Iberdrola S.A. When the deal closes, Energy East will account for about 16% of pro forma revenue and about 11% of pro forma EBITDA. The transaction is slated to close in the first half of 2008. — John Kennedy

Enogex Inc.(BBB+/Watch Neg/--)
See OGE Energy Corp. — Todd Shipman

Entergy Arkansas Inc.(BBB/Watch Dev/--)

See Entergy Corp.	Dimitri Nikas
Entergy Corp.(BBB/Watch Dev/--) We placed the ratings on Entergy and its subsidiaries on CreditWatch with developing implications after the company announced its plans to recapitalize its merchant nuclear generation assets by issuing about $4.5 billion of debt and spin off the assets through a tax-free transaction. The CreditWatch listing reflects our concern about the amount and use of any proceeds from the proposed spin-off and uncertainty regarding Entergy's financial risk profile and debt leverage post-transaction, which we expected to close by third-quarter 2008. Meanwhile, Entergy continues to pursue actions that support the utility credit profiles, such as securitization of storm costs in Texas and Louisiana. However, the company faces some challenges, such as the successful implementation of the system agreement under which system costs must be equalized within a band, as well as the successful separation of Entergy Gulf States into two distinct entities in Texas and Louisiana.	Dimitri Nikas
Entergy Gulf States Inc.(BBB/Watch Dev/--) See Entergy Corp.	Dimitri Nikas
Entergy Louisiana LLC(BBB/Watch Dev/--) See Entergy Corp.	Dimitri Nikas
Entergy Mississippi Inc.(BBB/Watch Dev/--) See Entergy Corp.	Dimitri Nikas
Entergy New Orleans Inc.(BBB-/Watch Dev/--) See Entergy Corp.	Dimitri Nikas
FirstEnergy Corp.(BBB/Negative/--) The company's operating performance has been satisfactory, but persistent doubts on nuclear operations were confirmed recently with a "scram" (shutdown) and feedwater pump problems at the Perry plant that prompted an NRC special inspection. Legislative and regulatory attention in Ohio on rates and the post-2008 market structure in Ohio harbor significant risk. Financial metrics and liquidity have improved as substantial debt was paid down in previous years, but share buybacks and capital spending have stalled the trend. The share repurchases have bruised credit metrics and quashed upward rating momentum. Committing to a market-based future for its generating assets could dampen credit quality.	Todd Shipman
Florida Power & Light Co.(A/Stable/A-1) See FPL Group Inc.	Todd Shipman
Florida Power Corp. d/b/a Progress Energy Florida Inc.(BBB+/Stable/A-2) See Progress Energy Inc.	Dimitri Nikas
Florida Progress Corp.(BBB+/Stable/--) See Progress Energy Inc.	Dimitri Nikas
FPL Group Inc.(A/Stable/--) FPL Group's ratings and stability rests on the strength of its utility operations at Florida Power & Light (FP&L). The integrated utility is the main contributor to the group's earnings and cash flow, and its strong business profile centers on a constructive regulatory environment and a very healthy service territory. Targeted growth in the unregulated wholesale energy business, a high-risk merchant energy portfolio, and an appetite for acquisitions hamper credit quality. Financials are somewhat weak for the ratings as well, but have been improving. Florida regulators' decision to reject a proposed clean-coal plant sent a conflicting message to the utility and its bondholders as to the direction of public policy on new generation, and will exacerbate FP&L's dependence on natural gas to produce electricity.	Todd Shipman
Georgia Power Co.(A/Stable/A-1) See Southern Co.	Dimitri Nikas
Great Plains Energy Inc.(BBB/Watch Neg/--) The CreditWatch on Great Plains reflects its attempt to purchase 100% of Aquila's common stock. If Great Plains obtains adequate and	Gabe

timely recovery of all costs (including total debt costs at Aquila) and the regulators work with the utilities to prevent material cash flow degradation during the subsidiaries' joint capital plan, Standard & Poor's would remove the ratings from CreditWatch with negative implications, would likely affirm the 'BBB' corporate credit rating, and assign a negative outlook. The negative outlook would reflect the potential for credit metrics to deteriorate during the ongoing capital-spending cycle. If Great Plains goes ahead with the Aquila acquisition without obtaining the appropriate aforementioned regulatory safeguards, and assuming the company makes no other compensating changes to its plan, we would lower our long-term ratings on Great Plains to 'BBB-' with a stable outlook. — Grosberg

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Green Mountain Power Corp.(BBB/Stable/--)
In June 2007, we affirmed the ratings on Green Mountain and removed them from CreditWatch with positive implications, where they were placed on June 22, 2006 after the announcement that Northern New England Energy Corp., a subsidiary of Gaz Metro Inc., would purchase the company for $187 million. Green Mountain will account for just 12% of pro forma revenue and EBITDA. Thus, the ratings on Green Mountain reflect its stand-alone credit profile, which is presently at the 'BBB' corporate credit rating level. Despite a challenging regulatory environment, Green Mountain has demonstrated an ability to effectively manage its relationship with regulators. An excellent business risk profile should provide the company with the basis to maintain its current financial condition. — Barbara Eiseman

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Gulf Power Co.(A/Stable/--)
See Southern Co. — Dimitri Nikas

Hawaiian Electric Co. Inc.(BBB/Stable/A-2)
See Hawaiian Electric Industries Inc. — Anne Selting

Hawaiian Electric Industries Inc.(BBB/Stable/A-2)
Cash flow metrics have weakened in 2007 due to the need for utility rate relief. Potential for improvement is possible in 2008 if final rate relief decisions are timely and sufficient. In October 2007, the Hawaii Public Utilities Commission approved a September settlement in Hawaiian Electric Co.'s (HECO) rate case, granting it $70 million in interim relief in its general rate case. The approximate 5% increase is below the company's $99 million request and is subject to refund pending a final ruling. The commission also in October finally moved to issue a ruling in the company's 2005 rate case award, providing it with approval for a $34 million rate increase. Because this is lower than the amount awarded on an interim basis in 2005, the company will be required to refund $15 million in 2008. Maui Electric Co. also has a pending request for $19 million in rate relief, or a 5.3% rate increase. An interim decision is not expected before early to mid-2008. — Anne Selting

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IDACORP Inc.(BBB+/Negative/A-2)
Despite a 14% power cost adjustment increase at hydro-heavy Idaho Power, persistent drought conditions on the Snake River have resulted in additional deferred costs and further deterioration in credit metrics. Adjusted FFO interest coverage and FFO to total debt for the 12 months ending Sept. 30, 2007, stood at 1.8x and 4.4%, respectively. The offset of emission credit sales against deferred power costs has also contributed to weaker operating cash flows although there is no economic disadvantage. Leverage remains close to that of similarly rated utilities at 55.4% adjusted debt to capital. The pending general rate case will be critical in maintaining the current rating and a decision is expected in the first quarter. The power-cost adjustment mechanism in Idaho allows for 90% of unexpected costs to be passed through over a 12-month period, causing temporarily weak cash flows. — Antonio Bettinelli

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Idaho Power Co.(BBB+/Negative/A-2)
See IDACORP Inc. — Antonio Bettinelli

Illinois Power Co.(BB/Positive/--)
See Ameren Corp. — Barbara Eiseman

Indiana Michigan Power Co.(BBB/Stable/--)
See American Electric Power Co. Inc. — Todd Shipman

Indianapolis Power & Light Co.(BB+/Stable/--)
See IPALCO Enterprises Inc. — Barbara Eiseman

Integrys Energy Group Inc.(A-/Stable/A-2)
On Nov. 13, 2007, we revised Integrys' outlook to stable from negative. The revised outlook reflects Integrys' progress to improve its financial and business profile since its one notch downgrade following its merger with Peoples Energy. The improvements include the sale of its E&P business, the reduction of short-term debt, and its initial progress on the merger integration. On March 9, 2007, Peoples Energy filed in Illinois for a $108.8 million revenue increase due to the overall continuing decline in throughput, higher operating expenses, and the increased capital costs. The company last filed for a rate increase in 1995 and the Illinois commission will issue its order by Feb. 5, 2008. — Gabe Grosberg

