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FirstEnergy

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Akron, Ohio 44308

Ebony L. Miller
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March 15, 2010

Via Federal Express
and Facsimile (614-466-0313)

Ms. Renee J. Jenkins
Director, Administration Department
Secretary to the Commission
Docketing Division
The Public Utilities Commission of Ohio
180 Broad Street
Columbus, OH 43215-3793

Dear Ms. Jenkins:

Re: In the matter of the application of American Transmission Systems, Incorporated for authority to issue, sell, or enter into debt transactions. (Case No. 09- 1071-EL-AIS)

Enclosed for filing, please find the original and five (5) copies of the written report which includes the terms and full particulars of the above-captioned transaction. Please file the enclosed written report, time-stamping the extra copy and returning it to the undersigned in the enclosed envelope.

Thank you for your assistance in this matter. Please contact me if you have any questions concerning this matter.

Very truly yours,

Ebony L. Miller

Enclosures

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the matter of the application of American Transmission Systems, Incorporated for authority to issue, sell, or enter into debt transactions.	))))	Case No. 09- 1071-EL-AIS

REPORT

American Transmission Systems, Incorporated ("ATSI") hereby submits this written report ("Report") pursuant to the Public Utilities Commission of Ohio ("Commission") Finding and Order issued in the above-captioned proceeding (the "Order"). Specifically, the Order directed ATSI to file a written report with the Commission with the terms and full particulars of the transaction.

On December 15, 2009, ATSI issued $400,000,000 of 5.25% Senior Notes due 2022. The terms and full particulars are included in the Offering Memorandum, dated December 10, 2009 which is attached hereto as Exhibit A, and incorporated herein.

Respectfully submitted,

Ebony L. Miller (077063)
Attorney
FirstEnergy Service Company
76 South Main Street
Akron, Ohio 44308
Phone: 330-384-5969
Fax: 330-384-3875
On behalf of American Transmission Systems, Incorporated

OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

$400,000,000

American Transmission Systems, Incorporated

American Transmission Systems, Incorporated

a subsidiary of FirstEnergy Corp.

5.25% Senior Notes due 2022

This is an offering by American Transmission Systems, Incorporated of $400,000,000 aggregate principal amount of our 5.25% Senior Notes due 2022 (the "Senior Notes"). Interest on the Senior Notes will be payable semi-annually on each January 15 and July 15, beginning July 15, 2010, and at maturity. The Senior Notes will mature on January 15, 2022.

We may redeem some or all of the Senior Notes from time to time, in whole or in part, at any time prior to maturity at the "make-whole" redemption price described in this offering memorandum under the heading "Description of Senior Notes—Optional Redemption" beginning on page 42.

The Senior Notes will be our senior unsecured obligations and will rank equally with all of our existing and future unsecured and unsubordinated indebtedness.

The Senior Notes will initially be represented by global certificates deposited with or on behalf of The Depository Trust Company ("DTC"), and registered in the name of DTC's nominee, Cede & Co. Beneficial interests in the global certificates will be exchangeable for definitive securities only in limited circumstances. The Senior Notes will not be listed on any national securities exchange. Currently, there is no public market for the Senior Notes.

Investing in the Senior Notes involves risks. See "Risk Factors" beginning on page 7.

PRICE: 99.914% PLUS ACCRUED INTEREST, IF ANY, FROM DECEMBER 15, 2009

The Senior Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or any other securities laws and are being offered and sold (1) in the U.S. only to qualified institutional buyers (as defined in Rule 144A under the Securities Act and (2) outside the U.S. in accordance with Regulation S under the Securities Act ("Regulation S"). For a description of certain restrictions on resale of the Senior Notes, see "Transfer Restrictions."

The Initial Purchasers are offering the Senior Notes subject to various conditions. We expect that delivery of the Senior Notes will be made to investors in book-entry form through the DTC on or about December 15, 2009.

Joint Book-Running Managers

Barclays Capital **Goldman, Sachs & Co.** **J.P. Morgan**

Co-Managers

Mitsubishi UFJ Securities **RBS** **Scotia Capital** **UBS Investment Bank**

December 10, 2009

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THIS CONFIDENTIAL OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SENIOR NOTES OFFERED HEREBY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Senior Notes in compliance with an exemption under the Securities Act for the benefit of prospective investors interested in the Senior Notes and qualified to purchase the Senior Notes in transactions exempt from registration under the Securities Act. We and the Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Senior Notes offered hereby. This offering memorandum is personal to the offeree to whom it has been delivered by the Initial Purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Senior Notes. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without our prior written consent is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum, and, if the offeree does not purchase the Senior Notes or the offering is terminated for any reason, to return this offering memorandum to the Initial Purchasers at Barclays Capital Inc., 745 7th Avenue, New York, NY 10019.

Each person receiving this offering memorandum acknowledges that (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorized to give any information or to make any representation concerning us or the Senior Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SENIOR NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE *FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE* ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SENIOR NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE INITIAL PURCHASERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, AND NOTHING CONTAINED IN THIS OFFERING MEMORANDUM IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. THE INITIAL PURCHASERS ASSUME NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION WE HAVE PROVIDED.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We caution you that this offering memorandum contains forward-looking statements based on information currently available to us. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding our or our management's intents, beliefs and current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. Forward-looking statements are not guarantees of future performance, and actual results could differ materially from those indicated by the forward-looking statements. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements contained herein are qualified in their entirety by reference to the following important factors, which are difficult to predict, contain uncertainties, are in some cases beyond our control and may cause actual results to differ materially from those contained in forward-looking statements:

- operating and maintenance costs being higher than anticipated;
- legislative and regulatory changes;
- the ability to obtain approval from regulatory agencies and landowners to plan, site and construct new transmission facilities;
- 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 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 us;
- interest rates and any actions taken by credit rating agencies that could negatively affect our access to financing or its costs;
- the further decline of the national and regional economy and its impact on our major industrial and commercial customers;
- issues concerning the soundness of financial institutions and counterparties with which we do business;
- lower actual capital expenditures than planned, which would decrease our rate base, and therefore our revenues;
- higher actual capital expenditures than planned due to Regional Transmission Organization ("RTO"), customer or regulatory requirements;
- the regulations to which we are subject may limit our ability to raise capital and/or pursue acquisitions or development opportunities or other transactions or may subject us to liabilities;
- hazards related to our business, such as explosions, fires, inclement weather, natural disasters, mechanical failure and related matters, could affect our business and results of operations;
- the risks and other factors discussed under the heading "Risk Factors" in this offering memorandum; and
- other similar factors.

Any forward-looking statements speak only as of the date of this offering memorandum, and we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of 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. *The foregoing review of factors should not be construed as exhaustive.*

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SUMMARY

The following summary information is qualified in its entirety by the information contained elsewhere in this offering memorandum, in the Indenture and in any supplements to the Indenture.

Our Business

Overview

We were organized under the laws of the State of Ohio in 1998 as a wholly-owned subsidiary of FirstEnergy Corp. ("FirstEnergy") to engage exclusively in the transmission of electricity. We own transmission assets that were formerly owned by The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company (together, the "Ohio Companies") and Pennsylvania Power Company ("Penn"), or that we have planned and built since 2000. Our transmission facilities, which consist of approximately 7,300 circuit miles (5,821 pole miles) of transmission lines with nominal voltages of 345 kilovolts ("kV"), 138 kV and 69 kV, transmit electricity from generating stations to local electricity distribution facilities located primarily in Ohio and Western Pennsylvania. Effective October 1, 2003, we transferred operational control of our transmission facilities to the Midwest Independent Transmission System Operator ("MISO"). With MISO, we plan, operate and maintain our transmission system in accordance with North American Electric Reliability Corporation ("NERC") reliability standards and other applicable regulatory entities to ensure reliable service to customers. Our business strategy is to operate, maintain, and invest in our transmission infrastructure to continue to ensure system integrity and reliability and to prudently manage our expenses, capital expenditures and regulatory position.

Substantially all of our operating expenses and assets support our transmission operations. We derive nearly all of our revenues from providing (1) network transmission service, (2) point-to-point transmission service and (3) scheduling, control and dispatch services over our system. Our principal transmission service customers are the Ohio Companies and Penn (including their respective provider of last resort suppliers), American Municipal Power, Inc. ("AMP") and Buckeye Power, Inc. ("Buckeye"). Our remaining revenues are generated from providing transmission services to other entities reserving transmission service from MISO utilizing our transmission system.

On July 31, 2009, FirstEnergy and we announced plans to transfer control of our transmission assets to a neighboring RTO, the PJM Interconnection ("PJM"). In our filing with the Federal Energy Regulatory Commission ("FERC") to obtain approval of our realignment into PJM, we and FirstEnergy have requested a decision by the FERC by December 17, 2009, in order to complete our integration into PJM by June 1, 2011.

FirstEnergy is a publicly traded diversified energy company headquartered in Akron, Ohio.

Our Company

As a transmission-only company, we function as a conduit, moving power from generators to local distribution systems or to interconnected transmission systems either entirely through our own system or in conjunction with neighboring transmission systems. Third parties then transmit power through these local distribution systems to end-use customers. Our transmission of electricity is a central function to the provision of electricity to residential, commercial and industrial end-use customers. Our operations fall into the following categories:

- transmission planning;
- engineering, design and construction;
- maintenance; and
- real time operations.

Our electric transmission assets currently consist of approximately 7,300 circuit miles (5,821 pole miles) of transmission lines at voltages of 69 kV and above and approximately 71 substations located primarily in Ohio and Western Pennsylvania. In 2008, we had a network system peak load of 12,986 megawatts ("MW"). Our transmission lines are connected to generation resources, distribution facilities and neighboring transmission systems, including 35 interconnections with other transmission systems. As of December 31, 2008, our rate base was $651.8 million.

We are committed to investing capital in our transmission system to improve performance and reliability, to reduce constraints on the transmission system and to respond to specific requests for transmission service from generators, loads and interconnected utilities. We believe that prudently investing capital in our transmission system and expanding our rate base will result in increased revenues and net income. We currently estimate that we will invest up to $216 million in our transmission system over the next five years, which we intend to fund from the proceeds of the Senior Notes and internal sources. Our capital expenditures could, however, be lower than we expect for a number of reasons, including, among others, the impact of weather conditions, union strikes, labor shortages, material and equipment prices and availability, limitations on the amount of construction that can be undertaken on our system at any one time, untimely regulatory approval relating to environmental, siting or regional planning issues, or as a result of legal proceedings related to specific projects. Our capital expenditures could also be higher than expected if we are required by MISO or PJM, or specific customer requests for generator and load interconnections, as applicable, to spend more on capital projects than currently anticipated.

Regulation and Ratemaking

As a transmission utility with rates regulated by the FERC, we earn revenues through tariff rates charged to customers for the use of our transmission system, which include investor-owned utilities, municipalities, co-operatives, power marketers and other wholesale customers that provide electricity to end-use customers. The rates, terms and conditions of our transmission service are subject to regulation only by the FERC. Network and point-to-point transmission rates that we currently charge are established using a cost-of-service model, referred to as "Attachment O."

Attachment O is a FERC-approved cost-of-service formula rate that we and other transmission-owning members of MISO calculate annually. Under Attachment O, our rates are set annually to allow recovery of actual expenses and a return on rate base, consisting primarily of property, plant and equipment. Rates derived using Attachment O are posted on the MISO Open Access Same Time Information System each year. These annually updated rates become effective June 1 of each year. While we are not required to file a rate case with the FERC in updating the rate calculations each year, the rate formula and the inputs to the formula in setting rates are subject to legal challenge by interested parties in a proceeding under Section 206 of the Federal Power Act ("FPA").

Many transmission owning utilities in PJM also use a formula rate to recover their transmission costs. In the event that FirstEnergy consolidates its transmission operations into PJM, we will propose a formula rate similar to the Attachment O formula for our zone in PJM. This proposal will be filed at the FERC and is subject to review and approval by the FERC. We will also be subject to various other provisions of the PJM tariff related to transmission service and will become a signatory to the Consolidated Transmission Owners Agreement in PJM. As part of our proposed integration into PJM, we may also be obligated to pay certain exit fees to MISO and integration fees to PJM, which we expect to seek recovery of in rates. See "Risk Factors—Certain elements of our cost recovery through rates can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on our business, financial condition, results of operations and cash flows."

Credit Strengths

We believe that our business combines operational excellence and reliable service, a positive business environment and predictability.

Operational excellence and reliable service. We are committed to owning, operating, maintaining, planning and investing in our transmission system to enhance performance and reliability, to reduce constraints on the transmission system and to respond to specific requests for transmission service from generators, loads and interconnected utilities. We strive to provide:

- Best-in-class system performance as measured by operations, maintenance, customer service and safety records. We ranked favorably in the SGS Statistical Services Transmission Reliability Benchmarking program in key reliability measures, including outperforming our peers with respect to both the number and duration of outages on our 345 kV bulk power system. Our five-year all-voltage average circuit outage duration is 152.3 minutes, equating to a five-year average availability of 99.971% and our average circuit outages outperform our peer group. We are in compliance with mandatory reliability standards imposed by NERC and Reliability*First* Corporation ("Reliability*First*").

Positive Business Environment: We believe that we operate in a positive business environment due to:

- a regulated transmission-only system with strong operating performance and an experienced management team;
- an attractive service territory supported by highly-rated network customers;
- a supportive regulatory environment;
- a prudent and predictable capital investment strategy that is largely focused on rebuilding and upgrading existing transmission facilities; and
- work with established RTO planners to enhance system reliability and performance.

Predictability: We believe that the following elements make our performance more predictable than other regulated electric utility businesses:

- an annual formulaic rate-setting mechanism that provides predictable revenue and cash flow;
- no rate hearings required to put calculated rates into effect;
- a reliable transmission system with strong operating performance;
- significant regulatory oversight and separation from other FirstEnergy operations;
- minimal commodity and energy demand risk;
- a management commitment to a conservative strategic, financial and capital expenditure plan; and
- a strong investment grade credit profile.

Risks Related to Our Business

Our ability to grow our business is subject to certain risks, including those generally associated with the electric transmission industry. After giving effect to the consummation of this offering, we expect to have approximately $400 million of indebtedness, which may adversely affect our ability to generate cash flow, make payments on the Senior Notes, remain in compliance with our debt covenants and operate our business. Any of these factors or other risks described under "Risk Factors" or elsewhere in this offering memorandum may limit our ability to grow our business.

Summary of the Offering

Issuer	American Transmission Systems, Incorporated
Securities Offered	We are offering $400,000,000 aggregate principal amount of 5.25% Senior Notes due 2022.
Maturity	The Senior Notes will mature on January 15, 2022.
Interest Rate	Interest on the Senior Notes will accrue interest at 5.25% per annum.
Interest Payment Dates	Interest on the Senior Notes will accrue from the date of original issuance and will be payable semi-annually in arrears on each January 15 and July 15, beginning on July 15, 2010, and at the maturity date.
Redemption	The Senior Notes will be redeemable, in whole or in part, at our option, at any time prior to maturity, at a "make-whole" redemption price as described under "Description of Senior Notes — Optional Redemption."
Security and Ranking	The Senior Notes will be our senior unsecured obligations and will rank equally with all of our existing and future unsecured and unsubordinated indebtedness.
Sinking Fund	There is no sinking fund for the Senior Notes.
Limitation on Liens	Subject to certain exceptions, so long as any Senior Notes are outstanding, we may not issue, assume, guarantee or permit to exist any debt secured by any lien upon any of our Property (as defined below), except for certain permitted secured debt, without effectively securing all outstanding Senior Notes, equally and ratably with that debt, but only so long as such debt is secured. See "Description of Senior Notes—Certain Covenants—Limitation on Liens."
Limitations on Sale and Lease-Back Transactions	Subject to certain exceptions, so long as any Senior Notes are outstanding, we may not enter into or permit to exist any sale and lease-back transactions involving leases for a term, including renewals, of not more than 48 months), if the purchasers' commitment is obtained more than 18 months after the later of the completion of the acquisition, construction or development of that operating property or the placing in operation of that operating property or of that operating property as constructed or developed or substantially repaired, altered or improved. See "Description of Senior Notes – Certain Covenants – Limitations on Sale and Lease-Back Transactions.