International Transmission Co.(BBB/Positive/--) See ITC Holdings Corp.	Gabe Grosberg
Interstate Power & Light Co.(BBB+/Stable/A-2) See Alliant Energy Corp.	Gerrit Jepsen
IPALCO Enterprises Inc.(BB+/Stable/--) The recent outlook revision to stable from positive can be traced to our view that parent AES Corp., which we characterize as having a very aggressive financial policy, may rely more heavily on its subsidiaries to support its own expansion activities. Although IPALCO's financial parameters have modestly improved (with adjusted FFO interest coverage near 3x, FFO to total debt of about 14% and total debt to capital of 97% (based on the use of pooling accounting), we do not expect them to continue to strengthen to levels that would be solidly investment-grade quality.	Barbara Eiseman
ITC Holdings Corp.(BBB/Positive/--) The rating on ITC Holdings (ITC) reflects its excellent business profile offset by its high debt leverage (70%). The FERC regulates ITC, and itsregulatory treatment is constructive. This includes annual adjustments based on projected revenue requirements, authorizing a high ROE (over 13%), and allowing for a 60% equity component. On Jan. 19, 2007, ITC announced its intention to acquire IP&L assets for $750 million, subject to regulatory approvals. As of Dec. 12, 2007, the Minnesota PSC remained the lone outstanding required approval.	Gabe Grosberg
Jersey Central Power & Light Co.(BBB/Negative/--) See FirstEnergy Corp.	Todd Shipman
Kansas City Power & Light Co.(BBB/Watch Neg/A-3) See Great Plains Energy Inc.	John Kennedy
Kansas Gas & Electric Co.(BBB-/Stable/--) See Westar Energy Inc.	Barbara Eiseman
Kentucky Power Co.(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
Kentucky Utilities Co.(BBB+/Stable/A-2) See E.ON U.S. LLC	Todd Shipman
KeySpan Corp.(A-/Stable/A-2) See National Grid USA	John Kennedy
KeySpan Energy Delivery Long Island(A/Stable/--) See National Grid USA	John Kennedy
KeySpan Energy Delivery New York(A/Stable/--) See National Grid USA	John Kennedy
Louisville Gas & Electric Co.(BBB+/Stable/--) See E.ON U.S. LLC	Todd Shipman
Madison Gas & Electric Co.(AA-/Stable/A-1+) We will continue to monitor Madison Gas & Electric's construction program for any significant cost increases and the effect on the utility's financial measures. Although there is significant capital spending, we expect ongoing supportive regulation even if higher cooling-related costs are ultimately incurred for the Oak Creek coal units.	Gerrit Jepsen

Massachusetts Electric Co.(A/Watch Neg/A-1) See National Grid USA	John Kennedy
Metropolitan Edison Co.(BBB/Negative/--) See FirstEnergy Corp.	Todd Shipman
Michigan Consolidated Gas Co.(BBB/Stable/A-2) See DTE Energy Co.	John Kennedy
Michigan Electric Transmission Co.(BBB/Positive/--) See ITC Holdings Corp.	Gerrit Jepsen
MidAmerican Energy Co.(A-/Stable/A-1) MidAmerican Energy continues its stable financial performance. FFO coverage of interest and debt for the 12 months ended March 31, 2007 was 4.7x and 26%, respectively. Adjusted debt to total capitalization was 48% as of the same date. The company's rate settlement in Iowa extends through Dec. 31, 2011. The rate settlement does not incorporate a fuel-adjustment clause, which may be problematic given increasing fuel costs, but this is mitigated by a largely stable coal-fired asset base and the ability to request a rate increase should the actual earned Iowa jurisdictional ROE falls below 10%.	Anne Selting
MidAmerican Energy Holdings Co.(A-/Stable/--) MEHC's strong credit ratings reflects the explicit and implicit support afforded to it by its parent, Berkshire Hathaway Inc. (AAA/Stable/A-1+), which holds 88% of MEHC's common voting stock. Berkshire has provided MEHC a $3.5 billion equity commitment agreement that expires in March 2011. Without Berkshire's support, MEHC's current aggressive financial profile, while steadily improving, would support a rating that is in the low 'BBB' category. For the 12 months ended Sept. 30, 2007 MEHC's FFO coverage of interest and debt stood at 2.6x and 11.93%, respectively. Consolidated MEHC debt to total capitalization has improved to 66%. MEHC relies on its eight business platforms for distributions to pay debt service. While the overall quality of cash flow is adequate for the rating, in 2007 and 2008 the source of cash flows will be concentrated and nonregulated operations will be important sources of distributions.	Anne Selting
Midwest Independent Transmission System Operator Inc.(A+/Stable/--) MISO's recent financial performance was strong for the rating, and Standard & Poor's expects the financial measures to remain strong over the near term. Any large exodus of higher-load members could introduce financial risk because remaining MISO members would be required to pay for a greater share of costs for operations, financing, and capital expenditures.	Gabe Grosberg
Mississippi Power Co.(A/Stable/A-1) See Southern Co.	Dimitri Nikas
Monongahela Power Co.(BBB-/Stable/--) See Allegheny Energy Inc.	Gerrit Jepsen
Narragansett Electric Co.(A/Watch Neg/A-1) See National Grid USA	John Kennedy
National Grid USA(A-/Stable/A-2) The company completed its merger with Keyspan Corp. in August 2007. The combination creates a riskier business profile going forward with the addition of Keyspan's generation assets. However, the company expects to sell the 2,500 MW Ravenswood facility in the near term, as part of a regulatory agreement.	John Kennedy
Nevada Power Co.(BB-/Positive/--) See Sierra Pacific Resources Inc.	Antonio Bettinelli
New England Power Co.(A/Watch Neg/A-1) See National Grid USA	John Kennedy
New York State Electric & Gas Corp.(BBB+/Negative/A-2)	

See Energy East Corp.	John Kennedy
Niagara Mohawk Power Corp.(A/Watch Neg/A-1) See National Grid USA	John Kennedy
Northeast Utilities(BBB/Stable/--) NU's financial profile is slightly weak for the rating level. Standard & Poor's expects credit protection measures to continue to be stretched for the foreseeable future. However, the companies' business risk has improved as they have executed their strategy of becoming primarily a T&D-oriented group. Capital needs over the next several years will be heavy. Capital spending and dividends of $5.5 billion over 2007-2011 will be funded with $2.5 billion in cash from operations, about $500 million net cash from the sale of generation assets, and about $2.5 billion in new debt (and possibly equity) offerings. The company does not plan to issue equity in 2008. The company forecasts that returns will improve once its rate base reflects the capital spending.	John Kennedy
North Shore Gas Co.(A-/Stable/--) See Integrys Energy Group Inc.	Gabe Grosberg
Northern Natural Gas Co.(A/Stable/--) See MidAmerican Energy Holdings Co.	Anne Selting
Northern States Power Co.(BBB+/Stable/A-2) See Xcel Energy Inc.	Gerrit Jepsen
Northern States Power Wisconsin(A-/Stable/--) The rating of this subsidiary of Xcel Energy Inc. reflects affiliation with the Xcel family of companies and the benefits of regulatory insulation. See Xcel Energy Inc.	Gerrit Jepsen
NorthWestern Corp.(BB+/Positive/--) Credit metrics are strong for the rating as a result of steady improvement in NorthWesterns financial profile. Settlements have been reached, pending regulatory approvals, in South Dakota, Nebraska, and Montana rate cases totaling about $20 million versus total requests of $48. The settlement does not significantly reduce the company's improvement since metrics were strong going into the case. A $8.6 million FERC transmission case for which interim rates are subject to refund remains pending. For the 12 months ended Sept. 30, 2007, adjusted FFO coverage of interest and debt stood at a weak 3.4x and 22.3%, respectively. Leverage is strong for the current rating at 56.4% adjusted debt to capital.	Antonio Bettinelli
NSTAR(A+/Stable/A-1) NSTAR's focus on low-risk transmission and distribution activities, a supportive regulatory environment and a rate plan that runs through 2012 should continue to support the current ratings. Earnings and cash flow measures are healthy for the rating level, with adjusted FFO interest coverage greater than 5.x and adjusted FFO to total debt of about 26%. However, adjusted total debt to capital (excluding securitizations) of about 59% has improved, but remains high for the rating level. Over time, debt leverage should gradually decline through higher retained earnings.	Barbara Eiseman
NSTAR Gas Co.(A+/Stable/--) See NSTAR	Barbara Eiseman
OGE Energy Corp.(BBB+/Stable/A-2) We recently affirmed the ratings when we placed subsidiary Enogex on CreditWatch Negative. OGE will transform Enogex into a master limited partnership, but its own credit quality and that of its utility Oklahoma Gas & Electric are unaffected despite what we see as a continued level of implicit support for Enogex. Adjusted credit metrics are adequate for the OGE rating. Increasing capital expenditures could pressure ratings over the intermediate term, but most of these expenditures are for regulated projects that are not expected to proceed without preapproval. Metrics could weaken as the spending picks up, but we don't expect them to drop to a point that threatens ratings stability.	Todd Shipman
Ohio Edison Co.(BBB/Negative/--) See FirstEnergy Corp.	Todd Shipman
Ohio Power Co.(BBB/Stable/--)	

See American Electric Power Co. Inc.	Todd Shipman
Ohio Valley Electric Corp.(BBB-/Stable/--) Ohio Valley operates 2,390 MW of coal-fired generation in Ohio and Indiana. The generation assets are at the lower end of the regional dispatch curve and are consequently valuable for many of its sponsor members, which are all rated as investment grade. OVEC is continuing with its large environmental capital programs and has increased its long-term debt to fund the projects. The financial measures are weak for the rating.	Gabe Grosberg
Oklahoma Gas & Electric Co.(BBB+/Stable/A-2) See OGE Energy Corp.	Todd Shipman
Oncor Electric Delivery Co. LLC(BBB-/Watch Dev/--) The ratings on Oncorare on CreditWatch with developing implications pending the sale of a 20% interest in the company to an unaffiliated third party, per the owner's initial plan. Such a sale would enable Standard & Poor's to raise the corporate credit rating to 'BBB+'. In our assessment, we assume that the 20% interest sale along with the ring-fencing arrangement currently in place will provide the minority shareholder adequate rights to prevent material change, including bankruptcy filings of Oncor by EFH Corp.	Dimitri Nikas
Orange and Rockland Utilities Inc.(A/Negative/A-2) See Consolidated Edison Inc.	John Kennedy
Otter Tail Corp.(BBB+/Negative/--) In the near term, we are monitoring the financial performance of Otter Tail's unregulated businesses and the utility's capital spending program. This includes the proposed construction of the Big Stone II plant, which, if building ultimately proceeds, could pressure cash flow measures without positive regulatory outcomes. Currently, financial measures are adequate for the intermediate financial risk profile with 26% adjusted FFO to debt (including pension obligations) for the 12 months ended Sept. 30, 2007, and 50% adjusted debt to capital.	Gerrit Jepsen
Pacific Gas and Electric Co.(BBB+/Stable/A-2) The May 2007 upgrade to 'BBB+' of PG&E's corporate credit rating reflects the company's strengthening financial performance following its emergence from bankruptcy, improved regulatory support, and a narrow strategic focus that is limited to regulated utility operations. Net income should continue to benefit from the utility's 11.35% ROE and the earnings power associated with planned rate base additions as the utility pursues a $14 billion five-year capital program, which is expected to increase debt leverage. FFO to debt and interest coverage were 26.5% and 3.9x, respectively, as of Sept. 30, 2007 with leverage at about 55%.	Anne Selting
PacifiCorp(A-/Stable/A-1) Both cash coverage of debt and leverage have improved modestly at the utility level since MidAmerican Energy Holding Co. acquired the utility in March 2006. As of Sept. 30, 2007, PacifiCorp's adjusted FFO to total debt was 17.5%, and FFO interest coverage was 3.7x. Adjusted debt to total capitalization stood at about 53.4%. (PacifiCorp's fiscal year was changed to year-ending March 31 to Dec. 31 after the acquisition closed.) Cash flow improvement can be attributed to the increased rate relief PacifiCorp received from the 2006 settlement of rate cases in all six states it serves. Leverage has benefited in 2007 from MEHC's equity infusions into PacifiCorp, which through Sept., 30 2007 were $200 million, building on 2006 equity contributions that have helped offset the effects of PacifiCorp's borrowing for its large capital program. Future challenges are largely driven by its large capital program and need for new base load in a region of the U.S. that is increasingly opposed to coal generation.	Anne Selting
PECO Energy Co.(BBB+/Stable/A-2) On Aug. 29, 2007 we affirmed PECO's rating and removed it from CreditWatch after Illinois' governor's signed into law the settlement agreement that will provide for $1 billion in rate relief over the next four years. The rating on PECO reflects its affiliation with Exelon's family of companies, of which PECO contributes about 15% to consolidated cash flows. On Sept. 4, 2007, Exelon announced a share repurchase for up to $1.25 billion.	Gabe Grosberg
Pennsylvania Electric Co.(BBB/Negative/--) See FirstEnergy Corp	Todd Shipman
Pennsylvania Power Co.(BBB/Negative/--) See FirstEnergy Corp	Todd Shipman
Peoples Energy Corp.(A-/Stable/--) See Integrys Energy Group Inc.	Gabe Grosberg

Peoples Gas Light & Coke Co. (The)(A-/Stable/A-2) See Integrys Energy Group Inc.	Gabe Grosberg
PEPCO Holdings Inc.(BBB/Stable/A-2) Near term, we will continue to watch for stronger financial performance as distribution rate proceedings are concluded, and power cost increases are fully phased in and previously incurred deferrals are recovered as well. The currently aggressive financial risk profile reflects adequate financial measures for a company with two thirds of its cash flows coming from regulated utility operations.	Gerrit Jepsen
Pinnacle West Capital Corp.(BBB-/Stable/A-3) Consolidated operations consist almost wholly of utility Arizona Public Service (APS). APS's large capital program will require regular rate cases in coming years to support growth in the Southwest. The Arizona Corporation Commission (ACC) in November delayed voting on a proposal that would modify the utility's line extension policies by imposing hook up fees for new customers. This effort would help offset the cash outlays the company incurs serving rapid growth in Arizona. It is unclear whether the measure will be approved by the ACC but could provide the company with a meaningful source of cash flow. Borrowing for capital programs will need to be offset with periodic equity injections to bolster the company's capital structure. At the same time, the completion of APS's $432 million rate case in June 2007, along with a stronger fuel and purchased power adjustment mechanism approved in the case, should stabilize cash flow volatility. As of Sept. 30, 2007, consolidated funds from operations to debt and interest coverage were 18.1% and 4.1x, respectively with debt to total capitalization at nearly 57%.	Anne Selting
PNM Resources Inc.(BBB/Negative/A-3) Poor cash flows have persisted due to regulatory lag, and smaller margins at First Choice Power and wholesale electricity operations. PNM's joint venture with Cascade Investments Energy Co. has grown rapidly since the venture was formed earlier this year. PNM's electric general rate case is pending in New Mexico and commission staff issued a punitive recommendation, increasing the uncertainty of future cash flows. Originally expected in January 2008, the decision is now expected in early May. The New Mexico commission earlier this year approved less than half of Public Service Co. of New Mexico's gas-service rate hike. Currently, key financial ratios at PNM Resources are stretched for the rating level. For the 12 months ended Sept. 30, 2007, adjusted FFO coverage of interest and debt stood at a weak 2.2x and 10.5%, respectively. Leverage remains commensurate with current rating at 53.2% adj. debt to capital.	Antonio Bettinelli
Portland General Electric Co.(BBB+/Negative/A-2) The negative outlook, in place since early 2006, reflected our past concerns over cash flow coverage stemming from the Boardman coal plant outage that occurred in 2005 and stretched into 2006. These concerns have been mitigated by the Oregon commission's recent approval to defer a portion of these costs, and, moreover, the company's ability to produce reasonable cash flows despite the additional power purchase expense that the outage entailed. Lingering credit concern exists around the recovery of return on investment in the Trojan nuclear power plant, with the commission expected to come out with a critical ruling on the issue in early 2008. As of Sept. 30, 2007, trailing 12-months funds from operations to debt and interest coverage was 19.1% and 3.6x, respectively, with debt to total capitalization at nearly 54%.	Anne Selting
Potomac Electric Power Co.(BBB/Stable/A-2) See PEPCO Holdings Inc	Gerrit Jepsen
PPL Electric Utilities Corp.(A-/Stable/A-2) The recently authorized distribution rate increase should help bolster cash flow measures and the advanced approval to procure power for its provider-of-last-resort load in the post-2009 period is credit supportive. We will monitor the regularly scheduled power procurements when requests-for-proposal are held semi-annually. Financial measures are adequate for the aggressive financial risk profile with funds from operations to total debt of 21% and total debt to total capital of 49%.	Gerrit Jepsen
Progress Energy Inc.(BBB+/Stable/A-2) Progress Energy continues to focus on its regulated utility operations after exiting various unregulated activities in 2006 and early 2007, moderating business risk along the way. In addition, the company has reached a number of constructiveregulatory outcomes in both the Carolinas and Florida, providing further support to credit quality. The ratings reflect these improvements, but also account for Progress having limited headroom at the current rating level. While the disposal of the unregulated businesses took longer than expected and frequently changed course, these businesses are largely gone and Progress now plans to focus on regulated utility operations, which should provide the company with the opportunity to demonstrate its capabilities to continue to reach constructive regulatory agreements while dealing with projected capital spending to address increasing load and environmental requirements. For the 12 months ended Sept. 30, 2007, FFO/interest coverage was 3.6x, which is adequate for the rating, while FFO to total debt was about 14%. Debt leverage continued to be aggressive at about 58%.	Dimitri Nikas
Public Service Co. of Colorado(BBB+/Stable/A-2) See Xcel Energy Inc	Gerrit Jepsen