Resale and Transfer Restrictions	The Senior Notes will be sold to "qualified institutional buyers" as defined in Rule 144A of the Securities Act ("Qualified Institutional Buyers"), and to non-U.S. persons in compliance with Regulation S. The Senior Notes offered hereby have not been registered under the Securities Act and are subject to certain restrictions on transfer. See "Transfer Restrictions."
Form and Denomination	Senior Notes sold to Qualified Institutional Buyers in reliance upon Rule 144A will be represented by global certificates deposited with, or on behalf of, DTC or its nominee. Senior Notes sold in reliance on Regulation S will be represented by separate global certificates deposited with, or on behalf of, DTC or its nominee. The Senior Notes sold in reliance on Regulation S will initially be represented by a temporary global certificate (the "Temporary Regulation S Global Certificate"). Owners of beneficial interests in the Temporary Regulation S Global Certificate may, subject to compliance with certain certification requirements, exchange their beneficial interests in the Temporary Regulation S Global Certificate for beneficial interests in a permanent global certificate (the "Permanent Regulation S Global Certificate"). For more information, see "Description of Senior Notes—Book-Entry." The Senior Notes will be issued in fully registered form only in denominations of $1,000 and integral multiples of $1,000 in excess thereof.
Use of Proceeds	Proceeds received from the issuance of the Senior Notes will be used to repay outstanding associated company notes payable of approximately $231 million and for construction expenditures. The notes payable were originally issued to the Ohio Companies and Penn in 2000 for approximately 55% of the purchase price for the acquired transmission facilities, have a stated maturity date of 2040 in respect of certain of the Ohio Companies and 2030 in respect of Penn, and bear interest at a fixed rate per annum of 7.75%.
Ratings	The Senior Notes are expected to be assigned ratings of Baa1 by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("Moody's"), and BBB by Standard Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (" S&P"). A rating reflects only the view of a rating agency, and is not a recommendation to buy, sell or hold the Senior Notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if such rating agency decides that circumstances warrant that change.

Risk Factors	You should carefully read and consider, in addition to matters set forth elsewhere in this offering memorandum, the information in the "Risk Factors" section beginning on page 7.
Trustee and Paying Agent	The Bank of New York Mellon Trust Company, N.A. (the "Trustee").
Governing Law	The Senior Notes and the Indenture, dated as of December 1, 2009 between us and the Trustee (the "Indenture") will be governed by, and construed in accordance with, the laws of the State of New York.

RISK FACTORS

An investment in the Senior Notes offered hereby involves a high degree of risk. You should carefully consider the risks described below, as well as other information included in this offering memorandum, before investing in the Senior Notes.

Risks Related to Our Business

Certain elements of our cost recovery through rates can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on our business, financial condition, results of operations and cash flows.

We provide electric transmission service under rates regulated by the FERC. The FERC has approved our use of the rate setting formula under Attachment O. In addition, all aspects of our rates approved by the FERC, including the Attachment O rate mechanism, our allowed 12.38% rate of return on the actual equity portion of our capital structure and the data inputs provided by us for calculation of each year's rate, are subject to challenge by interested parties in a proceeding under Section 206 of the FPA. If a challenger can establish that any aspects of our rates are unjust, unreasonable, unduly discriminatory or preferential, then the FERC will make appropriate prospective adjustments to the rates and/or disallow our inclusion of those aspects in the rate setting formula. This could result in lowered rates and/or refunds of amounts collected after the date that a Section 206 challenge is filed. Further, while we will seek a substantially similar rate of return in connection with the proposed transfer of our assets to PJM, it is possible that our allowed rate of return and the revenue derived from system control and dispatch service will be reduced.

Our actual capital expenditures may be lower than planned, which would decrease our expected rate base and therefore our revenues.

Our rate base is determined in part by additions to property, plant and equipment when placed in service. We expect to invest approximately $216 million over the next five years across our electric transmission system. If our capital expenditures and the resulting in-service property, plant and equipment are lower than anticipated for any reason, we will have a lower than anticipated rate base and, thus, our revenue requirement and future earnings may be lower than anticipated which, in turn, could negatively affect our ability to meet our debt and other monetary obligations, including obligations under the Senior Notes. Reasons our capital expenditures may be lower than expected include, among others, the impact of weather conditions, union strikes, labor shortages, material and equipment prices and availability, limitations on the amount of construction that can be undertaken on our system at any one time, untimely regulatory approvals relating to environmental, siting or regional planning issues or legal proceedings related to our projects and variances between estimated and actual costs of construction contracts awarded.

The regulations to which we are subject may limit our ability to raise capital and/or pursue acquisitions, development opportunities or other transactions or may subject us to liabilities.

We are a "public utility" under the FPA and, accordingly, are regulated by the FERC. Prior FERC authorization is required under Section 203 of the FPA for a disposition or acquisition of regulated public utility facilities, either directly or indirectly through a holding company. Such authorization may also be required to acquire securities in a public utility. Section 203 of the FPA also provides the FERC with explicit authority over utility holding companies' purchases or acquisitions of, and mergers or consolidations with, a public utility.

We are also subject to regulation by the Public Utilities Commission of Ohio ("PUCO") as a "public utility" under the Ohio Revised Code. As a result, the PUCO approves our financing transactions. In addition, we are subject to state and/or local regulations relating to, among other things, facility siting.

If we fail to comply with any of these regulations, we may incur liabilities for such failure, or may be unable to raise capital and/or pursue acquisitions, development opportunities or other transactions.

Changes in federal energy laws, regulations or policies, or our realignment into PJM, could impact cash flows and could adversely affect our ability to make payments on the Senior Notes.

We will use Attachment O to calculate our annual revenue requirements for network and point-to-point transmission service until and unless the FERC determines that our rate formula is unjust and unreasonable or that another mechanism is more appropriate. Such determinations could result from challenges initiated at the FERC by interested parties, by the FERC on its own initiative in a proceeding under Section 206 of the FPA or by an application initiated by us under Section 205 of the FPA. Although transmission costs constitute a relatively small portion of end-use customers overall electricity costs, end-use customers and entities supplying electricity to end-use customers may attempt to influence government and/or regulators to change the rate setting methodologies that apply to us, particularly if the cost of electricity increases substantially.

We are regulated by the FERC as a "public utility" under the FPA and we are a transmission owner in MISO and, in the future, expect to be a transmission owner in PJM. We cannot predict whether the FERC will change its policies or regulations, or whether the approved transmission rates, rate determination mechanism or methodologies will be changed. In addition, Congress periodically considers enacting energy legislation that could shift new responsibilities to the FERC, modify provisions of the FPA or provide the FERC or another entity with increased authority to regulate transmission matters. We cannot predict whether, and to what extent, we may be affected by any such changes in federal energy laws, regulations or policies in the future. Any changes could significantly decrease our revenues and cash flows and our ability to meet our debt obligations, including our obligations under the Senior Notes.

We depend on our primary customers for a substantial portion of our revenues, and any material failure by any of our primary customers to make payments for transmission services would adversely affect our revenues and our ability to service our debt obligations.

We derive a substantial portion of our revenues from the transmission of electricity to the primary incumbent MISO network transmission customers in our service territory. Although MISO bills and collects transmission revenues on behalf of us and other transmission owners and has established credit requirements designed to protect us, transmission owners and other market participants in the event of a payment default by a MISO customer, and each customer has investment grade credit ratings, a material failure by one or more of them to make payments for transmission services would adversely affect our revenues and our ability to meet our debt obligations, including our ability to make payments on the Senior Notes.

Hazards associated with high-voltage electricity transmission may result in suspension of our operations or the imposition of civil or criminal penalties.

Our operations are subject to the usual hazards associated with high-voltage electricity transmission, including explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, equipment interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases and other environmental risks. The hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. We maintain property and casualty insurance, but we are not fully insured against all potential hazards incident to our business, such as damage to poles and towers or losses caused by outages.

Our planned realignment into PJM may require us to incur material expenses or exit or entry fees to MISO or PJM, as applicable, which we may be unable to recover.

In connection with our planned realignment into PJM we may incur material expenses, including integration costs payable to PJM, capital expenditures to facilitate our integration into PJM, and exit fees payable to MISO. In addition, our customers will continue to pay for certain MISO Transmission Expansion Plan ("MTEP") costs. While we anticipate that any new construction projects to facilitate our integration into PJM would be modest, we cannot be certain that such expenditures will not be material, or that PJM will not in the future require material additional capital expenditures. Additionally, while we intend to file with the FERC to recover any exit or entry fees paid to MISO or PJM, as applicable, in connection with our planned realignment, we cannot be certain

that the FERC will allow recovery of such expenses. MISO currently estimates FirstEnergy's exit fees to be approximately $35 million and PJM estimates FirstEnergy's entry fees to be approximately $5 million. Finally, it should be recognized that while the FERC may deny FirstEnergy's application to consolidate its transmission assets and operations into PJM or may approve it on terms that cause FirstEnergy to delay the consolidation until after PJM's 2010 Base Residual Auction for capacity or indefinitely, we do not expect that either such occurrence would have a material adverse effect on our business or results of operations (for more detail see "Management's Discussion and Analysis—FERC Matters" and "Regulation and Industry Overview—FERC Matters.")

We are subject to risks associated with the operation of transmission facilities.

Operation of transmission facilities involves risk, including the potential breakdown or failure of equipment or processes, fuel supply or transportation disruptions, accidents, labor disputes or work stoppages by employees, acts of terrorism or sabotage, construction delays or cost overruns, shortages of or delays in obtaining equipment, material and labor, operational restrictions resulting from environmental limitations and governmental interventions, and performance below expected levels. In addition, weather-related incidents and other natural disasters can disrupt transmission delivery systems. Because our transmission facilities are interconnected with those of third parties, the operation of our facilities could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties.

We are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination. We are also subject to risks relating to potential claims arising from exposure to electromagnetic fields.

Our operations are subject to federal, state and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities to investigate or remediate contamination, as well as other liabilities concerning hazardous materials or contamination such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as at properties currently owned or operated by us. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Environmental requirements generally have become more stringent in recent years, and compliance with those requirements more expensive.

Our assets and operations also involve the use of materials classified as hazardous, toxic, or otherwise dangerous. Some of our facilities and properties are located near environmentally sensitive areas such as wetlands and habitats of endangered or threatened species. In addition, certain properties at which we operate are, and others are suspected of being, affected by environmental contamination. Compliance with these laws and regulations, and liabilities concerning contamination or hazardous materials, may adversely affect our costs and, therefore our business, financial condition and results of operations.

In addition, claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electricity transmission and distribution lines. We cannot assure you that such claims will not be asserted against us or that, if determined in a manner adverse to our interests, would not have a material adverse effect on our business, financial condition and results of operations.

We are subject to various regulatory requirements, including with respect to the reliability of our transmission system. Violations of these requirements, whether intentional or unintentional, may result in penalties that, under some circumstances, could have a material adverse effect on our results of operations, financial condition and cash flows.

We are required to comply with various regulations, including reliability standards established by the NERC, which acts as the nation's Electric Reliability Organization approved by the FERC in accordance with

Section 215 of the FPA. These standards address operation and planning of the bulk electric power system, including requirements for real-time transmission operations, emergency operations, vegetation management and personnel training. Failure to comply with these requirements can result in monetary penalties as well as non-monetary sanctions. Monetary penalties vary based on an assigned risk factor for each potential violation, the severity of the violation and various other circumstances, such as whether the violation was intentional or concealed, whether there are repeated violations, the degree of the violator's cooperation in investigating and remediating the violation and the presence of a compliance program. Penalty amounts range from $1,000 to a maximum of $1.0 million per day, depending on the severity of the violation. Non-monetary sanctions include potential limitations on the violator's activities or operation and placing the violator on a watchlist for major violators. Despite our best efforts to comply and the implementation of a compliance program intended to ensure reliability, there can be no assurance that violations will not occur that would result in material penalties or sanctions. If we were to violate the NERC reliability standards, even unintentionally, in any material way, any penalties or sanctions imposed against us could have a material adverse effect on our results of operations, financial condition and cash flows.

Acts of war, terrorist attacks and threats or the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and results of operations.

Acts of war, terrorist attacks and threats or the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and results of operations in unpredictable ways, such as increased security measures and disruptions of markets. Strategic targets, such as energy related assets, including, for example, our transmission facilities and the generation and distribution facilities of our customers and their suppliers, may be at risk of future terrorist attacks. In addition to the increased costs associated with heightened security requirements, such events may have an adverse effect on the economy in general. A lower level of economic activity could result in a decline in energy consumption, which may adversely affect our business, financial condition and results of operations.

Adverse changes in our credit ratings may negatively affect us.

Our ability to access capital markets is important to our ability to operate our business. Increased scrutiny of the energy industry and the impacts of regulation, as well as changes in our financial performance could result in credit agencies reexamining our credit ratings. A downgrade in our credit ratings could restrict or preclude our ability to access capital markets at attractive rates and increase our borrowing costs. A rating downgrade could also increase the interest we pay under our revolving credit facility, which could negatively impact our results of operations and financial condition.

Risks Relating to the Ground Leases and Our Properties

Most of the land and rights-of-way on which our transmission assets are located are leased from the Ohio Companies and Penn under long-term and extendable ground leases (the "Ground Leases"). Because the Ground Leases were not recorded and because certain related non-disturbance agreements may expire (or, in the case of Penn, because of the lack of a non-disturbance agreement), our rights to occupy and use the land and rights-of-way leased under the Ground Leases upon or over which a substantial portion of our transmission facilities are located could be impaired by transfers of the leased property or in connection with a default of any of the Ohio Companies or Penn under their first mortgage bond indentures.

Neither the Ground Leases nor any memoranda of the Ground Leases have been recorded in the applicable jurisdictions where the relevant land and rights-of-way are located, nor do we intend to record such Ground Leases or memoranda. Accordingly, in the event of a transfer by the owner of land or rights-of-way that are subject to a Ground Lease, there is a risk that a purchaser acting in good faith and without actual or constructive knowledge of our interests under the Ground Lease could obtain rights in such land and rights-of-way that are superior to ours under such Ground Lease.

In addition, although we have agreements with each of the indenture trustees for certain first mortgage bond indentures ("lessor indentures") of the Ohio Companies that would restrict the ability of any such trustee to transfer any leased land or rights-of-way subject to those indentures in connection with its exercise of remedies in the event of a default by the applicable Ohio Company, those agreements are conditioned upon, among other things,

our continued compliance with their terms. Those agreements may themselves expire if the underlying lessor indenture is ever discharged and satisfied, in which case any party that has an effective and perfected lien on the relevant property then no longer subordinate to such lessor indenture may be motivated to assert rights to that property in ways that would be adverse to our interests under the Ground Lease. Moreover, we currently do not have a similar agreement with the trustee for Penn's lessor indenture, although we intend to pursue one. Consequently, until such an agreement is secured, we are indirectly subject to the credit risk of Penn because a foreclosure under the Penn lessor indenture could result in the loss of our rights in the property covered by the Penn Ground Lease. We are not aware that the Ohio Companies or Penn have made or are contemplating any such transfers of property or that they have granted any such liens, although we have not performed any title or lien searches to determine whether any exist. We also note that, pursuant to the Ground Leases, we are entitled to notice in advance of any proposed transfer of property leased under a Ground Lease pursuant to rights of first refusal.

Nevertheless, in the event of any such transfer by the Ohio Companies or Penn, any such default by us under, or the expiration of, any non-disturbance agreement, or the grant by the Ohio Companies or Penn of any such lien, we could lose our rights to occupy and use the land and rights-of-way upon or over which a substantial portion of our transmission facilities are located, which could have a material adverse affect on our ability to access and operate our transmission facilities, our ability to conduct our business as presently conducted and our financial condition and results of operations.

Because the Ground Leases do not describe the leased property with specificity, our rights to the leased property may be limited in certain respects.