Public Service Co. of New Hampshire(BBB/Stable/--)
See Northeast Utilities
John Kennedy

Public Service Co. of New Mexico(BBB/Negative/A-3)
See PNM Resources Inc.
Antonio Bettinelli

Public Service Co. of North Carolina Inc.(A-/Negative/A-2)
See SCANA Corp.
Dimitri Nikas

Public Service Co. of Oklahoma(BBB/Stable/--)
See American Electric Power Co. Inc.
Todd Shipman

Public Service Electric & Gas Co.(BBB/Stable/A-2)
The ratings on the regulated utility PSE&G reflect the company's affiliation with Public Service Enterprise Group's nonregulated companies. PSE&G's cash flow contributes about 30% of the consolidated cash flow. On June 22, 2007, we revised the outlook to stable from negative because of meaningful improvement to the consolidated financial measures. For the 12 months ending Sept. 30, 2007, adjusted FFO to debt was 20% and FFO interest coverage was 5.1x. The company expects to retire additional debt in the first half of 2008 using available excess cash.
Gabe Grosberg

Puget Energy Inc.(BBB-/Watch Neg/--)
Puget Energy's request to increase average electric rates by 9.5% and natural gas rates by 5.31% effective Nov. 1, 2008, would support credit quality, if approved, by allowing the utility to cover new investments and cost increases. The company also completed its planned private equity placement of about $300 million with Macquarie Infrastructure. Although this transaction will temporarily strengthen the balance sheet, Puget's consolidated credit measures post-transaction will be stretched. Regulatory support continues to be a decisive credit factor as Puget continues through a period of high capital expenditures. The company has several projects on the horizon, expected to exceed $2 billion over the next three years. The CreditWatch listing reflects the possibility that debt ratings for Puget Energy could be lowered dependent on the final outcome of regulatory approval proceedings. Adjusted FFO interest coverage and FFO to total debt for the 12 months ending Sept. 30, 2007, stood at 3.5x and 17.6%, respectively. Leverage remains weak for the rating at 61.5% adjusted debt to capital.
Antonio Bettinelli

Puget Sound Energy Inc.(BBB-/Watch Neg/A-3)
See Puget Energy Inc.
Antonio Bettinelli

Rochester Gas & Electric Corp.(BBB+/Negative/A-2)
See Energy East Corp.
John Kennedy

Rockland Electric Co.(A/Negative/--)
See Consolidated Edison Inc.
John Kennedy

SCANA Corp.(A-/Negative/--)
Standard & Poor's revised the outlook to negative to reflect the company's increasingly aggressive financial profile characterized by high debt leverage and expectations of a higher-than-expected capital spending program that will necessitate external financing. Although the recent rate case approval at SCE&G provides for an increase in electric revenues of about $76.9 million, the credit metrics may still remain under pressure mainly due to increased capital spending requirements. SCANA's credit profile continues to benefit from an attractive service territory, and a generally constructive regulatory environment, including recently enacted legislation that allows cost recovery for new base load generation. For the 12 months ended Sept. 30, 2007, debt as a percentage of total capitalization was high for the rating at about 57%, and FFO/debt was somewhat weak at about 17%. FFO interest coverage, however, was satisfactory at about 3.6x.
Dimitri Nikas

Sierra Pacific Power Co.(BB-/Positive/--)
See Sierra Pacific Resources
Antonio Bettinelli

Sierra Pacific Resources(BB-/Positive/B-2)
To mitigate permitting delays at the company's proposed 2,500 MW coal-fired Ely Energy Center (EEC) in eastern Nevada, Nevada Power plans to build a 500 MW natural gas-fired combined-cycle plant. Although this will allow the company to reduce its short power position,
Antonio Bettinelli

its high concentration in gas-based power would not be meaningfully reduced unless EEC moves ahead. Senate Majority Leader Reid continues to staunchly oppose new coal generation and has publicly criticized the project. However, regulatory support at the state level continues for fast growing Nevada Power and Sierra Pacific Power. The latest filing requests a 12.7% rate increase to pay for infrastructure investments at Sierra Pacific Power. Prospects for future upgrades will be challenged by the substantial capital expenditures at the utilities that will limit the ability to pay down debt. For the 12 months ended Sept. 30, 2007, adjusted FFO coverage of interest and debt stood at 2.9x and 13.5%, respectively. Debt leverage remains high at 64.2% adjusted debt to capital.

South Carolina Electric & Gas Co.(A-/Stable/A-2) See SCANA Corp.	Dimitri Nikas
Southern California Edison Co.(BBB+/Stable/A-2) See Edison International	Anne Selting
Southern Co.(A/Stable/A-1) Southern's credit profile continues to benefit from constructive regulatory framework, strong operations, and service territories with growing customer bases and attractive demographics. Adjusted FFO to interest coverage was adequate at 4.3x for the 12 months ended Sept. 30, 2007, while FFO to total debt and debt to capital were relatively weak at about 19.4% and 56.2%, respectively. Georgia Power, Southern's largest subsidiary, reached a proposed settlement agreement that provides for a $99.7 million base rate increase and a $222 million environmental compliance cost-recovery tariff for three years. The company expects the Georgia Public Service Commission to respond by the end of 2007.	Dimitri Nikas
Southern Connecticut Gas Co.(BBB+/Negative/--) See Energy East Corp.	John Kennedy
Southern Electric Generating Co.(A/Stable/A-1) See Southern Co.	Dimitri Nikas
Southwestern Electric Power Co.(BBB/Stable/--) See American Electric Power Co. Inc	Todd Shipman
Southwestern Public Service Co.(BBB+/Stable/A-2) See Xcel Energy Inc.	Gerrit Jepsen
System Energy Resources Inc.(BBB/Watch Dev/--) See Entergy Corp.	Dimitri Nikas
Tampa Electric Co.(BBB-/Stable/A-3) See TECO Energy Inc.	Todd Shipman
TECO Energy Inc.(BBB-/Stable/--) We recently raised the ratings on TECO Energy Inc. and revised the outlook to stable. TECO has sold substantially all its merchant power assets and is focused on its core regulated business. The December 2007 sale of TECO Transport sharpened that trend and led to the restoration of the parent's investment-grade corporate credit rating. Utility subsidiary Tampa Electric is concentrating on meeting the strong demand growth of its market. The company used cash to pay off sizable 2007 maturities. Cash flow has improved with the collection of the past under recovered fuel surcharge. Smaller amounts of lingering debt incurred to pursue the old merchant strategy continue to drag on financial measures and credit quality, but debt expected to continue to diminish over time.	Todd Shipman
Texas-New Mexico Power Co.(BBB/Negative/--) See PNM Resources Inc.	Antonio Bettinelli
Toledo Edison Co.(BBB/Negative/--) See FirstEnergy Corp.	Todd Shipman

Tucson Electric Power Co.(BB/Stable/B-2) Strong cash flows are an important credit attribute of this highly leveraged company, with parent UniSource expecting to fund rising capital expenditures internally and slowly work toward paying down Tucson Electric Power Co. (TEP) debt and capital lease balances. The largest near-term credit factor will be the outcome of what rates TEP will be permitted to charge at the end of its rate freeze on Dec. 31, 2008. In July 2007, TEP filed three alternative proposals, a traditional cost-of-service case, a market-based rate plan, and a hybrid that would include a fuel and purchased-power adjuster. The company expects the Arizona Corporation Commission (ACC) to rule on these proposals at the end of 2008. Until then, the ACC agreed in April to continue to allow TEP to collect its competitive transition charge. UNS Electric and UNS Gas also have rate proceedings before the ACC which are expected to be resolved in 2007. Consolidated FFO to total debt was 17% and interest coverage was 3.3x respectively as of Sept. 30, 2007 with leverage at 73% of total capitalization.	Anne Selting
Union Electric Co. d/b/a AmerenUE(BBB-/Stable/A-3) See Ameren Corp.	Barbara Eiseman
Virginia Electric & Power Co.(BBB/Positive/A-2) See Dominion Resources Inc.	Todd Shipman
West Penn Power Co.(BBB-/Stable/--) See Allegheny Energy Inc.	Gerrit Jepsen
Westar Energy Inc.(BBB-/Stable/--) Although Westar's financial condition is expected to slip somewhat during its heavy construction cycle, various regulatory mechanisms that allow for timely cost recovery, a settlement with the Kansas Corporation Commission in the company's predetermination filing for the Emporia Energy Center, and expectations of conservative funding of expenditure requirements should prevent any ratings deterioration. In mid-November, the company sold about $200 million of common stock, bringing its total common equity issuance to about $300 million in 2007. The proceeds were used to repay short-term debt, fund construction outlays, and for general corporate purposes.	Barbara Eiseman
Western Massachusetts Electric Co.(BBB/Stable/--) See Northeast Utilities	John Kennedy
Wisconsin Electric Power Co.(A-/Stable/A-2) See Wisconsin Energy Corp.	Gerrit Jepsen
Wisconsin Energy Corp.(BBB+/Stable/A-2) In the near term, we are monitoring the Wisconsin Energy's pending Wisconsin rate case that may also incorporate the company's use of proceeds from the recently completed Point Beach nuclear plant sale. During the large construction program, Wisconsin Energy's financial measures have continued to remain relatively stable, and have improved slightly with incremental rate recovery. Sustaining this improvement will depend on constructive rate treatment and prudent execution of the capital spending program. Although we expect both to occur, there remains uncertainty surrounding the ultimate costs related to the Oak Creek coal units being built.	Gerrit Jepsen
Wisconsin Gas LLC(A-/Stable/A-2) See Wisconsin Energy Corp.	Gerrit Jepsen
Wisconsin Power & Light Co.(A-/Stable/A-2) See Alliant Energy Corp.	Gerrit Jepsen
Wisconsin Public Service Corp.(A/Stable/A-2) See Integrys Energy Group Inc.	Gabe Grosberg
Xcel Energy Inc.(BBB+/Stable/A-2) We are monitoring the various regulatory proceedings of Xcel Energy's utilities for ongoing constructive regulation for their construction programs and rate recovery of capital and operating costs. The financial risk profile, which we consider aggressive, has cash flow measures adequate for the rating. The adjusted 12-month FFO interest coverage was 3.6x, FFO to total debt was about 18%, and total debt to total capital was 61%.	Gerrit Jepsen
Yankee Gas Services Co.(BBB/Stable/--)	

See Northeast Utilities	John Kennedy

*Ratings are as of Dec. 19, 2007.

Recent Rating Activity

Table 2

Recent Rating/Outlook/CreditWatch Actions*

Issuer	To	From	Date	Reason
Ameren Corp.	BBB-/Stable/A-3	BBB-/Watch Neg/A-3	Aug. 29, 2007	The rating affirmations reflect a new law in Illinois that enacts a multiparty agreement whereby Commonwealth Edison, the Ameren Illinois utilities, and certain unregulated electric generators will provide $1 billion in rate relief over four years to the state's electric customers. The positive outlook on the Illinois utilities reflects a concession package that is clearly a more positive credit outcome than the alternative of an electric rate freeze and rollback of rates to 2006 levels.
Central Illinois Light Co.	BB/Positive/--	BB/Watch Neg/--	Aug. 29, 2007	See Ameren Corp.
Central Illinois Public Service Co.	BB/Positive/--	BB/Watch Neg/--	Aug. 29, 2007	See Ameren Corp.
CILCORP Inc.	BB/Positive/--	BB/Watch Neg/--	Aug. 29, 2007	See Ameren Corp.
Cleco Corp.	BBB/Stable/--	BBB/Negative/--	Dec. 11, 2007	The outlook revision reflects Cleco's efforts to preserve its credit profile while building the Rodemacher Unit 3,600 MW generation facility through a timely and on-budget schedule, a generally constructive regulatory framework that provides for recovery of 75% of AFUDC in current rates, and plans to file for a new rate case at the end of 2008 to incorporate the new plant into rate base.
Cleco Power LLC	BBB/Stable/--	BBB/Negative/--	Dec. 11, 2007	See Cleco Corp.
Cleveland Electric Illuminating Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Commonwealth Edison Co.	BB/Positive/B	BB/Watch Neg/B	Aug. 29, 2007	The rating affirmations reflect a new law in Illinois that enacts a multiparty agreement whereby Commonwealth Edison, the Ameren Illinois utilities, and certain unregulated electric generators will provide $1 billion in rate relief over four years to the state's electric customers. The positive outlook on the Illinois utilities reflects a concession package that is clearly a more positive credit outcome than the alternative of an electric rate freeze and rollback of rates to 2006 levels.
Entergy Arkansas Inc.	BBB/Watch Dev/--	BBB/Stable/--	Nov. 5, 2007	See Entergy Corp.
Entergy Corp.	BBB/Watch Dev/--	BBB/Stable/--	Nov. 5, 2007	The rating action followed the company's announcement that it plans to recapitalize its merchant nuclear generation assets through the issuance of about $4.5 billion of debt and spin off the assets through a tax-free transaction. The CreditWatch listing reflects the potential for higher or lower ratings on Entergy depending on the amount and use of any proceeds from the proposed spin-off and uncertainty regarding Entergy's financial risk profile and debt leverage after the transaction.

Table 2

Recent Rating/Outlook/CreditWatch Actions*(cont.)

Entergy Gulf States Inc.	BBB/Watch Dev/--	BBB/Stable/--	Nov. 5, 2007	See Entergy Corp.
Entergy Louisiana LLC	BBB/Watch Dev/--	BBB/Stable/--	Nov. 5, 2007	See Entergy Corp.
Entergy Mississippi Inc.	BBB/Watch Dev/--	BBB/Stable/--	Nov. 5, 2007	See Entergy Corp.
Entergy New Orleans Inc.	BBB-/Watch Dev/--	BBB-/Stable/--	Nov. 5, 2007	See Entergy Corp.
FirstEnergy Corp.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	We revised the outlook because of the company's aggressive efforts to expose its generating assets in Ohio and Pennsylvania to market commodity risk.
Illinois Power Co.	BB/Positive/--	BB/Watch Neg/--	Aug. 29, 2007	See Ameren Corp.
Indianapolis Power & Light Co.	BB+/Stable/--	BB+/Positive/--	Sept. 26, 2007	See IPALCO Enterprises Inc.
Integrys Energy Group Inc.	A-/Stable/A-2	A-/Negative/A-2	Nov. 13, 2007	The revised outlook reflects Integrys' progress to improve its financial and business profiles since its one-notch downgrade on Feb. 21, 2007. These include: The sale of its E&P business, the reduction of short-term debt, the initial progress on the integration of its merger with Peoples Gas, the overall improved financial performance, the filing of rates cases in Illinois, and the reduction of its debt to total capital ratio to below 50%.
IPALCO Enterprises Inc.	BB+/Stable/--	BB+/Positive/--	Sept. 26, 2007	The rating action can be traced to a revision in IPALCO's business risk profile to satisfactory from strong to reflect our view that parent AES Corp., which we characterize as having an aggressive financial policy, may rely more heavily on its subsidiaries to support its expansion activities.
Jersey Central Power & Light Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Metropolitan Edison Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
North Shore Gas Co.	A-/Stable/--	A-/Negative/--	Nov. 13, 2007	See Integrys Energy Group Inc.
Northern States Power Co.	BBB+/Stable/A-2	BBB/Stable/A-2	Oct. 16, 2007	See Xcel Energy Inc.
Northern States Power Wisconsin	A-/Stable/--	BBB+/Stable/--	Oct. 16, 2007	See Xcel Energy Inc.
NorthWestern Corp.	BB+/Positive/--	BB+/Stable/--	Sept. 21, 2007	The outlook revision reflects the steady improvement in the company's financial profile. This, coupled with a renewed focus on regulated utility operations after the termination by Babcock & Brown Infrastructure Ltd. of its $2.2 billion acquisition of NorthWestern and expectations of future favorable regulatory orders, could lead to the company's ratings being raised in the next 12 to 18 months.
Ohio Edison Co.	BBB/Negative/A-2	BBB/Stable/A-2	Oct. 18, 2007	See FirstEnergy Corp.