The descriptions of the leased property contained in the Ground Leases are general in nature and do not specifically identify, by metes and bounds legal descriptions or otherwise, individual parcels of property (or specific leased portions of parcels). The Ground Leases do, however, reference bills of sale and other documents containing detailed information regarding the location of the transmission assets that is useful in identifying the leased property. Because of the lack of specificity in the property descriptions in the Ground Lease, in the event of a challenge to our rights to any leased property under the Ground Leases, a court may be required to inquire beyond the actual terms of the Ground Leases to determine the full scope of our rights to such leased property, which inquiry may include an examination of such bills of sale and other documents. If in such a case the court is unable to specifically identify the property in question, the scope of our rights to access such property and operate related transmission facilities could be limited to something less than a complete leasehold interest, such as a contractual right to enter into a lease, or an access license, or an equitable right similar thereto.

We lease a substantial portion of the land on which our transmission assets are located from the utility affiliates from which we acquired those assets and a significant portion of that land is subject to easements, mineral rights and other encumbrances; as a result, we must comply with the provisions of the applicable Ground Lease as well as the various easements, mineral rights and other encumbrances, which may adversely impact our ability to complete our construction projects in a timely manner.

A majority of the land and rights-of-way on which our transmission assets are located are leased from utility affiliates under the Ground Leases. We must comply with the provisions of various easement agreements and other encumbrances, which may adversely impact our ability to complete our construction projects in a timely manner or to conduct maintenance, including vegetation management on these rights-of-way.

We and our counsel have not undertaken a comprehensive investigation of all the electric transmission assets that we acquired in 2000 from the Ohio Companies and Penn in order to conclusively establish in all state, county and other local jurisdictions that there are no title defects, other imperfections or prior claims, liens or encumbrances in respect of such assets in such jurisdictions.

Our assets primarily consist of the electric transmission assets we acquired from the Ohio Companies and Penn in 2000 and transmission facilities that we have constructed since that time. As of the date of this offering memorandum, we estimate that these assets represent a rate base of approximately $651.8 million, consisting of approximately 7,300 circuit miles (5,821 pole miles) of transmission lines at voltages of 69 kV and above, approximately 71 substations, as well as other structures and improvements, switchyards, towers, conductors, transformers and other machinery and facilities used in connection with the transmission of electricity. We also lease from those companies most of the related land and interests in land on or under which those transmission facilities are located under the Ground Leases. Those leased properties remain subject to the lien of each of those companies' lessor indentures. Neither at the time of such acquisition, nor in connection with this offering, did we obtain any title insurance as to any such property. Nor have we obtained any title insurance policy in respect of any of the land which we do own in fee simple, which had a book value of less than $3 million as of the date of this offering memorandum. Moreover, the Ground Leases have not been recorded in the applicable jurisdictions where the relevant leased property is located, nor do we intend to record the Ground Leases.

Consequently, as to all of these properties, we are relying on our own due diligence investigations to determine the sufficiency of our title with respect to such assets.

Given the large number of assets we acquired from the Ohio Companies and Penn and their distribution over a wide range of county and other local jurisdictions, we and our local counsels have not undertaken a comprehensive investigation in order to conclusively establish in each of these jurisdictions that there are no title defects, other imperfections or prior claims, liens or encumbrances in respect of such assets in such jurisdictions. To the extent that there are defects or other imperfections with respect to the title to any of our assets or those we lease under the Ground Leases, we may incur significant expense or experience other financial losses in connection with, for example, legal proceedings contesting the validity of our title.

Risks Relating to the Senior Notes and this Offering

There is no public trading market for the Senior Notes and transferability of the Senior Notes is limited.

The Senior Notes are a new issue of securities for which there is currently no market. We do not intend to list the Senior Notes on any securities exchange. The initial purchasers have advised us that they currently intend to make a market in the Senior Notes as permitted by applicable laws and regulations, but they are not obligated to do so and may discontinue any such market-making at any time without notice. We can give no assurance as to the liquidity of any market that may develop for the Senior Notes, the ability of investors to sell the Senior Notes or the price at which investors would be able to sell their Senior Notes.

The Senior Notes have not been, and will not be, registered under the Securities Act or any state securities laws and are being offered pursuant to exemptions from registration under the Securities Act. Accordingly, the Senior Notes are subject to certain restrictions on the resale and other transfer thereof as set forth under "Transfer Restrictions." As a result of such restrictions, there can be no assurance as to the existence of a secondary market for the Senior Notes or the liquidity of such market if one develops. Consequently, holders of the Senior Notes must be able to bear the economic risk of an investment in the Senior Notes for an indefinite period of time, which could extend until maturity of the Senior Notes.

We may be able to issue substantially more debt, a portion of which could be secured debt.

The Indenture does not limit the amount of unsecured indebtedness we may issue; however, the limitation on liens provision of the Indenture does limit the amount of secured debt that we are able to issue. Such secured debt would be senior to the Senior Notes.

REGULATORY APPROVAL

On November 24, 2009, the PUCO entered its order authorizing the offering of the Senior Notes. While the PUCO order became effective immediately upon entry, Ohio law provides for a 30-day period following entry of the order during which parties may apply for a rehearing of the order. In uncontested proceedings, leave for a non-party to file an application for rehearing will be granted only if the PUCO determines that specific limited circumstances exist. The PUCO is not required to grant leave to file an application for a rehearing or to grant any application for rehearing. If such leave to file were granted and if such an application were to be filed, we believe that an adverse action by the PUCO would be unlikely. Nonetheless, should an application for such a rehearing be filed, and that application not be denied by the PUCO prior to the consummation of this offering, we will likely be unable to conduct and close the offering of the Senior Notes as contemplated. Since there were no other parties to the original proceeding which resulted in the PUCO's November 24, 2009 order, we do not anticipate any applications for a rehearing.

CAPITALIZATION

	Actual September 30, 2009		As Adjusted September 30, 2009(1)	
	(In thousands) (Unaudited)			
Common Stockholder's Equity	$ 417,941	65%	$ 417,941	51%
Long-Term Debt and Other Long-Term Obligations	229,544	35%	399,656	49%
Total Capitalization	$ 647,485	100%	$ 817,597	100%

(1) As adjusted for this offering and to give effect to the use of proceeds from this offering.

SELECTED FINANCIAL DATA

You should read our selected financial data set forth below in conjunction with our historical consolidated financial statements and the related notes and other financial information provided herein.

	Year Ended December 31, 2006	2007	2008	Nine Months Ended September 30, 2009 (Unaudited)
	(In thousands)			
Operating Revenues	$ 203,124	$ 239,691	$ 236,194	$ 168,261
Operating Income	76,539	98,029	92,329	62,364
Income from Continuing Operations	36,613	52,060	45,675	31,784
Net Income	36,613	52,060	45,675	31,784
Total Assets	802,739	823,698	804,037	798,699
Long-Term Debt and Other Long-Term Obligations	235,532	233,499	231,307	229,544

RATIO OF EARNINGS TO FIXED CHARGES

The following table contains our consolidated ratio of earnings to fixed charges for the periods indicated. You should read those ratios in connection with our consolidated financial statements, including the notes to those statements provided herein.

	Year Ended December 31, 2006	2007	2008	Nine Months Ended September 30, 2009
Consolidated Ratio of Earnings to Fixed Charges (1)	3.91	4.99	4.66	4.42

(1) "Earnings" for purposes of the calculation of Ratio of Earnings to Fixed Charges have been computed by adding to "Income before extraordinary items" total interest and other charges, before reduction for amounts capitalized, provision for income taxes and the estimated interest element of rentals charged to income. "Fixed charges" include interest on long-term debt, other interest expense and the estimated interest element of rentals charged to income.

USE OF PROCEEDS

We estimate that our net proceeds from the issuance and sale of Senior Notes, after deducting the Initial Purchasers' discount and estimated expenses, will be approximately $396 million. We intend to use the proceeds from this offering to repay outstanding associated company notes payable of approximately $231 million and to fund construction expenditures.

The notes payable were originally issued to the Ohio Companies and Penn in 2000 for approximately 55% of the purchase price for the acquired transmission facilities, have a stated maturity date of 2040 in respect of notes held by Ohio Edison Company and The Toledo Edison Company and 2030 in respect of Penn, and bear interest at a fixed rate per annum of 7.75%. The notes issued to The Cleveland Electric Illuminating Company were retired in February 2005.

Any proceeds remaining after repayment of the associated company notes will be invested in the FirstEnergy regulated utility money pool (the "FirstEnergy Money Pool") pending funding of construction expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

We were organized under the laws of the State of Ohio in 1998 as a wholly-owned subsidiary of FirstEnergy to engage exclusively in the transmission of electricity. We own transmission assets that were planned and built by us since 2000 or were formerly owned by the Ohio Companies and Penn. Our transmission facilities, which consist of approximately 7,300 circuit miles (5,821 pole miles) of transmission lines with nominal voltages of 345 kV, 138 kV and 69 kV, transmit electricity from generating stations to local electricity distribution facilities located primarily in Ohio and Western Pennsylvania. Effective October 1, 2003, we transferred operational control of our transmission facilities to MISO. With MISO, we plan, operate and maintain our transmission system in accordance with NERC reliability standards and other applicable regulatory entities to ensure reliable service to customers.

On August 17, 2009, FirstEnergy filed an application with the FERC to consolidate its transmission assets and operations into PJM. Currently, FirstEnergy's transmission assets and operations are divided between PJM and MISO. The consolidation would move our transmission assets that are located within the footprint of the Ohio Companies and Penn into PJM, however we do not intend to acquire any of FirstEnergy's transmission assets currently in PJM in connection with the realignment. FirstEnergy has requested that the FERC rule on its application by December 17, 2009. Our current allowed rate of return is 12.38%. While we will seek a substantially similar rate of return in connection with the proposed transfer of our assets to PJM, it is possible that our allowed rate of return and the revenue derived from system control and dispatch will be reduced.

Net income in the first nine months of 2009 was $32 million, compared with net income of $37 million in the first nine months of 2008. The decrease primarily resulted from lower MISO transmission revenues and higher general taxes, partially offset by lower operating costs.

Net income in 2008 was $46 million, compared with net income of $52 million in 2007. The decrease primarily resulted from lower MISO transmission revenues and higher amortization of regulatory assets and depreciation expense, partially offset by lower operating costs.

Net income in 2007 was $52 million, compared with net income of $37 million in 2006. The increase primarily resulted from higher MISO transmission revenues, partially offset by higher operating costs and amortization of regulatory assets.

Regulatory Matters

Reliability Initiatives

In 2005, the Energy Policy Act of 2005 amended the FPA to provide, among other things, for federally-enforceable mandatory reliability standards. The mandatory reliability standards apply to the bulk power system and impose certain operating, record-keeping and reporting requirements on us, the Ohio Companies and Penn. The NERC is charged with establishing and enforcing these reliability standards, although it has delegated day-to-day implementation and enforcement of its responsibilities to eight regional entities, including Reliability*First*. All of our facilities are located within the Reliability*First* region. We and FirstEnergy actively participate in the NERC and Reliability*First* stakeholder processes and otherwise monitor and manage our business in response to the ongoing development, implementation and enforcement of the applicable reliability standards.

We believe that we are in compliance with all reliability standards. Nevertheless, it is clear that the NERC, Reliability*First* and the FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. The financial impact of complying with new or amended standards cannot be determined at this time. However, the 2005 amendments to the FPA provide that all prudent costs incurred to comply with the new reliability standards be recovered in rates. Still, any future inability on our part to comply with the reliability standards for our transmission system could result in the imposition of financial penalties and thus have a material

adverse effect on our financial condition, results of operations and cash flows.

In April 2007, Reliability*First* performed a routine compliance audit of FirstEnergy's bulk electric power system within the MISO region, including our transmission system, and found it to be in full compliance with all audited reliability standards. Similarly, in October 2008, Reliability*First* performed a routine compliance audit of FirstEnergy's bulk electric power system within the PJM region and a final report was issued in early 2009. Neither we nor FirstEnergy expects any material adverse financial impact as a result of these audits.

FERC Matters

Proposed PJM Realignment. On August 17, 2009, FirstEnergy filed an application with the FERC to consolidate its transmission assets and operations into PJM. Currently FirstEnergy's transmission assets and operations are divided between PJM and MISO. The consolidation would move our transmission assets — which represents FirstEnergy's transmission assets located within the footprint of the Ohio Companies and Penn — into PJM. To ensure a definitive ruling at the same time the FERC rules on its request to integrate us into PJM, on October 19, 2009, FirstEnergy filed a related complaint with the FERC on the issue of allocating transmission costs to our footprint for high voltage transmission projects approved as part of PJM's Regional Transmission Expansion Plan ("RTEP") prior to FirstEnergy's integration into PJM.

FirstEnergy has requested that the FERC rule on its application by December 17, 2009, to provide time to permit management to make a decision on whether to integrate into PJM so that load serving entities in our footprint can participate in the 2010 Base Residual Auction for capacity. Subject to a satisfactory FERC ruling, the integration is expected to be complete on June 1, 2011, to coincide with delivery of power under the next competitive generation procurement process for each of the Ohio Companies and Penn.

On September 4, 2009, the PUCO opened a case to take comments from Ohio stakeholders regarding the RTO consolidation. FirstEnergy filed extensive comments in the PUCO case on September 25, 2009, reply comments on October 13, 2009 and attended a public hearing on September 15, 2009 to respond to questions regarding the RTO consolidation.

Several parties have intervened in the regulatory dockets at the FERC and at the PUCO. Certain interveners have commented and protested particular elements of the proposed RTO consolidation, including the payment of an exit fee to MISO, integration costs to PJM, and cost-allocations of future transmission upgrades in PJM and MISO to our footprint. Although the result of these comments and protests could delay or increase our cost to effect the proposed realignment, we do not expect them to have a material adverse effect on our business or results of operations.

SECA Settlements. On November 18, 2004, the FERC issued an order eliminating the through and out rate for transmission service between the MISO and PJM regions. The FERC's intent was to eliminate multiple transmission charges for a single transaction between the MISO and PJM regions. The FERC also ordered MISO, PJM and the transmission owners within MISO and PJM to submit compliance filings containing a rate mechanism to recover lost transmission revenues created by elimination of these charges (referred to as the Seams Elimination Cost Adjustment or "SECA") during a 16-month transition period. The FERC issued orders in 2005 setting the SECA for hearing. The presiding judge issued an initial decision on August 10, 2006, rejecting the compliance filings made by MISO, PJM, and the transmission owners, and directing new compliance filings. This decision is subject to review and approval by the FERC. Briefs addressing the initial decision were filed on September 11, 2006 and October 20, 2006. The matter is pending before the FERC, and, in the meantime, FirstEnergy affiliates have been negotiating and entering into settlement agreements with other parties in the docket to mitigate the risk of lower transmission revenue collection associated with an adverse order. On September 26, 2008, the MISO and PJM transmission owners filed a motion requesting that the FERC approve the pending settlements and act on the initial decision. On November 20, 2008, the FERC issued an order approving uncontested settlements, but did not rule on the initial decision. On December 19, 2008, an additional order was issued approving two contested settlements. On October 29, 2009, FirstEnergy affiliates and certain affiliates of Exelon Corporation submitted for filing an executed settlement agreement, which is currently pending before the FERC.

Results of Operations – First Nine Months of 2009 Compared to First Nine Months of 2008

Net income decreased to $32 million in the first nine months of 2009 from $37 million in the same period of 2008. The decrease primarily resulted from lower MISO transmission revenues and higher general taxes, partially offset by lower operating costs.

Revenues

Revenues decreased by $16 million, or (9%), in the first nine months of 2009 compared with the same period of 2008, primarily due to a decrease in MISO network transmission revenues ($4 million) and point-to-point revenues ($4 million), and the absence of the reversal of an $8 million rate refund reserve in 2008 (see below).

The following table summarizes the price and volume factors contributing to the decrease in MISO network transmission revenue:

Source of Change in Network Transmission Revenue	Increase (Decrease)
	(In millions)
Effect of 8% decrease in transmission volumes	$ (13)
Change in prices	9
Net Decrease in Network Transmission Revenue	$ (4)

The decrease in transmission volumes reflected lower system peak loads associated with milder weather and economic conditions in our footprint in 2009. The increase in prices resulted from a higher FERC-approved formula rate included in our MISO tariff.