Table 2

Recent Rating/Outlook/CreditWatch Actions*(cont.)				
Oncor Electric Delivery Co. LLC	BBB-/Watch Dev/--	BBB-/Watch Neg/--	Oct. 9, 2007	The rating on TXU is further negatively affected by the planned ring-fencing and legal provisions that the sponsors intend to structure around Oncor Electric Delivery Co. LLC, the company's regulated transmission and distribution subsidiary. We affirmed Oncor's rating at 'BBB-', but is also placed on CreditWatch with developing implications to reflect these intentions. All ratings for the TXU companies are subject to receipt and review of final transaction documentation and legal opinions.
Otter Tail Corp.	BBB+/Negative/--	BBB+/Stable/--	Sept. 13, 2007	On Sept. 13, 2007, we revised the outlook on Otter Tail to negative from stable to reflect continued growth of nonregulated businesses and the large capital spending program by Otter Tail Power Co., the company's electric utility division.
PECO Energy Co.	BBB+/Stable/A-2	BBB+/Watch Neg/A-2	Aug. 29, 2007	The rating affirmations reflect a new law in Illinois that enacts a multiparty agreement whereby Commonwealth Edison, the Ameren Illinois utilities, and certain unregulated electric generators will provide $1 billion in rate relief over four years to the state's electric customers. The positive outlook on the Illinois utilities reflects a concession package that is clearly a more positive credit outcome than the alternative of an electric rate freeze and rollback of rates to 2006 levels.
Pennsylvania Electric Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Pennsylvania Power Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Peoples Energy Corp.	A-/Stable/--	A-/Negative/A-2	Nov. 13, 2007	See Integrys Energy Group Inc.
Peoples Gas Light & Coke Co. (The)	A-/Stable/A-2	A-/Negative/A-2	Nov. 13, 2007	See Integrys Energy Group Inc.
Public Service Co. of Colorado	BBB+/Stable/A-2	BBB/Stable/A-2	Oct. 16, 2007	See Xcel Energy Inc.
Public Service Co. of North Carolina Inc.	A-/Negative/A-2	A-/Stable/A-2	Oct. 8, 2007	See SCANA Corp.
Puget Energy Inc.	BBB-/Watch Neg/--	BBB-/Stable/--	Oct. 26, 2007	The CreditWatch listing reflects the possibility that debt ratings for Puget Energy could be lowered depending on the final outcome of regulatory approval proceedings. Importantly, the company's credit profile has been improving, which provides financing flexibility to accommodate the proposed capital structure at the current rating level.
Puget Sound Energy Inc.	BBB-/Watch Neg/A-3	BBB-/Stable/A-3	Oct. 26, 2007	See Puget Energy Inc.
SCANA Corp.	A-/Negative/--	A-/Stable/--	Oct. 8, 2007	We revised the outlook to negative from stable to reflect the company's weaker financial profile, which is characterized by high debt leverage and expectations of higher-than-expected capital spending program to address environmental compliance, new generation, and customer growth needs. This capital spending is likely to necessitate external debt financing, which will further pressure SCANA's relatively weak consolidated financial profile.
South Carolina Electric & Gas Co.	A-/Negative/A-2	A-/Stable/A-2	Oct. 8, 2007	See SCANA Corp.
Southwestern Public Service Co.	BBB+/Stable/A-2	BBB/Stable/A-2	Oct. 16, 2007	See Xcel Energy Inc.

Table 2

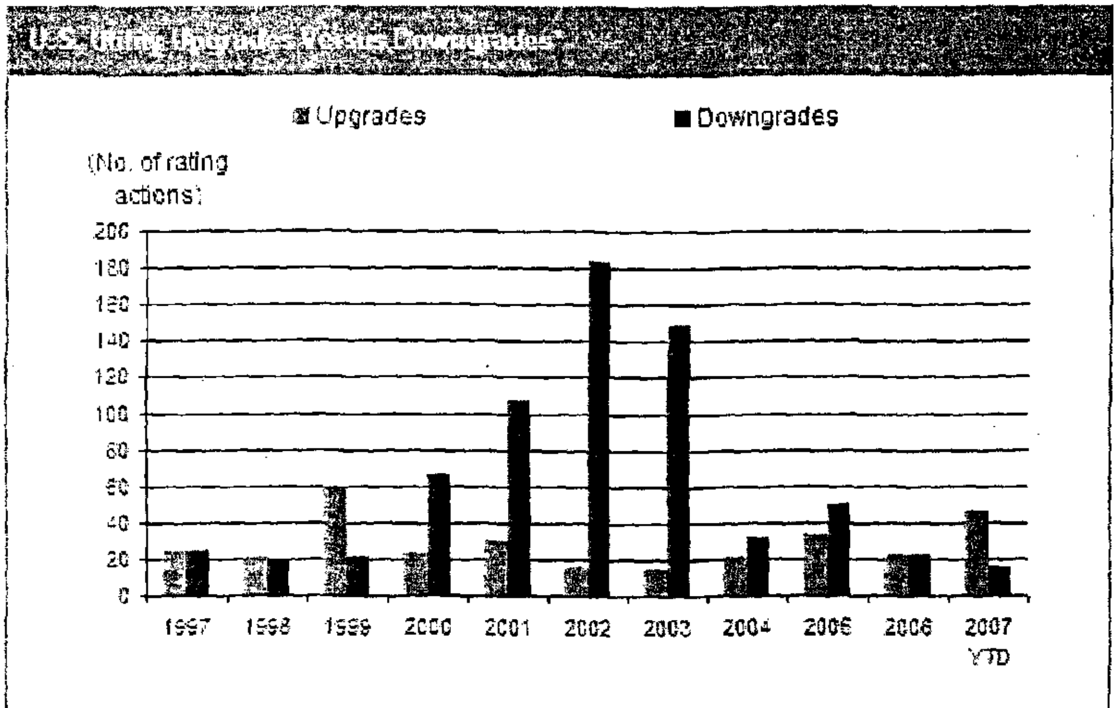
Recent Rating/Outlook/CreditWatch Actions*(cont.)

System Energy Resources Inc.	BBB/Watch Dev/--	BBB/Stable/--	Nov. 5, 2007	See Entergy Corp.
TECO Energy Inc.	BBB-/Stable/--	BB/Positive/B-1	Nov. 20, 2007	The impending sale of TECO's marine transportation business, TECO Transport, will allow the company to accelerate a debt-reduction plan that will restore its balance sheet to an investment-grade level. Shedding TECO Transport and deemphasizing the unregulated coal operations in 2008 as synthetic coal production ceases will bring TECO back to a utility-focused business strategy that also bolsters credit quality.
Toledo Edison Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Union Electric Co. d/b/a AmerenUE	BBB-/Stable/A-3	BBB-/Watch Neg/A-3	Aug. 29, 2007	See Ameren Corp.
Wisconsin Electric Power Co.	A-/Stable/A-2	A-/Negative/A-2	July 31, 2007	See Wisconsin Energy Corp.
Wisconsin Energy Corp.	BBB+/Stable/A-2	BBB+/Negative/A-2	July 31, 2007	The outlook on Wisconsin Energy is stable because we expect the company's financial position to strengthen in the intermediate term as construction projects are completed and cash flow improves due to higher internally generated cash flow. We also expect the company's large capital-expenditure program, including the W.E. Power construction, to be completed without any material problems.
Wisconsin Gas LLC	A-/Stable/A-2	A-/Negative/A-2	July 31, 2007	See Wisconsin Energy Corp.
Wisconsin Public Service Corp.	A/Stable/A-2	A/Negative/A-2	Nov. 13, 2007	See Integrys Energy Group Inc.
Xcel Energy Inc.	BBB+/Stable/A-2	BBB/Stable/A-2	Oct. 16, 2007	The upgrade reflects Xcel's strengthening business profile, exhibited by supportive regulation, particularly in Colorado, Minnesota, and Wisconsin where the company gets more than 90% of consolidated operating cash flow. Supportive regulation includes rate riders, cost recovery trackers, forecast test periods, and the ability to earn a cash return on construction work in progress.

*Dates represent the period from July 19, 2007 to Dec. 19, 2007 covered by this report card.

Rating Trends

Chart 3



*1997-2006 excludes midstream and pipeline companies. 2007 excludes midstream, pipeline, merchant power, gas, and water companies.