Expenses

Total expenses decreased by $4 million in the first nine months of 2009 from the same period of 2008. The following table presents changes from the prior year by expense category.

Expenses – Changes	Increase (Decrease)
	(In millions)
Other operating costs	$ (6)
Provision for depreciation	1
General taxes	1
Net Decrease in Expenses	$ (4)

The decrease in other operating costs for the first nine months of 2009 was primarily due to lower labor and employee benefit expenses as a result of FirstEnergy's cost control initiatives. Higher depreciation expense in the first nine months of 2009 reflected capital additions since the end of the third quarter of 2008. Higher general taxes in the first nine months of 2009 were principally due to higher Ohio property taxes.

Other Expenses

Total other expense decreased $2 million in the first nine months of 2009 compared with the same period of 2008 primarily due to a decrease in interest expense on notes payable to associated companies, reflecting lower principal balances.

Results of Operations – 2008 Compared to 2007

Net income decreased to $46 million in 2008 from $52 million in 2007. The decrease primarily resulted from lower MISO transmission revenues and higher amortization of regulatory assets and depreciation expense, partially offset by lower operating costs.

Revenues

Revenues decreased by $3 million, or (1%), in 2008 compared with 2007, primarily due to an $8 million decrease in MISO network transmission revenue and a $3 million decrease in MISO point-to-point revenue, partially offset by the reversal of an $8 million reserve related to a major settlement in the SECA proceeding.

The following table summarizes the price and volume factors contributing to the decrease in MISO network transmission revenue:

Source of Change in MISO Transmission Revenue	Increase (Decrease)
	(In millions)
Effect of 6% decrease in transmission volumes	$ (14)
Change in prices	6
Net Decrease in MISO Transmission Revenue	$ (8)

The decrease in transmission volumes reflected lower system peak loads associated with milder weather in 2008. The increase in prices resulted from a higher FERC-approved formula rate included in our MISO tariff.

Expenses

Total expenses increased by $2 million in 2008 from 2007. The following table presents changes from the prior year by expense category.

Expenses – Changes	Increase (Decrease)
	(In millions)
Other operating costs	$ (1)
Provision for depreciation	2
Amortization of regulatory assets	1
Net Increase in Expenses	$ 2

The decrease in other operating costs for 2008 was primarily due to lower labor and employee benefit expenses, as more labor was dedicated to capital projects in 2008. Higher depreciation expense in 2008 reflected capital additions since the end of 2007. Higher amortization of regulatory assets in 2008 was principally due to increased amortization of vegetation management cost deferrals.

Other Expenses

Total other expense increased by $3 million in 2008 compared with 2007 primarily due to a decrease in capitalized interest.

Results of Operations – 2007 Compared to 2006

Net income increased to $52 million in 2007 from $37 million in 2006. The increase primarily resulted from higher MISO transmission revenues, partially offset by higher operating costs and amortization of regulatory assets.

Revenues

Revenues increased by $37 million, or 18%, in 2007 compared with 2006, primarily due to an increase in MISO network transmission revenue.

The following table summarizes the price and volume factors contributing to the increase in MISO network transmission revenue:

Source of Change in MISO Transmission Revenue	Increase
	(In millions)
Effect of 5% increase in transmission volumes	$ 9
Change in prices	28
Total Increase in MISO Transmission Revenue	**$ 37**

The increase in transmission volumes reflected higher system peak loads associated with higher weather-related usage in 2007. The increase in prices resulted from a higher FERC-approved formula rate included in our MISO tariff.

Expenses

Total expenses increased by $15 million in 2007 from 2006. The following table presents changes from the prior year by expense category.

Expenses – Changes	Increase
	(In millions)
Other operating costs	$ 6
Provision for depreciation	1
Amortization of regulatory assets	5
General taxes	3
Net Increase in Expenses	**$ 15**

The increase in other operating costs for 2007 was primarily due to higher labor and employee benefit expenses, reflecting an increase in transmission maintenance projects in 2007. Higher depreciation expense in 2007 reflected capital additions since the end of 2006. Higher amortization of regulatory assets in 2007 was principally due to increased amortization of vegetation management cost deferrals. The increase in general taxes for 2007 reflected higher Ohio property taxes.

Other Expenses

Total other expense decreased $1 million in 2007 compared with 2006 primarily due to an increase in capitalized interest.

Capital Resources and Liquidity

Our primary source of liquidity is the FirstEnergy Money Pool. We expect our existing source of liquidity to remain sufficient to meet our anticipated obligations. Our current regulatory short-term borrowing limitations restrict such borrowings to $50 million.

As of September 30, 2009, and December 31, 2008, 2007 and 2006, our net deficits in working capital (current assets less current liabilities) were principally due to accrued taxes of $34 million, $33 million, $33 million and $33 million, respectively.

Short-Term Borrowings

We had short-term borrowings with associated companies of approximately $2.9 million, $2.2 million, $18.5 million, and $1.9 million as of September 30, 2009, and December 31, 2008, 2007 and 2006, respectively.

FirstEnergy Money Pool

We have the ability to borrow from our regulated affiliates and FirstEnergy to meet our short-term working capital requirements. FirstEnergy Service Company administers the FirstEnergy Money Pool and tracks surplus funds of FirstEnergy and its regulated subsidiaries, including us, as well as proceeds available from bank borrowings. Companies receiving a loan under the FirstEnergy Money Pool agreements must repay the principal, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from the FirstEnergy Money Pool and is based on the average cost of funds available through the pool. The average interest rates for borrowings in 2009 and 2008 were 0.78% and 2.93%, respectively. As of September 30, 2009, and December 31, 2008, 2007 and 2006, our investment in the FirstEnergy Money Pool was $22 million, $13 million, $11 million and $34 million, respectively.

Revolving Credit Facility

We, FirstEnergy and certain of FirstEnergy's other subsidiaries are parties to a $2.75 billion five-year revolving credit facility. FirstEnergy has the ability to request an increase in the total commitments available under this facility up to a maximum of $3.25 billion, subject to the discretion of each lender to provide additional commitments. Commitments under the facility are available until August 24, 2012, unless the lenders agree, at the request of the borrowers, to an unlimited number of additional one-year extensions. Generally, borrowings under the facility must be repaid within 364 days. Available amounts for each borrower are subject to a specified sub-limit, as well as applicable regulatory and other limitations. We may not borrow under the facility until we deliver notice to the administrative agent that either (i) we have reference ratings of at least BBB- by S&P and Baa3 by Moody's or (ii) FirstEnergy has guaranteed our payment obligations under the facility; thereafter we may borrow up to a sublimit of $100 million, subject to the regulatory limit of $50 million. As a result of obtaining ratings from S&P and Moody's in connection with the offering of the Senior Notes, our reference ratings (i.e. our senior unsecured debt ratings) entitle us to become a borrower under the revolving credit facility. We intend to deliver the required notice to the administrative agent upon closing of this offering.

Cash Flows From Operating Activities—Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Our net cash from operating activities is provided by our transmission business (see Results of Operations above). Net cash provided from operating activities increased by $33 million during the first nine months of 2009 compared to the first nine months of 2008, as summarized in the following table:

Operating Cash Flows	Nine Months Ended September 30 2009	2008	Increase (Decrease)
		(In thousands)	
Net income	$ 31,784	$ 36,836	$ (5,052)
Non-cash charges and other adjustments	36,330	11,272	25,058
Working capital and other	6	(13,143)	13,149
	$ 68,120	$ 34,965	$ 33,155

The increase in non-cash charges and other adjustments is primarily due to an increase in unearned revenue ($21 million) and a decrease in customer refunds accrued ($8 million), offset by a decrease in net deferred income taxes and investment tax credits ($5 million). The changes in working capital and other primarily resulted from an increase in accounts payable to associated companies ($10 million).

Cash Flows Used For Financing Activities

In the first nine months of 2009, cash used for financing activities was $31 million compared to $26 million in the first nine months of 2008. The increase was primarily due to increased dividend payments on common stock ($16 million) offset by a decrease in net short-term borrowings ($11 million).

Cash Flows Used For Investing Activities

Net cash flows used in investing activities result primarily from property additions and loans to or from associated companies. Net cash used for investing activities in the first nine months of 2009 increased by $28 million compared to the first nine months of 2008. The increase was principally due to an increase in net loans to associated companies ($39 million) offset by a decrease in property additions ($12 million).

Cash Flows From Operating Activities—2008 Compared to 2007

Net cash provided from operating activities decreased by $2 million in 2008 compared to 2007, as summarized in the following table:

Operating Cash Flows	December 31 2008	2007	Increase (Decrease)
		(In thousands)	
Net income	$ 45,675	$ 52,060	$ (6,385)
Non-cash charges and other adjustments	32,203	35,484	(3,281)
Working capital and other	(2,640	(10,006)	7,366
	$ 75,238	$ 77,538	$ (2,300)

The decrease in non-cash charges and other adjustments was primarily due to a decrease in unearned revenue ($23 million) offset by a decrease in the deferral of new regulatory assets ($18 million). The changes in working capital and other primarily resulted from an increase in accounts payable to associated companies ($9 million).

Cash Flows Used For Financing Activities

In 2008, cash used for financing activities was $43 million compared to $37 million in 2007. The increase was primarily due to an increase in net short-term borrowings ($17 million) offset by decreased dividend payments on common stock ($11 million).

Cash Flows Used For Investing Activities

Net cash used for investing activities in 2008 increased by $8 million compared to 2007. The increase was principally due to an increase in net loan repayments from associated companies ($8 million).

Cash Flows From Operating Activities—2007 Compared to 2006

Net cash provided from operating activities increased by $23 million during 2007 compared to 2006, as summarized in the following table:

Operating Cash Flows	December 31 2007	2006	Increase (Decrease)
		(In thousands)	
Net income	$ 52,060	$ 36,613	$ 15,477
Non-cash charges and other adjustments	35,484	29,060	6,424
Working capital and other	(10,006)	(11,089)	1,083
	$ 77,538	$ 54,584	$ 22,954

The increase in non-cash charges and other adjustments is primarily due to an increase in net amortization of regulatory assets ($5 million).

Cash Flows Used For Financing Activities

In 2007, cash used for financing activities was $37 million compared to $2 million in 2006. The increase was primarily due to increased dividend payments on common stock ($35 million).

Cash Flows Used For Investing Activities

Net cash used for investing activities in 2007 decreased by $12 million compared to 2006. The decrease was principally due to an increase in net loan repayments from associated companies ($19 million) offset by a decrease in property additions ($8 million).

REGULATION AND INDUSTRY OVERVIEW

Federal Regulation

Regulatory Background

Electricity transmission is the flow of electricity at high voltages from electricity generation resources to local distribution systems. We and other electricity transmission companies are regulated by the FERC under the FPA. The FERC is an independent regulatory commission within the Department of Energy that regulates, among other things, the transmission and wholesale sale of electricity in interstate commerce.

In the U.S., electric transmission assets have been owned, operated and maintained predominantly by vertically integrated utilities, like the Ohio Companies and Penn, that also owned electricity generation and distribution assets. For over a decade, the FERC has recognized that the vertically integrated utility model inhibits the provision of non-discriminatory transmission access. In order to facilitate open access transmission for participants in wholesale power markets and to ensure that any seller of electricity affiliated with a transmission owner or operator is not provided with preferential treatment, the FERC mandated in Order No. 888 that all transmission systems over which it has jurisdiction must offer transmission service on a comparable, nondiscriminatory basis pursuant to a FERC approved Open Access Transmission Tariff. The FERC has given independent transmission companies a prominent role in furthering these policy goals and has encouraged the legal and functional separation of transmission operations from generation and distribution operations. FERC Order No. 888, which has been upheld by the United State Supreme Court, encouraged investor owned utilities to cede operational control over their transmission systems to not-for-profit Independent System Operators ("ISOs").

As an alternative to ceding operating control of their transmission assets to ISOs, certain investor-owned utilities began to promote the formation of for-profit transmission companies, which would independently own, operate and control transmission systems. In December 1999, the FERC issued Order No. 2000, which strongly encouraged utilities to voluntarily transfer operational control of their transmission systems to RTOs. RTOs, as envisioned in Order No. 2000, would assume many of the functions of an ISO.

MISO was formed in 1996 as a voluntary organization to independently operate electricity transmission systems consistent with the principles in FERC Order No. 888. Later, in response to FERC Order No. 2000, MISO evolved into an RTO with an open architecture framework capable of accommodating a variety of business models including independently owned, for-profit transmission companies. The FERC approved MISO as an RTO in 2001. MISO is responsible for coordinating the operation of the wholesale electricity transmission system and ensuring fair, non-discriminatory access to the transmission grid within its territory, which encompasses 15 U.S. states and the Canadian province of Manitoba. The rates for transmission over the MISO-administered transmission system pursuant to which transmission-owning members of MISO recover their costs are predominately established pursuant to a FERC-accepted tariff which includes a cost-of-service formula rate in Attachment O to the MISO tariff.

Similarly, PJM, which is an RTO and which is part of the Eastern Interconnection grid, coordinates the movement of wholesale electricity in all or parts of 13 U.S. states and the District of Columbia and currently operates the world's largest competitive wholesale electricity market. See "—Our Formation" and "—PJM Operations."

Our Formation

We were formed in 1998 by FirstEnergy to acquire the high voltage transmission facilities of the Ohio Companies and Penn and to engage exclusively in the transmission of high voltage electricity across FirstEnergy's electric system. The proposed transfer of assets required certain regulatory approvals from, among others, the FERC, the PUCO, the Pennsylvania Public Utility Commission ("PPUC") and, under the since-repealed Public Utility Holding Company Act of 1935, the Securities and Exchange Commission ("SEC"). On March 19, 1999, FirstEnergy filed an application with the FERC for authorization to transfer the transmission assets to us under Section 203 of the FPA and Part 33 of the FERC's regulations, as well as certain subsequent related applications

regarding tariffs and facilities classification. On May 13, 1999, FirstEnergy filed an application with the PUCO seeking approval for the transfer under Section 4905.46(B) of the Ohio Revised Code. On October 27, 1999, the FERC approved the FirstEnergy operating companies' application to transfer their transmission assets to us. On February 17, 2000, the PUCO approved the proposed transfer of the transmission assets of the FirstEnergy operating companies to us, subject to the PUCO's ultimate designation of the distribution facilities to be retained versus transmission facilities to be transferred in the then-pending transition plan cases of the Ohio Companies. On July 19, 2000, the PUCO issued a decision in the transition plan cases of the Ohio Companies, concluding that, among other things, the proposed classification of transmission facilities (i.e. 69 kV and above) was appropriate. On October 16, 2000, the Ohio Power Siting Board approved the transfer of applicable certificates of environmental compatibility and public need previously granted to the Ohio Companies for the construction and operation of transferred transmission facilities. Approvals from the PPUC and the SEC for the transfer of the transmission facilities were obtained on July 13, 2000, and August 22, 2000, respectively. Effective September 1, 2000, the transmission assets were transferred to us.

The transfers were intended to be an intermediate and facilitating step in the subsequent transfer of functional control of these transmission assets to an independent transmission company. In furtherance of that goal, we proposed to form the Alliance RTO with certain other regional transmission owners in an application to the FERC in 1999. The Alliance RTO received conditional approval from the FERC on May 8, 2001. On December 20, 2001, the FERC issued an order in which it reversed its prior findings that the Alliance RTO had adequate scope and concluded that there should be only one RTO in the Midwest and that it should be MISO. On April 25, 2002, the FERC directed the companies in the Alliance RTO to make a compliance filing in thirty days identifying which RTO they intended to join. We chose to join MISO. As a result, effective October 1, 2003, we transferred operational control of our transmission facilities in the East Central Area Reliability Agreement ("ECAR") area to MISO as part of an independent transmission company formed by us, Ameren Services Company and Northern Indiana Public Service Company called GridAmerica, LLC ("GridAmerica"). However, in 2005, we and the other members of GridAmerica withdrew from that company, which ceased operations effective November 1, 2005. Since that time we have been a member of MISO directly as a signatory to the MISO Transmission Owners Agreement.

On July 31, 2009, FirstEnergy and we announced our intention to withdraw our transmission assets and operations from MISO and move them into PJM. In our filing with the FERC to obtain approval of our realignment into PJM, we and FirstEnergy have requested a decision by the FERC by December 17, 2009, in order to complete our integration into PJM by June 1, 2011. See "—PJM Operations" and "—Current FERC Matters—Proposed PJM Realignment."

In 2001, FirstEnergy and we acquired GPU, Inc. ("GPU"), the parent of three utility operating subsidiaries: Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company (collectively, the "FirstEnergy PJM Utilities"). In 1953, these GPU operating subsidiaries joined the Pennsylvania-New Jersey-Maryland power pool, a predecessor organization to PJM. Thus, at the time of the acquisition, the FirstEnergy PJM Utilities were members of PJM. We do not intend to acquire any of the transmission assets of the FirstEnergy PJM Utilities in connection with our realignment into PJM, and currently expect that they will remain separate transmission owners within PJM with their own transmission pricing structure.

Rate Setting and Attachment O

Network and Point-to-Point Transmission Rates. As a transmission utility with rates regulated by the FERC, we earn revenues through tariff rates charged to customers for the use of our transmission system, by transmission customers, which include investor-owned utilities, municipalities, co-operatives, power marketers and other wholesale customers that provide electricity to end-use customers. The rates, terms and conditions of our transmission service are subject to regulation only by the FERC. Network and point-to-point transmission rates that we currently charge are established using a cost-of-service formula, referred to as "Attachment O."

Attachment O is a FERC-approved cost-of-service formula rate that we and other transmission-owning members of MISO calculate annually. Under Attachment O, our rates are set annually to allow recovery of actual expenses and a return on rate base, consisting primarily of property, plant and equipment. Rates derived using Attachment O are posted on the MISO Open Access Same Time Information System each year. These annually updated rates become effective June 1 of each year. While we are not required to file a rate case with the FERC in updating the rate calculations each year, the rate formula and the inputs to the formula in setting rates are subject to legal challenge by interested parties in a proceeding under Section 206 of the FPA.

Many transmission owning utilities in PJM also use a formula rate to recover their transmission costs. In the event that FirstEnergy consolidates its transmission operations into PJM, we will propose a formula rate similar to the Attachment O formula for our zone in PJM. The rate filing to implement the PJM formula rate is not expected to be made until late January of 2011 to become effective June 1, 2011. This proposal will be filed at the FERC and is subject to review and approval by the FERC. We will also be subject to various other provisions of the PJM tariff related to transmission service and will become a signatory to the Consolidated Transmission Owners Agreement in PJM. As part of our proposed integration into PJM, we may also be obligated to pay certain exit fees to MISO and integration fees to PJM, which we expect to seek recovery of in rates. See "Risk Factors—Risks Related to Our Business—*Certain elements of our cost recovery through rates can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on our business, financial condition, results of operations and cash flows.*"

Network and Point-to-Point Transmission Rate Calculation. We will calculate a tariff rate under Attachment O based on our specific financial information and load data. The following steps illustrate our rate-setting methodology under Attachment O:

Step One – *Establish Rate and Allowed Return on Rate Base*

The rate base is calculated using the year-end balances and consists primarily of in-service property, plant and equipment, net of accumulated depreciation. The rate base also includes an accumulated deferred income tax adjustment, working capital adjustments, as well as other items. As of December 31, 2008, our rate base was $651.8 million.

The allowed return on rate base is calculated by multiplying the equity portion of the rate base by the FERC-approved return on equity of 12.38% and adding the interest expense of the debt portion of the rate base.

Step Two – *Calculate Gross Revenue Requirement*

The gross revenue requirement is calculated beginning with the allowed return on rate base, as calculated in Step One above, and adding operating expenses, taxes, depreciation and amortization and other items.

Step Three – *Calculate Transmission Rate*

The billing rate is calculated by crediting against the revenue requirement certain revenues from point-to-point transmission service used to service load outside of our footprint that are distributed by MISO. The transmission rate charged to customers serving load in our footprint then is determined by dividing the net revenue requirement by network load.

Reliability

In late 2003 and early 2004, a series of letters, reports and recommendations were issued from various entities, including governmental, industry and ad hoc reliability entities (the PUCO, the FERC, the NERC and the U.S. – Canada Power System Outage Task Force) regarding enhancements to regional reliability. The proposed enhancements were divided into two groups: enhancements that were to be completed in 2004; and enhancements that were to be completed after 2004. In 2004, FirstEnergy completed all of the enhancements that were recommended for completion in 2004, including those applicable to our transmission system. FirstEnergy and us also proceeded with and completed the implementation of the recommendations that were to be completed subsequent to 2004.

In 2005, the Energy Policy Act of 2005 amended the FPA to provide, among other things, for federally-enforceable mandatory reliability standards. The mandatory reliability standards apply to the bulk power system and impose certain operating, record-keeping and reporting requirements on us and the Ohio Companies and Penn. The NERC, which was certified by the FERC as the Electric Reliability Organization in the U.S. pursuant to Section 215 of the FPA on July 20, 2006, is charged with establishing and enforcing these reliability standards, although it has delegated day-to-day implementation and enforcement of its responsibilities to eight regional entities, including Reliability*First*. Reliability*First* began operations under the NERC on January 1, 2006 and represents the consolidation of the ECAR, Mid-Atlantic Area Council, and Mid-American Interconnected Network reliability councils into a single regional reliability organization. All of our facilities are located within the Reliability*First* region. We and FirstEnergy actively participate in the NERC and Reliability*First* stakeholder processes, and otherwise monitor and manage our companies in response to the ongoing development, implementation and enforcement of the applicable reliability standards.

We believe that we are in compliance with all reliability standards. Nevertheless, it is clear that the NERC, Reliability*First* and the FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. The financial impact of complying with new or amended standards cannot be determined at this time. However, the 2005 amendments to the FPA provide that all prudent costs incurred to comply with the new reliability standards be recovered in rates. Still, any future inability on our part to comply with the reliability standards for our transmission system could result in the imposition of financial penalties and thus have a material adverse effect on our financial condition, results of operations and cash flows.

In April 2007, Reliability*First* performed a routine compliance audit of FirstEnergy's bulk electric power system within the MISO region, including our transmission system, and found it to be in full compliance with all audited reliability standards. Similarly, in October 2008, Reliability*First* performed a routine compliance audit of FirstEnergy's bulk electric power system within the PJM region and a final report was issued in early 2009. Neither we nor FirstEnergy expects any material adverse financial impact as a result of these audits.

Current FERC Matters

Proposed PJM Realignment. On July 31, 2009, FirstEnergy and we announced our intention to withdraw our transmission facilities from MISO and realign them into PJM. The effect of the realignment is to consolidate essentially all of FirstEnergy's generation and transmission operations, including our operations, within a single RTO. On August 17, 2009, FirstEnergy filed an application with the FERC to consolidate its transmission assets and operations into PJM. Currently, FirstEnergy's transmission assets and operations are divided between PJM and MISO. The consolidation would move our transmission assets — which represent FirstEnergy's transmission assets located within the footprint of the Ohio Companies and Penn — into PJM. If approved, the consolidation would provide customers with the benefits of a more fully developed retail choice market, and FirstEnergy and its utility affiliates with the operating efficiencies of a single RTO — with one set of rules, procedures and protocols. To ensure a definitive ruling at the same time the FERC rules on its request to integrate us into PJM, on October 19, 2009, FirstEnergy filed a related complaint with the FERC on the issue of allocating transmission costs to our footprint for high voltage transmission projects approved as part of PJM's RTEP prior to FirstEnergy's integration into PJM. We may also be obligated to pay certain exit fees to MISO and integration fees to PJM in connection with such a transition.

FirstEnergy has requested that the FERC rule on its application by December 17, 2009, to provide time to permit management to make a decision on whether to integrate into PJM so that load serving entities in our footprint can participate in the 2010 Base Residual Auction for capacity. Subject to a satisfactory FERC ruling, the integration is expected to be complete on June 1, 2011, to coincide with delivery of power under the next competitive generation procurement process for each of the Ohio Companies and Penn.

On September 4, 2009, the PUCO opened a case to take comments from Ohio stakeholders regarding the RTO consolidation. FirstEnergy filed extensive comments in the PUCO case on September 25, 2009, reply comments on October 13, 2009 and attended a public hearing on September 15, 2009 to respond to questions regarding the RTO consolidation.

Several parties have intervened in the regulatory dockets at the FERC and at the PUCO. Certain interveners have commented and protested particular elements of the proposed RTO consolidation, including the payment of an exit fee to MISO, integration costs to PJM, and cost-allocations of future transmission upgrades in PJM and MISO to our footprint. Although the result of these comments and protests could delay or increase our cost to effect the proposed realignment, we do not expect them to have a material adverse effect on our business or results of operations.

SECA Settlements. On November 18, 2004, the FERC issued an order eliminating the through and out rate for transmission service between the MISO and PJM regions. The FERC's intent was to eliminate multiple transmission charges for a single transaction between the MISO and PJM regions. The FERC also ordered MISO, PJM and the transmission owners within MISO and PJM to submit compliance filings containing a rate mechanism to recover lost transmission revenues created by elimination of this SECA charge during a 16-month transition period. The FERC issued orders in 2005 setting the SECA for hearing. The presiding judge issued an initial decision on August 10, 2006, rejecting the compliance filings made by MISO, PJM, and the transmission owners, and directing new compliance filings. This decision is subject to review and approval by the FERC. Briefs addressing the initial decision were filed on September 11, 2006 and October 20, 2006. The matter is pending before the FERC, and in the meantime, FirstEnergy affiliates have been negotiating and entering into settlement agreements with other parties in the docket to mitigate the risk of lower transmission revenue collection associated with an adverse order. On September 26, 2008, the MISO and PJM transmission owners filed a motion requesting that the FERC approve the pending settlements and act on the initial decision. On November 20, 2008, the FERC issued an order approving uncontested settlements, but did not rule on the initial decision. On December 19, 2008, an additional order was issued approving two contested settlements. On October 29, 2009, FirstEnergy affiliates and certain affiliates of Exelon Corporation submitted for filing an executed settlement agreement, which is currently pending before the FERC.

State Regulation

The PUCO does not have jurisdiction to regulate our rates or terms and condition of service. As a "public utility" and an "electric light company" as such terms are defined in Sections 4905.02 and 4905.03(A)(4), respectively, of the Ohio Revised Code, however, we are subject to the PUCO's jurisdiction over financing activities and the Ohio Power Siting for construction of new high-voltage transmission lines.

We are also subject to the regulatory oversight of the Ohio Environmental Protection Agency and certain local authorities for compliance with applicable environmental standards and regulations.

MISO Operations

MISO operates as a not-for-profit provider of transmission services, transmission planner, balancing authority and reliability coordinator for its transmission owning members and market participants. MISO has functional control over the transmission lines owned by the participating transmission owners, serving as an independent third party that schedules transmission for its transmission customers across these lines and also insures the provision of required ancillary services. MISO operates as the interface between power suppliers (generators and marketers) and the local distribution companies that ultimately deliver power to the end users. MISO has a fiduciary obligation to maximize transmission service revenue, efficiently utilize the transmission system and operate its systems in a safe and reliable manner. For more detail, see "Our Business—Material Agreements—MISO Agreements."

Transmission Responsibilities

Transmission owners who are parties to the MISO Transmission Owners Agreement have turned functional control of their transmission assets over to MISO. This group includes public power agencies and cooperatives that own and operate transmission facilities. MISO, acting as an agent on behalf of the participating transmission owners, collects revenues from customers for use of the transmission grid and remits the revenues to the participating transmission owners on a monthly basis. Under a separate agency agreement with MISO, MISO also provides wholesale services to customers served at voltages below 69 kV over distribution facilities, including those of the Ohio Companies and Penn that were not transferred to MISO. Under the MISO Transmission Owners

Agreement, in the event that a transmission owner withdraws from MISO, all financial obligations incurred and payments applicable to time periods prior to such withdrawal will be honored by MISO and the withdrawing transmission owner. These payment obligations are described more specifically in the MISO ASM tariff. Withdrawing members are subject to an "exit fee" under Schedules 10, 16 and 17 of the MISO ASM tariff to cover their proportional share of certain MISO administrative costs. The loads in a departing transmission owner's footprint may also be responsible for the costs of regional or subregional transmission facilities that are allocated to the footprint under Schedule 26 of the MISO tariff prior to the transmission owner's departure.

Transmission Planning and Cost Allocation

As a member of MISO, we participate in MISO's regional transmission planning process. MISO performs regional transmission planning for transmission facilities in its footprint pursuant to the MTEP Protocol. This Protocol requires MISO to prepare a transmission plan for "the projected load growth of existing network customers and other transmission service and interconnection commitments." The reliability enhancements contained in this plan are called "Baseline Reliability Projects." MISO also evaluates economic projects ("Regionally Beneficial Projects"). On December 4, 2009, MISO approved the first economic project for construction in Illinois.

The costs of Baseline Reliability Projects are allocated as follows. For projects between 100 kV and 344 kV, the costs are allocated to load using a "line outage distribution factor table" that calculates a specific allocation to each pricing zone. For projects 345 kV and above, there are two allocations: one based on pricing zones and one regional (postage stamp). Eighty percent of the costs are allocated to the load using the same line outage distribution factor ("LODF") analysis as for lower voltage facilities (*i.e.*, each pricing zone receives a specific allocation). Twenty percent of the costs are allocated to all transmission customer loads in the region and the costs are spread "on a system-wide basis and recovered through a system-wide rate." These provisions implement the *RECB I Order*, which established cost allocation for reliability projects within MISO.

Regionally Beneficial Projects are non reliability projects 345 kV and above that exceed $5 million and meet a defined Benefit/Cost ratio. The cost of Regionally Beneficial Projects are allocated as follows. Twenty percent of the costs of the project are allocated on a load ratio share basis to all MISO customers on a postage stamp basis and eighty percent are allocated among three geographic regions ("subregions") on the basis of a beneficiary analysis. Once each subregion is assigned its portion of project costs, the cost allocation among pricing zones within the subregion is based on a load ratio share basis. This cost allocation is set forth in the FERC's *RECB II Order*.

More recently, the FERC approved the allocation of transmission interconnection facilities and network upgrades for new generators. In general, this approach results in the generator bearing 100% of the cost of network upgrades rated below 345 kV and 90% of the costs of network upgrades rated at 345 kV and above with the remaining ten percent being recovered from transmission customers on a system-wide (load ratio share) basis. This cost allocation methodology was approved in the FERC's *RECB III Order*, subject to replacement by a permanent rate design to be filed by MISO no later than July 15, 2010.

PJM Operations

Transmission Planning and Cost Allocation

PJM performs regional transmission planning for the transmission facilities within its footprint pursuant to the RTEP Protocol. This Protocol requires PJM to plan transmission expansions in order to meet the demands for firm transmission service in the PJM Region. PJM consolidates the transmission needs of the region into a single plan to maintain reliability and support competition in the PJM Region, which is defined as the geographic area encompassing the electrical loads served by PJM.

Cost allocation for facilities included in RTEP is governed by Schedule 12 of the PJM Open Access Transmission Tariff. Schedule 12 contains two allocation methods for owners selecting incremental rate treatment: one for facilities 500 kV and above (collectively, the "Regional Facilities and Necessary Lower Voltage Facilities") and one for facilities below 500 kV ("Lower Voltage Facilities"). Costs for Regional Facilities are allocated on an "annual load-ratio share basis" to all loads in PJM. The costs of Lower Voltage Facilities are allocated using a "beneficiary pays" approach. This approach uses a computer model to calculate "distribution factors [that] represent a measure of the effect of the load of each Zone or Merchant Transmission Facility on the transmission constraint that requires the Lower Voltage Facility." These provisions implement *Opinion No. 494*, in which the FERC approved the cost allocation for the PJM region.