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Selected Articles

Table 3

Previously Published U.S. Utilities Articles	
Article title	**Published date**
U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix	Nov. 30, 2007
Credit FAQ: Prospects For Integrys Energy Group Following Its Merger	Nov. 28, 2007
Credit FAQ: Implications Of Entergy Corp.'s Spin-Off Of Its Merchant Nuclear Generation Fleet	Nov. 14, 2007
Credit FAQ: Electric Utilities Could Face Regulatory Uncertainty In Ohio And Pennsylvania	Oct. 25, 2007
State Legislation Aims To Assist Companies In Building New Nuclear Plants In U.S.	Sept. 17, 2007
Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds	Sept. 6, 2007

Contact Information

Table 4

Contact Information

Credit Analyst	Location	Phone	E-mail
John W. Whitlock, Managing Director	New York	(1) 212-438-7678	john_whitlock@standardandpoors.com
Todd Shipman, CFA, Director	New York	(1) 212-438-7676	todd_shipman@standardandpoors.com
Barbara Eiseman, Director	New York	(1) 212-438-7666	barbara_eiseman@standardandpoors.com
John Kennedy, Director	New York	(1) 212-438-7670	john_kennedy@standardandpoors.com
Dimitri Nikas, Director	New York	(1) 212-438-7807	dimitri_nikas@standardandpoors.com
Anne Selting, Director	San Francisco	(1) 415-371-5009	anne_selting@standardandpoors.com
Gerrit Jepsen, Associate Director	New York	(1) 212-438-2529	gerrit_jepsen@standardandpoors.com
Gabe Grosberg, Associate	New York	(1) 212-438-6043	gabe_grosberg@standardandpoors.com
Antonio Bettinelli, Associate	San Francisco	(1) 415-371-5067	antonio_bettinelli@standardandpoors.com

Comments and ratings reflect available public data as of Dec. 19, 2007.

Attachment 6

OCTOBER 28, 2008, 11:04 A.M. ET

Moody's:Challenges Grow For Merchant Power,But Outlook Stable

NEW YORK (Dow Jones)--Power companies that sell electricity at market prices face growing challenges, including fewer trading partners, reduced electricity demand and continued volatility in commodity prices, Moody's Investor Services said Tuesday.

Moody's kept the outlook for the merchant power sector at stable, but sees the credit crisis and a slowing economy increasing risks for the industry. It retained the stable outlook because of the near-term prospect for earnings and favorable liquidity profiles for most of the companies in the sector.

Going forward, power generators in deregulated markets will have fewer banks and other intermediaries to reduce the risk of changing power prices and power plant fuel costs.

"We believe that the aggregate amount of capital currently dedicated to the commodities trading business has declined and will continue a downward trend over the intermediate term," Moody's said. "Specifically, we believe that the capital to support this portion of the merchant power business, which is often substantial, is likely to continue to be constrained."

At the same time, coal-fired and nuclear plants could face thinner margins because of falling natural gas prices, which often set prices in wholesale electricity markets. The total amount of power sold is likely to suffer because of a possible global recession, the report said.

Investment grade companies that own merchant generation include Exelon Corp. (EXC), Entergy Corp. (ETR) and FPL Group Inc. (FPL), while non-investment grade companies include AES Corp. (AES), Mirant Corp. (MIR) and NRG Energy Inc. (NRG).

-By Mark Peters, Dow Jones Newswires; 201-938-4604; mark.peters@dowjones.com

Attachment 7

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SNL Financial

NYMEX Natural Gas Futures

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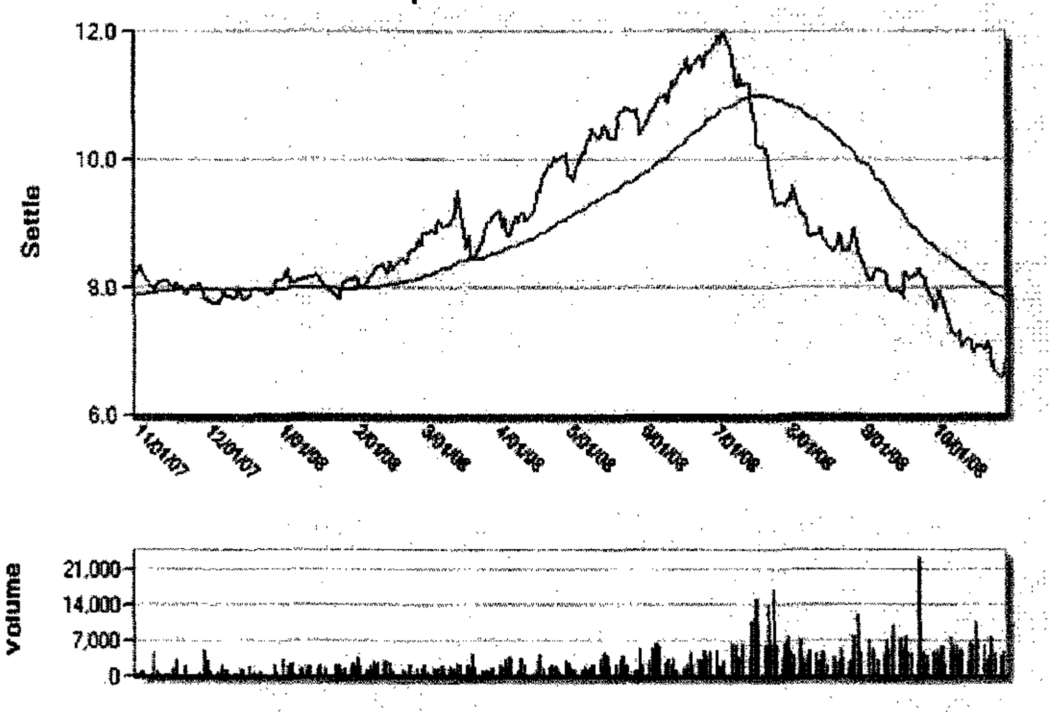
Apr-2009	Settle($/mmBtu)	Change($/mmBtu)	52-Week High	52-Week Low
10/29/2008	$6.900	$0.254	$11.996(7/3/2008)	$6.583(10/27/2008)

April 2009 Contract



SNL Financial LC, One SNL Plaza, PO Box 2124, Charlottesville, Virginia 22902 USA, (434) 977-1600

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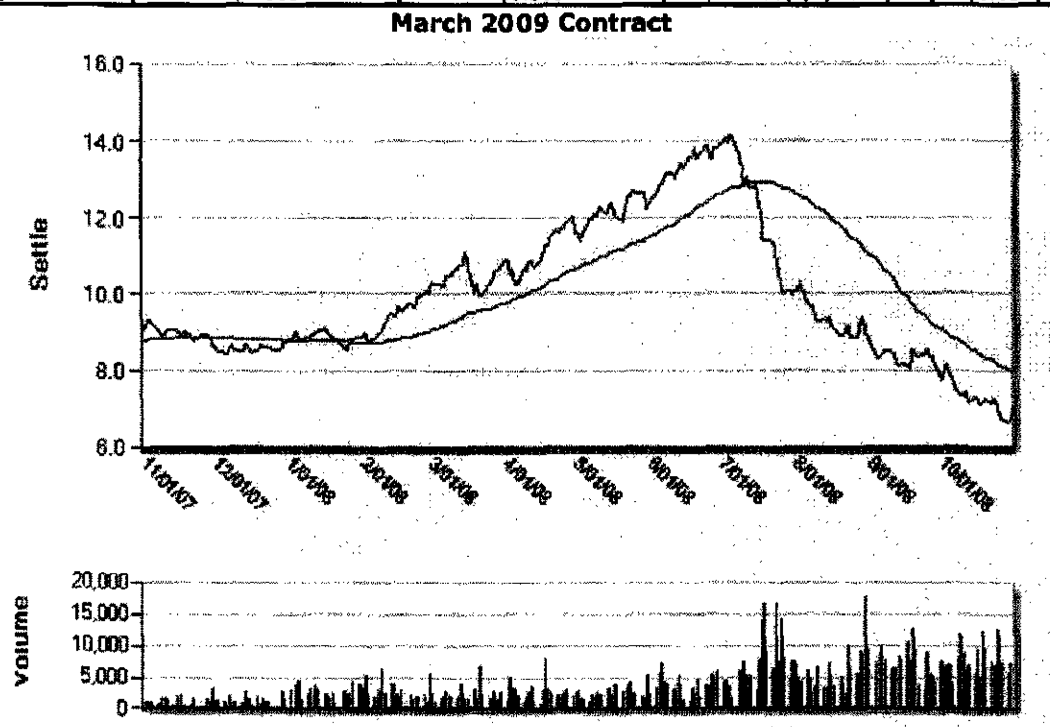
Mar-2009	Settle($/mmBtu)	Change($/mmBtu)	52-Week High	52-Week Low
10/29/2008	$7.060	$0.359	$14.166(7/3/2008)	$6.638(10/27/2008)