On August 6, 2009, the Court of Appeals for the Seventh Circuit remanded *Opinion No. 494*'s allocation of the costs of Regional Facilities and Necessary Lower Voltage Facilities. The FERC will, in due course, consider its options on remand. However, because that remand proceeding may take significant time to resolve, in FirstEnergy's RTEP complaint and RTO consolidation proceedings FirstEnergy requested that the FERC not defer resolution of the allocation of RTEP legacy projects to the load in our footprint until the remand proceeding is complete. The effect of granting the relief requested by us in our RTEP complaint is simply that, if the FERC ultimately determines that any of the legacy RTEP projects should continue to be allocated across PJM, the load in our zone would be exempt from that allocation. In any case, we would not incur additional costs related to the PJM RTEP prior to our integration.

Environmental Regulation

Our operations are subject to federal, state, and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities to investigate or remediate contamination, as well as other liabilities concerning hazardous materials or contamination, such as claims for personal injury or property damage, may arise at many locations. These liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of environmental laws, these liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Environmental requirements generally have become more stringent and compliance with those requirements more expensive. We are not aware of any specific developments that would increase our costs for such compliance in a manner that would be expected to have a material adverse effect on our results of operations, financial position or liquidity.

Our assets and operations also involve the use of materials classified as hazardous, toxic or otherwise dangerous. Many of the properties we operate have been used for power transmission and distribution operations for many years, and include older facilities and equipment that may be more likely than newer equipment to contain or be made from these materials. Some of them also include aboveground or underground storage tanks and associated piping. Some of them also include large electrical equipment filled with mineral oil, which may contain or previously have contained polychlorinated biphenyls. Our facilities and equipment are often situated close to or on property owned by others so that, if they are the source of contamination, others' property may be affected. For example, aboveground and underground transmission lines sometimes traverse properties that we do not own, and, at some of our transmission stations, transmission assets (owned or operated by us) and distribution assets (owned or operated by our transmission customers) are comingled.

Some properties in which we have an ownership interest or at which we operate are, and others are suspected of being, affected by environmental contamination. We are not aware of any claims pending or threatened against us with respect to environmental contamination, or of any investigation or remediation of contamination at any properties, that entail costs likely to materially affect us. Some facilities and properties are located near environmentally sensitive areas such as waterways, wetlands and habitats of endangered or threatened species.

Pursuant to the Ground Leases relating to substantially all of the land, easements and other real property interests on, under or over which our transmission assets are situated, we have certain indemnification rights relating to environmental liability accruing prior to the commencement of the ground lease or related to the activities of the applicable utility subsidiary lessor.

Claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electricity transmission and distribution lines. While we do not believe electromagnetic field exposure and injury has been generally established and accepted in

the scientific community, if such a relationship is established or accepted, the liabilities and costs imposed on our business could be significant. We are not aware of any claims pending or threatened against us for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields and electricity transmission and distribution lines that entail costs likely to have a material adverse effect on our results of operations, financial position or liquidity.

OUR BUSINESS

Overview

We were organized under the laws of the State of Ohio in 1998 to engage exclusively in the transmission of electricity (i.e., 69 kV and above). We are a wholly-owned subsidiary of FirstEnergy, a publicly-traded diversified energy company headquartered in Akron, Ohio. The substantial portion of our transmission assets were originally acquired as of September 1, 2000, from the Ohio Companies and Penn, as an intermediate and facilitating step in the subsequent transfer of the functional control of the transmission assets, and their operation, to an RTO.

Effective October 1, 2003, we transferred operational control of our transmission facilities to MISO. With MISO, we plan, operate and maintain our transmission system in accordance with NERC reliability standards and other applicable regulatory entities to ensure reliable service to customers. Our business strategy is to operate, maintain, and invest in our transmission infrastructure to continue to ensure system integrity and reliability and to prudently manage our expenses, capital expenditures and regulatory position. As discussed more fully under "—FERC Matters—Proposed PJM Realignment" below, on July 31, 2009, FirstEnergy and we announced our intention to withdraw our transmission facilities from MISO and realign them into PJM.

Our major transmission facilities currently transmit electricity in MISO from generating stations to local electricity distribution facilities located primarily in Ohio and Western Pennsylvania. Our facilities consist of approximately 7,300 circuit miles (5,821 pole miles) of transmission lines with nominal voltages of 345 kV, 138 kV and 69 kV and approximately 71 substations. In 2008, we had a network system peak load of 12,986 MW. Our transmission lines are connected to generation resources, distribution facilities and neighboring transmission systems, including 35 interconnections with other transmission systems.

We derive nearly all of our revenues from providing:

- network transmission services,
- point-to-point transmission service, and
- scheduling, control and dispatch services over our system.

Our primary transmission service customers in MISO are the Ohio Companies and Penn (including their respective provider of last resort suppliers), which accounted for approximately 84% of our revenues in 2008, and AMP and Buckeye, which accounted for approximately 8% of our revenues in 2008. Our remaining revenues are generated from providing transmission services to other entities reserving transmission service from MISO. Substantially all of our operating expenses and assets support our transmission operations.

The rates we charge are established annually using a FERC-approved cost-of-service formula rate template that is completed annually. See "Regulation and Industry Overview—Rate Setting and Attachment O." Under this formula, our rates are set annually to allow recovery of actual expenses and a return on rate base, consisting primarily of property, plant and equipment. As of December 31, 2008, our rate base was $651.8 million and our FERC-approved return on equity portion of rate base is 12.38%.

We are committed to investing capital in our transmission system to enhance performance and reliability, to reduce constraints on the transmission system and to respond to specific requests for service by generators, loads and interconnected utilities. We believe that prudently investing capital in our transmission system and expanding our rate base will result in increased revenues and net income. We currently estimate that we will invest up to $216 million over the next five years. Our capital expenditures could, however, be lower than we expect for a number of reasons, including, among others, the impact of weather conditions, union strikes, labor shortages, material and equipment prices and availability, limitations on the amount of construction that can be undertaken on our system at any one time, untimely regulatory approval relating to environmental, siting or regional planning issues or as a result of legal proceedings related to specific projects. Our capital expenditures could also be higher than expected if we

are required by MISO or PJM, or specific customer requests for service generator and load interconnections, as applicable, to spend more on capital projects than currently anticipated.

Credit Strengths

We believe that our business combines operational excellence and reliable service, a positive business environment and predictability.

Operational excellence and reliable service. We are committed to owning, operating, maintaining, planning and investing in our transmission system to enhance performance and reliability, to reduce constraints on the transmission system and to respond to specific requests for transmission service from generators, loads and interconnected utilities. We strive to provide:

- Best-in-class system performance as measured by operations, maintenance, customer service and safety records. We ranked favorably in the SGS Statistical Services Transmission Reliability Benchmarking program in key reliability measures, including outperforming our peers with respect to both the number and duration of outages on our 345 kV bulk power system. Our five-year all-voltage average circuit outage duration is 152.3 minutes, equating to a five-year average availability of 99.971% and our average circuit outages outperform our peer group. We are in compliance with mandatory reliability standards imposed by NERC and Reliability*First*.

Positive Business Environment. We believe that we operate in a positive business environment due to:

- a regulated transmission-only system with strong operating performance and an experienced management team;
- an attractive service territory supported by highly rated network customers;
- a supportive regulatory environment;
- a prudent and predictable capital investment strategy that is largely focused on rebuilding and upgrading existing transmission facilities; and
- work with established RTO planners to enhance system reliability and performance.

Predictability. We believe that the following elements make our performance more predictable than other regulated electric utility businesses:

- an annual formulaic rate-setting mechanism that provides predictable revenue and cash flow;
- no rate hearings required to put calculated rates into effect;
- a reliable transmission system with strong operating performance;
- significant regulatory oversight and separation from other FirstEnergy operations;
- minimal commodity and energy demand risk;
- a management commitment to a conservative strategic, financial and capital expenditure plan; and
- a strong investment grade credit profile.

Our Operations

As a transmission-only company, we function as a conduit, moving power from generators to local distribution facilities or to interconnected transmission systems either entirely through our own system or in conjunction with neighboring transmission systems. Third parties then transmit power through these local distribution facilities to end-use customers. Our transmission of electricity is a central function to the provision of electricity to residential, commercial and industrial end-use customers. As a member of the MISO RTO, functional control over our transmission assets has been assigned to MISO. For a description of MISO's operations, see "Regulation and Industry Overview—MISO Operations."

Our operations fall into the following categories:

- transmission planning;
- engineering, design and construction;
- maintenance; and
- real time operations.

Asset Planning

Asset planning uses detailed system models and long-term load forecasts to develop our system expansion capital plans. The expansion plans identify projects that address potential future reliability issues and/or produce economic savings for customers by eliminating constraints. Asset planning works closely with the RTOs in the development of our annual system expansion capital plans by performing technical evaluations and detailed studies. MISO and PJM each develop its own expansion plan that reflects transmission system improvement projects by its members, including, in respect of MISO, us.

Engineering, Design and Construction

Our engineering, design and construction group is responsible for design, equipment specifications, maintenance plans and project engineering for capital, operation and maintenance work and is comprised primarily of affiliate employees and, to a lesser extent, outside contractors. These internal technical experts have experience with respect to the key elements of the transmission system such as substations, lines, equipment and protective relaying systems, which allows us to effectively manage outside contractors.

Maintenance

We develop and track our preventive maintenance plan to promote a safe and reliable system. By performing preventative maintenance on our assets, we can minimize the need for reactive maintenance, resulting in improved reliability. The bulk of our maintenance work is performed pursuant to service level agreements between us and FirstEnergy affiliates. These agreements provide us with access to an experienced and scalable workforce with knowledge of our system at an established rate with rolling evergreen terms unless terminated by either party after the required notice period. See "—Operating Contracts—Service Agreements."

Real Time Operations

We operate an isolated, secured real time operations facility from which we manage our transmission systems operations. Transmission systems operations include switching and taking proactive safety measures to facilitate capital construction projects and maintenance programs, system monitoring, contingency and security analysis, and responding to unplanned incidents on the system. We are the local balancing authority for our footprint pursuant to the Amended Balancing Authority Agreement with MISO.

Material Agreements

Interconnection Agreements

We have entered into three general types of interconnection agreements with generators, load serving entities and other transmission companies: generator-transmission interconnection agreements, distribution-transmission interconnection agreements and utility-to-utility interconnection agreements. The generation-transmission interconnection agreements govern the terms and conditions of the interconnection of an owner's generation facilities with our transmission facilities. The distribution-transmission interconnection agreements govern the terms and conditions of the interconnection of a load serving entity's distribution facilities with the transmission facilities. We have also entered into interconnection agreements with other transmission operators, such as American Electric Power Company, Inc., governing the interconnection of our transmission facilities.

We are also party to a transmission system operating agreement with the Ohio Companies, Penn and FirstEnergy Solutions Corp. regarding the planning and operation of our transmission system, the relationship among affiliated generators, transmission, and distribution facilities, and the use of distribution facilities for wholesale service.

MISO Agreements

We are a party to the MISO Transmission Owners Agreement and the Amended Balancing Authority Agreement that govern the roles and responsibilities between us and MISO in providing services within the MISO region. The MISO Transmission Owners Agreement is a multi-party agreement between MISO, us and other transmission owners which provides for the organization and governance of the MISO and the authorization of each member to cede functional control over the operation of its transmission system to MISO. Effective October 1, 2003, operational control of our transmission system was transferred to MISO. MISO must offer non-discriminatory transmission service over the entire transmission system, administer the transmission tariff, provide any related ancillary services and be generally responsible for the reliability of the transmission system. As part of its administration of the transmission tariff, MISO is responsible for billing, collecting and distributing revenues to the transmission owners (including us).

The Amended Balancing Authority Agreement is a multi-party agreement between MISO and the MISO Local Balancing Authorities (the "LBAs"), under which we act as an LBA within MISO. Under Attachment FF to the Open Access Transmission, Energy and Operating Reserve Markets Tariff for MISO, we, as "Transmission Owners," are obligated to participate in the development of MISO's expansion plans, to construct transmission facilities as assigned. However, in connection with the realignment into PJM (see Regulation and Industry Overview—Current FERC Matters—Proposed PJM Realignment"), certain of these agreements, including the MISO Transmission Owners Agreement and the Amended Balancing Authority Agreement will be terminated and new agreements will be entered into with PJM as appropriate. The differences between MISO and PJM cost allocation process have been described above (see Regulation and Industry Overview—MISO Operations—Transmission Planning and Cost Allocation and Regulation and Industry Overview—PJM Operations—Transmission Planning and Cost Allocation). However, the obligations of the transmission owners to participate, plan and construct transmission facilities in the regional transmission expansion plan are substantially the same in both MISO and PJM.

Service Agreements

We are a party to mutual service level agreements with FirstEnergy pursuant to which each of us and FirstEnergy provide certain administration, management and consulting services to the other at fully allocated cost, including direct costs, overhead and a return on assets employed in the services provided to the other party. These agreements are rolling evergreen contracts which are automatically renewed for one year terms, unless either party provides 60 days' written notice prior to the annual renewal date. FirstEnergy Service Company also provides similar services to us and other FirstEnergy affiliates pursuant to a service agreement at fully allocated cost. This agreement is a rolling evergreen contract, terminable by either party with 60 days' prior written notice.

Ground Leases

We lease (but do not own) substantially all of the real property and right-of-ways underlying our transmission assets pursuant to the Ground Leases entered into with the Ohio Companies and Penn, as lessors, from which we acquired those transmission assets in 2000. The Ground Leases provide for our non-exclusive use of the land, casements and other real property interests on, over or under which the transmission assets are situated and have an initial term of approximately 50 years, which we may extend for additional 50-year periods if we are not in material default under the applicable lease at the time of renewal. The lessors have reserved the right to use, and to permit authorized users to use, portions of the real property underlying our transmission facilities for all purposes that do not cause our transmission facilities to violate the National Electric Safety Code or applicable laws or that do not materially impair our ability to satisfy our service obligations under applicable tariffs. We have the priority right to use the leased property for electric transmission and the right to replace and modify transmission facilities on the leased property so long as it does not increase our use of, or burden upon, the portions of the land that are not within the leased property, and the lessors and other authorized users may use the land and transmission facilities to the extent those uses are compatible.

The premises we lease from the lessors under the applicable Ground Leases are subject to, and our leasehold interest therein is subordinate to, the lien of the Lessor Indentures. However, we have entered into non-disturbance agreements with the applicable trustees for the Ohio Companies' lessor indentures that are intended to protect our right to occupy and use the land and rights-of-way covered by the Ground Lease with the Ohio Companies and our ability to access and operate the transmission assets located thereon from disturbance or interruption if, as a result of a default by one of the Ohio Companies under its lessor indenture, the applicable trustee under such lessor indenture exercises remedies against such land or rights-of-way including in connection with a bankruptcy of such Ohio Company. We do not have a similar agreement with the trustee for Penn's lessor indenture, although we intend to pursue one.

Under the terms of the Ground Leases, we are obligated to pay aggregate rent, on a quarterly basis, of approximately $21 million annually. This base rent is net to the lessors of any taxes, costs, expenses, liabilities, charges or other deductions whatsoever with respect to the premises or interest of the lessors therein, expect as specifically provided otherwise.

Subject to our ability to mortgage the leases and to incur certain tax-related liens, we may not permit the interest of the applicable lessors or us to become subject to any lien. In addition, if the applicable lessors determine to sell any leased property, we have a right of first refusal to purchase the leased property, and if we do not elect to exercise our right of purchase, and a third party purchases the leased property, our lease rights are preserved under the applicable Ground Lease and will not result in an adjustment of the base rent. The Ground Leases contain standard provisions for leases of this kind, including provisions regarding quiet enjoyment, indemnification, and events of default. We may not assign the Ground Leases without the prior written approval of the applicable lessors, which they may withhold for any reason or no reason.

Finally, we typically acquire real estate and right-of-ways necessary for construction of new transmission facilities directly in our name, and these property rights are not subject to the Ground Leases.

Although, as discussed above under "Risk Factors—Risks Related to the Ground Leases and Our Properties," risks do exist with regard to the Ground Leases, we do not believe such issues are likely to impair our ability to occupy such land and rights-of-way and to access and operate our transmission facilities since the Ohio Companies, Penn, or any successor or transferee of any of their assets would be unable to deliver power to their customers without our transmission assets. In addition, because our transmission assets provide an important public service, we believe that there will be strong public policy reasons for federal, state and local regulators to minimize any disruption or interruption of our ability to provide transmission service. If the land and rights-of-way on which our transmission assets are located are transferred, we believe that any future transferees, and if necessary, regulators, will continue to grant us access to the land for the purpose of utilizing our transmission assets.

Properties

In 2000, we acquired ownership of all of the transmission facilities of the Ohio Companies and Penn, consisting of all of their transmission facilities operating at nominal voltages of generally 345 kV and 138 kV (bulk transmission) and 69 kV facilities (area transmission). These facilities together with similar assets subsequently acquired include:

- approximately 7,300 circuit miles (5,821 pole miles) of transmission lines (*i.e.*, towers, poles, conductors);
- transmission substations, including certain facilities providing both transmission and distribution functions that were primarily transmission in nature;
- substations at generation facilities;
- voltage control devices (*e.g.*, fixed and switched capacitors, reactors, synchronous condensers, static VAR controllers) and power flow control devices directly connected to the transmission system;
- radial taps from the transmission system that are 69 kV and above, excluding facilities establishing the final circuit connection to substations providing transformation or other connection to distribution facilities or retail customers;
- a mobile substation/transformer with a choice of 69 kV or 34.5 kV;
- mobile capacitor banks 69 kV or higher;
- a system control center facility and equipment in Wadsworth, Ohio, not including the associated land and land rights; and
- all equipment spares for transmission facilities.

Our assets do not include distribution facilities used to provide retail service or generation facilities, although we are party to an agency agreement with the Ohio Companies and Penn that permits our use of their distribution facilities as needed to provide transmission service. In addition, a major portion of the land, easements and other real property interests on, under or over which our transmission facilities are situated continue to be owned by the Ohio Companies and Penn from which we acquired those transmission assets in 2000 and are leased to us pursuant to the Ground Leases. See "—Operating Agreements—Ground Lease" above. We believe we have adequate land rights for the operation and maintenance of our transmission facilities.

Principal Customers

Our primary transmission service customers in MISO are the Ohio Companies and Penn (including their respective provider of last resort suppliers), AMP and Buckeye. Our remaining revenues are generated from providing transmission services to other entities reserving transmission service from MISO.

Billing

MISO is responsible for billing and collection for transmission services and administers the transmission tariff in the MISO service territory. As our billing agent, MISO bills our customers on a monthly basis and collects payments for the use of our transmission system. MISO has implemented strict credit policies for its members, which include customers using our transmission system. In general, if these customers do not maintain their investment grade credit rating or have a history of late payments, MISO may require the customer to provide a letter of credit or a cash deposit equal to the highest monthly invoiced amount over the previous 12 months.

Competition

We are currently the only transmission system in our footprint and, therefore, effectively have no competitors.

The principal competitive factors that may impact our business are the use by third parties of economic substitutes for transmission over the system, physical constraints which restrict our system's use and the possibility of "merchant transmission." Economic substitutes may include geographic distribution of generation capability through the use of local generation facilities, such as mini-generation plants or fuel cells that deliver electric power directly to users without transmission. We may also be affected by the physical constraints of the system to which we are connected. Such constraints could limit the ability of potential users to send power over our transmission system. Merchant transmission facilities generally represent electric transmission infrastructure that is constructed, owned and operated by merchant transmission entities within the franchised service territory of third party electric utility service providers. Merchant transmission providers may compete with us to build transmission infrastructure in our service territory. A few merchant transmission lines have been approved in the Northeastern U.S. and in California; however, none have been constructed in our service territory to date. If significant merchant transmission occurs in our service territory, our financial condition and/or operations could be adversely affected.

Employees

As of November 30, 2009, we had 38 direct employees. In addition, certain services are provided on our behalf by employees of our affiliate, FirstEnergy Service Company. See "—Service Agreements."

Litigation

Other than those proceedings pending before the FERC discussed above under "Regulation and Industry Overview—Current FERC Matters," there are no legal proceedings currently pending against us that could reasonably be expected to have a material adverse effect on our financial condition, results of operations and cash flows.

MANAGEMENT

Set forth below is the name, age as of December 4, 2009, position and a brief account of the business experience of each of our executive officers and directors and key employees.

Name	Age	Position(s)
Richard R. Grigg	61	President and Director
Mark T. Clark	59	Executive Vice President, Chief Financial Officer and Director
Leila L. Vespoli	50	Executive Vice President and General Counsel
James F. Pearson	55	Vice President and Treasurer
Harvey L. Wagner	57	Vice President and Controller
Anthony J. Alexander	58	Director
William D. Byrd	55	Vice President, Corporate Risk and Chief Risk Officer
Bradley S. Ewing	49	Vice President, Utility Support
Stanley F. Szwed	57	Vice President, Federal Energy Regulatory Commission Policy, and Chief FERC Compliance Officer

Richard R. Grigg has served as one of our directors since 2004. He has served as our President since 2008 and Executive Vice President and Chief Operating Officer from 2004-2008. He has also served as President and Executive Vice President of FirstEnergy Utilities since 2008 and Executive Vice President and Chief Operating Officer from 2004-2008 of FirstEnergy. He currently serves as an officer and director of many other subsidiaries of FirstEnergy.

Mark T. Clark has served as one of our directors since May 2009. He has served as our Executive Vice President and Chief Financial Officer since May 2009. He has also served as Executive Vice President and Chief Financial Officer since May 2009 and Executive Vice President, Strategic Planning and Operations from 2008-2009 of FirstEnergy. He served as Senior Vice President, Strategic Planning & Operations from 2007-2008 and Senior Vice President from 2004-2007 of FirstEnergy Service Company. He currently serves as an officer and director of many other subsidiaries of FirstEnergy.

Leila L. Vespoli has served as our Executive Vice President and General Counsel since 2008 and Senior Vice President and General Counsel from 2002-2008. She has also served as Executive Vice President and General Counsel since 2008 and Senior Vice President and General Counsel from 2001-2008 of FirstEnergy. She currently serves as an officer of many other subsidiaries of FirstEnergy.

James F. Pearson has served as our Vice President and Treasurer since 2006 and Treasurer from 2005-2006. He has also served as Vice President and Treasurer since 2006 and Treasurer from 2005-2006 of FirstEnergy. He was Group Controller-Strategic Planning and Operations from 2004-2005 of FirstEnergy Service Company. He currently serves as an officer of many other subsidiaries of FirstEnergy.

Harvey L. Wagner has served as our Vice President and Controller since 2002. He has also served as Vice President, Controller & Chief Accounting Officer since 2002 of FirstEnergy. He currently serves as an officer of many other subsidiaries of FirstEnergy.

Anthony J. Alexander has served as one of our directors since 1998. He served as our President from 2004-2008. He has served as President and Chief Executive Officer since 2004 and has been a Director since 2002 of FirstEnergy. He currently serves as an officer and director of many other subsidiaries of FirstEnergy.

William D. Byrd has served as our Vice President, Corporate Risk and Chief Risk Officer since 2007. He has served as our Director of Rates Strategy from 2004 to 2007.

Bradley S. Ewing has served as our Vice President, Utility Support since 2009. He has served as Vice President, Energy Delivery from 2007 to 2009 and our Vice President from 2004 to 2007.

Stanley F. Szwed has served as our Vice President, Federal Energy Regulatory Commission Policy, and Chief FERC Compliance Officer since 2007. He has served as Vice President from 2001 to 2007.

None of our directors receives separate compensation for such duties as director.

Executive Compensation

Our executives are compensated by FirstEnergy. A detailed description of the compensation information with respect to certain of our officers and directors is contained in Schedule A.

DESCRIPTION OF SENIOR NOTES

The following is a summary of certain terms of the Senior Notes, does not purport to be complete, and is subject to, and qualified in its entirety by, the terms of the Senior Notes set forth in the Indenture. Certain capitalized terms used in this offering memorandum are defined in the Indenture.

General

The Senior Notes will be issued as a series of senior notes under the Indenture, to be dated as of December 1, 2009, between us and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Senior Notes will be our unsecured general obligations and will rank equally with our other unsecured and unsubordinated indebtedness.

There is no limitation on the amount of Senior Notes that may be issued under the Indenture. The Senior Notes and all other senior notes heretofore or hereafter issued under the Indenture are collectively referred to under this heading as the "senior notes."

The Senior Notes will be issued in book-entry form only, in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof.

Maturity, Interest Rate and Interest Payment Dates

The Senior Notes will mature on January 15, 2022, unless earlier redeemed as described under "—Optional Redemption" below.

Interest on the Senior Notes will:

- be payable in U.S. dollars at the rate of 5.25% per annum;
- be computed for each interest period on the basis of a 360-day year consisting of twelve 30-day months and for any period shorter than a full month, on the basis of the actual number of days elapsed in such period;
- be payable semi-annually in arrears on each January 15 and July 15 , beginning on July 15, 2010 and at the maturity date;
- initially accrue from, and include, the date of original issuance (i.e., December 15, 2009); and
- be paid to the persons in whose names the Senior Notes are registered at the close of business on the regular record date, which is the business day immediately preceding the respective interest payment date (other than an interest payment date that is a maturity date or a redemption date), so long as the Senior Notes are issued in book-entry only form and otherwise, the record date will be the fifteenth calendar day next preceding the respective interest payment date (whether or not a business day). See "—Book Entry;" provided, however, that if and to the extent we shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the respective persons in whose names such outstanding Senior Notes are registered at the close of business on a date (the "Subsequent Record Date") not less than ten (10) days nor more than fifteen (15) days next preceding the date of payment of such defaulted interest, such Subsequent Record Date to be established by us by notice given by mail by or on behalf of us to the registered owners of Senior Notes not less than ten (10) days next preceding such Subsequent Record Date. Notwithstanding the foregoing, interest payable at maturity or upon earlier redemption will be payable to the person to whom principal shall be payable. If any interest payment date should fall on a day that is not a business day, then the interest payment shall be made on the next succeeding business day and no interest shall accrue for the intervening period with respect to the payment so deferred. We shall not be required to make transfers or exchanges of Senior Notes for a period of 15 calendar days next preceding an interest payment date.

Optional Redemption

The Senior Notes will be redeemable as a whole or in part, at our option, at any time, at a redemption price equal to the greater of:

- 100% of the principal amount of the Senior Notes being redeemed, or
- as determined by the Independent Investment Banker (as defined below), the sum of the present values of the Remaining Scheduled Payments (as defined below), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 30 basis points,

plus, in each case, accrued and unpaid interest, if any, to the redemption date. The Senior Notes shall not otherwise be subject to redemption by us prior to maturity on such Senior Notes to the date of redemption.

The term "Adjusted Treasury Rate, " as used above means, with respect to any redemption date:

- the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated *"H.15(519)" or any successor* publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from these yields on a straight line basis, rounding to the nearest month); or
- if the release (or any successor release) is not published during the week preceding the calculation date or does not contain these yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date. The Adjusted Treasury Rate will be calculated on the third business day preceding the redemption date.

The term "Comparable Treasury Issue," as used above, means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such securities ("Remaining Life").

The term "Comparable Treasury Price," as used above, means (i) the average of three Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than three Reference Treasury Dealer Quotations, the average of all such quotations.

The term "Independent Investment Banker," as used above, means one of the Reference Treasury Dealers appointed by us.

The term "Reference Treasury Dealer," as used above, means:

- each of Barclays Capital Inc., Goldman, Sachs & Co. and J.P. Morgan Securities Inc. and their respective successors; provided, however, that if any of the foregoing cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer; and
- any other Primary Treasury Dealer selected by the Independent Investment Banker after consultation with us.

The term "Reference Treasury Dealer Quotations," as used *above, means, with respect to each* Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third business day preceding the redemption date.

The term "Remaining Scheduled Payments," as used above means, with respect to the Senior Notes to be redeemed, the remaining scheduled payments of principal of and interest on such Senior Notes that would be due after the related redemption date but for such redemption. If such redemption date is not an interest payment date with respect to such Senior Notes, the amount of the next succeeding scheduled interest payment on such Senior Notes will be reduced by the amount of interest accrued on such Senior Notes to such redemption date.

We will mail notice of any redemption between 30 days and 60 days before the redemption date to each holder of the Senior Notes to be redeemed.

Unless, in the case of an unconditional notice of redemption, we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

Events of Default

The following constitute events of default under the Indenture with regard to senior notes of any series:

- the failure to pay interest on any senior note within 30 days after the same becomes due;
- the failure to pay principal of and premium, if any, on any senior note when due and payable;
- the failure to perform or breach of any of our covenants or warranties in the Indenture (other than a covenant or a warranty a default in the performance of which or breach of which is dealt with elsewhere under this paragraph or which has been included in the Indenture solely for the benefit of one or more series of senior notes other than such series) for a period of 90 days after there has been given to us by the Trustee, or to us and the Trustee by the holders of at least 33% in principal amount of outstanding senior notes, by registered or certified mail, a written notice specifying the default or breach and requiring it to be remedied and stating that the notice is a "Notice of Default," unless the Trustee, or the Trustee and the holders of a principal amount of senior notes not less than the principal amount of senior notes the holders of which gave the notice, as the case may be, agree in writing to an extension of the period prior to its expiration; provided, however, that the Trustee, or the Trustee and those holders, as the case may be, will be deemed to have agreed to an extension of that period if corrective action has been initiated by us within that period and is being diligently pursued;
- certain events of bankruptcy, insolvency, reorganization, assignment or receivership.

If an event of default occurs and is continuing, either the Trustee or the holders of 33% in aggregate principal amount of the outstanding senior notes may declare the principal amount of and interest on all of the senior notes to be due and payable immediately. At any time after this declaration of the maturity of the senior notes then outstanding, and before a judgment or decree for payment of money is to have been obtained by the Trustee under the Indenture, the event or events of default under the Indenture giving rise to this declaration of acceleration will, without further act, be deemed to have been waived, and this declaration and its consequences will, without further act, be deemed to have been rescinded and annulled, if:

- we have paid or deposited with the Trustee a sum sufficient to pay:
  - all overdue interest, if any, on all senior notes then outstanding;

- the principal of and any premium on any senior notes then outstanding which have become due otherwise than by this declaration of acceleration and interest on any senior notes at the prescribed rate or rates in those senior notes; and

- all amounts due to the Trustee as compensation and reimbursement as provided in the Indenture; and

- any other event or events of default under the Indenture other than the non-payment of the principal of senior notes which became due solely by this declaration of acceleration, will have been cured or waived as provided in the Indenture.

Subject to certain limitations contained in the Indenture, the holders of a majority in aggregate principal amount of the outstanding senior notes generally will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred on the Trustee. The holders of a majority in aggregate principal amount of the outstanding senior notes generally will have the right to waive any past default or event of default (other than a payment default) on behalf of all holders of the senior notes. The Indenture provides that no holder of the senior notes may institute any action against us under the Indenture unless it has previously given to the Trustee written notice of the occurrence and continuance of an event of default and unless the holders of a majority in aggregate principal amount of the senior notes then outstanding affected by the event of default have requested the Trustee to institute the action and have offered the Trustee reasonable indemnity, and the Trustee has not instituted the action within 60 days of the request. Furthermore, no holder of the senior notes will be entitled to institute any action if and to the extent that the action would disturb or prejudice the rights of other holders of the senior notes. Notwithstanding that the right of a holder of the senior notes to institute a proceeding with respect to the Indenture is subject to certain conditions precedent, each holder of a senior note has the right, which is absolute and unconditional, to receive payment of the principal of, and premium, if any, and interest on the senior note when due and to institute suit for the enforcement of such payment, and those rights may not be impaired without the consent of the affected holders of senior notes.