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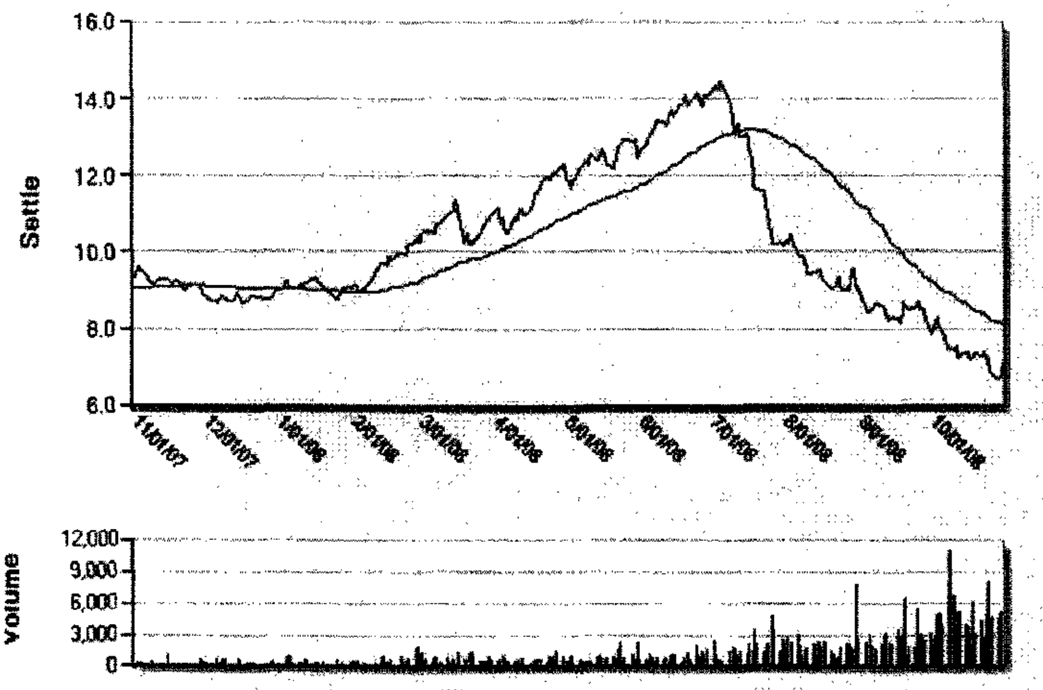
Feb-2009	Settle($/mmBtu)	Change($/mmBtu)	52-Week High	52-Week Low
10/29/2008	$7.120	$0.364	$14.446(7/3/2008)	$6.688(10/27/2008)

February 2009 Contract



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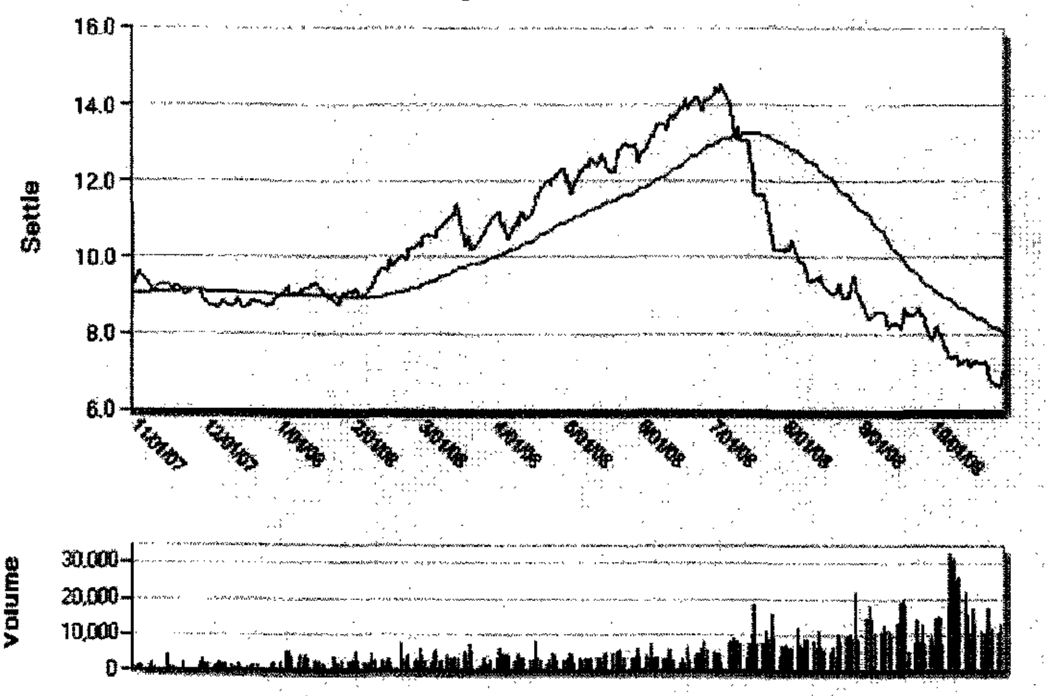
Jan-2009	Settle($/mmBtu)	Change($/mmBtu)	52-Week High	52-Week Low
10/29/2008	$7.000	$0.304	$14.516(7/3/2008)	$6.628(10/27/2008)

January 2009 Contract



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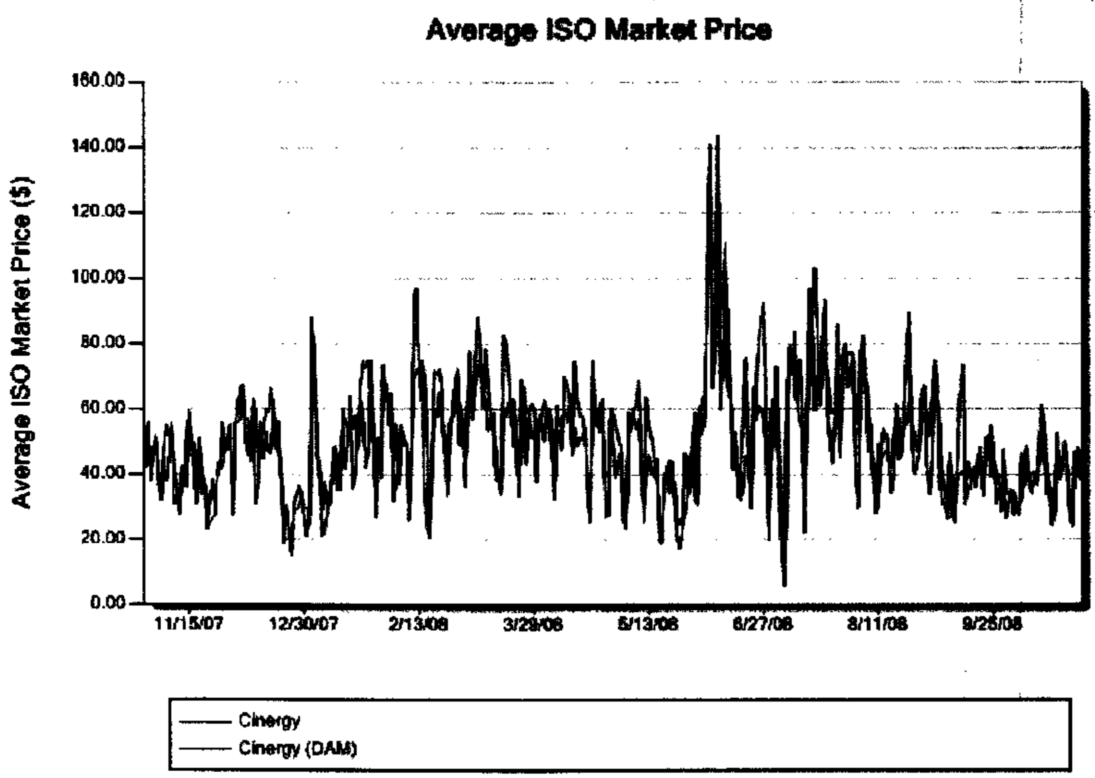
ISO Market Pricing Graph



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Attachment 9

First Energy Companies

Current Average Generation Rate - No Increase Price

	OE	TE	CEI	Wtd Average
FCRR Revenue	136,080,740	39,660,892	91,439,365	267,180,997
Generation Revenue	1,373,571,171	470,131,558	855,925,377	2,699,628,106
RTC Revenue	257,570,159	207,366,056	-	464,936,215
Total Current Generation Revenue	1,767,222,070	717,158,505	947,364,741	3,431,745,317
Total mWh Sales	26,018,268	10,659,470	19,793,471	56,471,209
Average $/mWh Generation	67.92	67.28	47.86	60.77