The Indenture provides that the Trustee is required to give holders of the senior notes notice of any default known to the Trustee, in accordance with the Trust Indenture Act, unless such default shall have been cured or waived, but, except in the case of default not relating to the payment of principal of, or premium, if any, or interest on, any senior notes, no such notice shall be given until at least 45 days after the occurrence thereof. We are required to deliver to the Trustee each year an officer's certificate as to whether or not we are in compliance with the conditions and covenants under the Indenture.

Modification with Consent of Holders

Under the Indenture, the rights of the holders of senior notes may be changed with the consent of the holders representing a majority in principal amount of the outstanding senior notes of all series affected by the change, voting as one class, provided that the following changes may not be made without the consent of the holders of each outstanding senior note affected thereby:

- change the stated maturity of the principal of or any installment of principal of or interest on any senior note, or reduce the principal amount of the amount of any installment of interest on or the rate of interest on any senior note, or change the method of calculating that rate or reduce any premium payable upon the redemption, or reduce the amount of the principal of an original issue discount security that would be payable upon a declaration of acceleration of the maturity thereof, or change the coin or currency or other property in which any senior note or any premium, if any, or the interest on the senior note is payable, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of the senior note or, in the case of redemption, on or after the redemption date;

- reduce the percentage in principal amount of the outstanding senior notes of that series or tranche, the consent of the holders of which is required for any supplemental indenture, or the consent of the holder of which is required for any waiver of compliance with any provision of the Indenture or any default under the Indenture and its consequences, or reduce the requirements for quorum or voting; or

- modify certain provisions of the Indenture relating to supplemental indentures, waiver of some covenants and waivers of past defaults.

An "original issue discount security" means any security authenticated and delivered under the Indenture which provides for an amount less than the principal amount thereof to be due and payable upon the declaration of acceleration of maturity thereof.

Modification without Consent of Holders

The Indenture also permits us and the Trustee without the consent of the holders of any senior notes:

- to evidence the assumption by any permitted successor of our covenants in the Indenture and in the senior notes;

- to add to the covenants with which we must comply or to surrender any of our rights or powers under the Indenture;

- to add additional events of default;

- to change, eliminate, or add any provision to the Indenture; provided, however, if the change, elimination, or addition will adversely affect the interests of the holders of senior notes of any series, other than any series the terms of which permit such change, elimination or addition, in any material respect, such change, elimination, or addition will become effective with respect to such series only:

    - when the consent of the holders of senior notes of such series has been obtained in accordance with the Indenture; or

    - when no senior notes of such series remain outstanding under the Indenture;

- to provide collateral security for all of the senior notes;

- to establish the form or terms of senior notes of any other series as permitted by the Indenture;

- to evidence and provide for the acceptance of appointment of a successor trustee;

- to provide for the procedures required for use of a noncertificated system of registration for the senior notes of all or any series of senior notes;

- to change any place where principal, premium, if any, and interest shall be payable, senior notes may be surrendered for registration of transfer or exchange and notices to us may be served; or

- to cure any ambiguity or inconsistency or to make any other provisions with respect to matters and questions arising under the Indenture; provided that such action shall not adversely affect the interests of the holders of any series of senior notes in any material respect.

Satisfaction and Discharge

We will be discharged from our obligations on the Senior Notes, or any portion of the principal amount of the senior notes of any series, if we:

(1) irrevocably deposit with the Trustee sufficient cash or eligible obligations (or a combination of both) to pay any principal, or portion of principal, interest, premium and other sums when due on the senior notes at their maturity, stated maturity date, or redemption; and

(2) deliver to the Trustee:

(a) if such deposit shall have been made prior to the maturity of the senior notes, a company order stating that the money and eligible obligations deposited in accordance with the Indenture shall be held in trust and, if eligible obligations have been deposited, certain opinions of counsel and of an independent public accountant;

(b) if such deposit shall have been made prior to the maturity of the senior notes, (i) an officer's certificate stating our intention that, upon delivery of the officer's certificate, our indebtedness in respect of the senior notes, or the portions thereof, will have been satisfied and discharged as contemplated in the Indenture; and (ii) an opinion of counsel to the effect that, as a result of a change in law or a ruling of the United States Internal Revenue Service, the holders of the senior notes of the series, or portions thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of our indebtedness and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if we had not so satisfied and discharged our indebtedness.

For this purpose, "eligible obligations" include direct obligations of, or obligations unconditionally guaranteed by, the United States entitled to the benefit of the full faith and credit thereof and certificates, depositary receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof and which do not contain provisions permitting their redemption or other prepayment at the option of the issuer thereof.

In the event that all of the conditions set forth above have been satisfied for the senior notes, or portions thereof, except that, for any reason, we have not delivered the officer's certificate and opinion described in clause (b) above, the holders of those senior notes will no longer be entitled to the benefits of certain of our covenants under the Indenture, including the covenant described above in "—Limitation on Liens." Our indebtedness in respect of those senior notes, however, will not be deemed to have been satisfied and discharged prior to maturity, and the holders of those senior notes may continue to look to us for payment of the indebtedness represented thereby.

The Indenture will be deemed satisfied and discharged when no senior notes remain outstanding and when we have paid all other sums payable by us under the Indenture. All moneys we pay to the Trustee or any paying agent on senior notes which remain unclaimed at the end of two years after payments have become due will be paid to us or upon our order. Thereafter, the holder of those senior notes may look only to us for payment and not the Trustee or any paying agent.

Consolidation, Merger and Sale or Disposition of Assets

We may not consolidate with or merge into any other corporation or entity or sell or otherwise dispose of our properties as or substantially as an entirety unless:

- the successor is an entity organized and existing under the laws of the United States or any state of the United States or the District of Columbia;

- the successor expressly assumes by a supplemental indenture the due and punctual payment of the principal of and premium, if any, and interest on the Senior Notes and all outstanding senior notes under the Indenture and the performance of every covenant of the Indenture to be performed or observed by us; and

- immediately after giving effect to the transactions, no event of default with respect to any series of senior notes and no event which after notice or lapse of time or both would become an event of default with respect to any series of senior notes will have occurred and be continuing.

Upon any consolidation, merger, sale, transfer or other disposition of our properties substantially as an entirety, permissible under the provision described in the immediately preceding paragraph, the successor corporation formed by the consolidation or into which we are merged or to which the transfer is made will succeed to us, and be substituted for us, and may exercise every right and power of ours, under the Indenture with the same effect as if the successor corporation had been named as American Transmission Systems, Incorporated, as applicable, in the Indenture, and we will be released from all obligations under the Indenture.

Certain Covenants

Limitation on Liens

The Indenture provides that, so long as any senior notes are outstanding, we may not issue, assume, guarantee or permit to exist any Debt (as defined below) that is secured by any mortgage, security interest, pledge or lien ("Lien") of or upon any of our Property (as defined below), whether owned at the date of the Indenture or subsequently acquired, without effectively securing such senior notes (together with, if we so determine, any of our other indebtedness ranking equally with such senior notes) equally and ratably with that Debt (but only so long as that Debt is so secured).

The foregoing restriction will not apply to:

(1) Liens on any Property existing at the time of its acquisition (which Liens may also extend to subsequent repairs, alterations and improvements to that Property);

(2) Liens on Property of a corporation existing at the time the corporation is merged into or consolidated with, or at the time the corporation disposes of its properties (or those of a division) as or substantially as an entirety to, us;

(3) Liens on Property to secure the costs of acquisition, construction, development or substantial repair, alteration or improvement of property or to secure Debt incurred to provide funds for any of those purposes or for reimbursement of funds previously expended for any of those purposes, provided the Liens are created or assumed contemporaneously with, or within 18 months after, the acquisition or the completion of substantial repair or alteration, construction, development or substantial improvement;

(4) Liens in favor of any state or any department, agency or instrumentality or political subdivision of any state, or for the benefit of holders of securities issued by any such entity (or providers of credit enhancement with respect to those securities), to secure any Debt (including, without limitation, our obligations with respect to industrial development, pollution control or similar revenue bonds) incurred for the purpose of financing or refinancing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving property which at the time of such purchase, repair, alteration, construction, development or improvement was owned or operated by us;

(5) Liens securing Debt outstanding as of the date of issuance of the Senior Notes as the first series of senior notes issued under the Indenture;

(6) Liens securing Debt which matures less than 12 months from its issuance or incurrence and is not extendible at our option;

(7) Liens on Property which is the subject of a lease agreement designating us as lessee and all of our right, title and interest in such Property and such lease agreement, whether or not such lease agreement is intended as security;

(8) Liens for taxes and similar levies, deposits to secure performance or obligations under certain specified circumstances and laws, mechanics' and other similar Liens arising in the ordinary

course of business, Liens created by or resulting from legal proceedings being contested in good faith, and certain other similar Liens arising in the ordinary course of business;

(9) Liens related to moneys held in trust by the trustee for the benefit of the holders of the senior notes; or

(10) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in clauses (1) through (9), provided, however, that the principal amount of Debt secured thereby and not otherwise authorized by clauses (1) through (9), must not exceed the principal amount of Debt, plus any premium or fee payable in connection with the extension, renewal or replacement, so secured at the time of the extension, renewal or replacement.

However, the foregoing restriction will not apply to our issuance, assumption or guarantee of Debt secured by a Lien which would otherwise be subject to the foregoing restriction up to an aggregate amount which, together with all of our other secured Debt then outstanding (not including secured Debt permitted under any of the foregoing exceptions) and the Value (as defined below) of Sale and Lease-Back Transactions (as defined below) existing at that time (other than Sale and Lease-Back Transactions the proceeds of which have been applied to the retirement of certain indebtedness, Sale and Lease-Back Transactions in which the property involved would have been permitted to be subjected to a Lien under any of the foregoing exceptions in clauses (1) to (10) and Sale and Lease-Back Transactions that are permitted by the first sentence of "—Limitation on Sale and Lease-Back Transactions" below), does not exceed the greater of 15% of our Net Tangible Assets and 15% of Capitalization (as those terms are defined below), in each case, determined in accordance with generally accepted accounting principles ("GAAP") and as of a date not more than 60 days prior to such issuance, assumption or guarantee of debt. As of September 30, 2009, our Net Tangible Assets were approximately $730.8 million and our Capitalization was approximately $647.5 million.

Limitation on Sale and Lease-Back Transactions

The Indenture provides that so long as any senior notes are outstanding, we may not enter into or permit to exist, any Sale and Lease-Back Transaction with respect to any Property (except for transactions involving leases for a term, including renewals, of not more than 48 months), if the purchasers' commitment is obtained more than 18 months after the later of the completion of (i) the acquisition, construction or development of that Property or (ii) the placing in operation of that Property or of that Property as constructed or developed or substantially repaired, altered or improved.

This restriction will not apply if:

- we would be entitled pursuant to any of the provisions described in clauses (1) to (10) of the first sentence of the second paragraph under "—Limitation on Liens" above to issue, assume, guarantee or permit to exist Debt secured by a Lien on that Property without equally and ratably securing the senior notes;

- after giving effect to a Sale and Lease-Back Transaction, we could incur pursuant to the provisions described in the second sentence of the second paragraph under "—Limitation on Liens," at least $1.00 of additional Debt secured by Liens (other than Liens permitted by the preceding paragraph); or

- we apply within 180 days an amount equal to, in the case of a sale or transfer for cash, the net proceeds (not exceeding the net book value), and, otherwise, an amount equal to the fair value (as determined by our Board of Directors) of the Property so leased, to the retirement of senior notes or other of our Debt ranking equally with the senior notes, subject to reduction for senior notes and Debt retired during the 180-day period otherwise than pursuant to mandatory sinking fund or prepayment provisions and payments at stated maturity.

The term "Capitalization," as used above, means the total of all the following items appearing on, or included in, our consolidated balance sheet: (i) liabilities for indebtedness maturing more than 12 months from the date of determination; and (ii) common stock, preferred stock, premium on capital stock, capital surplus, capital in

excess of par value, and retained earnings (however the foregoing may be designated), less, to the extent not otherwise deducted, the cost of shares of our capital stock held in our treasury.

The term "Debt," as used above, means any outstanding debt for money borrowed evidenced by notes, debentures, bonds, or other securities.

The term "Net Tangible Assets," as used above, means the amount shown as total assets on our consolidated balance sheet, less the following: (i) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents, and unamortized debt discount and expense and other regulatory assets carried as an asset on our consolidated balance sheet; (ii) current liabilities; and (iii) appropriate adjustments, if any, on account of minority interests.

The term "Property," as used above, means (i) any interest in real property owned by us and (ii) any asset owned by us that is depreciable in accordance with GAAP.

The term "Sale and Lease-Back Transaction," as used above, means any arrangement with any person providing for the leasing to us of any Property (except for leases for a term, including any renewals, of not more than 48 months), which Property has been or is to be sold or transferred by us to such person; provided, however, Sale and Lease-Back Transaction does not include any arrangement (i) first entered into prior to the date of the indenture and (ii) involving the exchange of any Property for any property subject to an arrangement first entered into prior to the date of the indenture.

The term "Value," as used above, means, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds to us from the sale or transfer of the property leased pursuant to the Sale and Lease-Back Transaction or (ii) the net book value of the property leased, as determined by us in accordance with GAAP, in either case multiplied by a fraction, the numerator of which will be equal to the number of full years of the term of the lease that is part of the Sale and Lease-Back Transaction remaining at the time of determination and the denominator of which will be equal to the number of full years of the term of the lease, without regard, in any case, to any renewal or extension options contained in the lease.

Financial Statements

The Indenture provides that the Company will furnish (either directly or through instructions to the Trustee) to the holders of senior notes as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year, consolidated summary financial information of the Company for such quarter in reasonable detail.

Resignation or Removal of Trustee

The Trustee may resign at any time by giving us written notice or may be removed at any time by the holders of a majority in principal amount of senior notes then outstanding. The resignation or removal of the Trustee and appointment of a successor trustee will not be effective until the successor trustee accepts the appointment in accordance with the Indenture. In addition, so long as no event of default under the Indenture or event which, after notice or lapse of time, or both, would become an event of default under the Indenture has occurred and is continuing, under certain circumstances, we may, by resolution of our Board of Directors, appoint a successor trustee. If that successor accepts the appointment, the Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Indenture.

Concerning the Trustee

The Bank of New York Mellon Trust Company, N.A. is the Trustee under the Indenture. The Indenture provides that our obligations to compensate the Trustee and reimburse the Trustee for expenses, disbursements and advances will constitute indebtedness which will be secured by a lien generally prior to that of the Senior Notes upon all property and funds held or collected by the Trustee as such.

The Indenture provides that the Trustee shall be subject to and shall comply with the provisions of Section 310(b) of the Trust Indenture Act of 1939, and that nothing in the Indenture shall be deemed to prohibit the Trustee or us from making any application permitted pursuant to such section. The Trustee is also a depositary of ours and certain of our affiliates and has in the past made, and may in the future make, periodic loans to us and certain of our affiliates.

Governing Law

The Indenture and the Senior Notes will be governed by New York law.

Book-Entry

Book-Entry Securities

The Senior Notes sold in reliance upon Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S will be evidenced by one or more global certificates, in definitive, fully registered, book-entry form (the "Global Certificates"). We will deposit the Global Certificates with a custodian for and registered in the name of Cede & Co. as nominee of DTC *as depositary for the Global Certificates. Beneficial interests in the* Global Certificates will be shown on, and transfers of beneficial interests will be effected only through, records maintained by DTC and its participants. Beneficial interests in the Global Certificates will be exchanged for Senior Notes in certificated form only under the limited circumstances described below.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, and all of the rules and regulations promulgated thereunder (collectively, the "Exchange Act"), DTC was created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Upon the issuance of the Global Certificates in registered form, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the Senior Notes represented by the Global Certificates to the accounts of Participants. The accounts to be credited shall be designated by the Initial Purchasers. Ownership of beneficial interests in the Global Certificates will be limited to Participants or persons that may hold interests through Participants. Ownership of beneficial interests by Participants in the Global Certificates will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by DTC or its nominee. Ownership of beneficial interests in the Global Certificates by persons that hold through Participants will be shown on, and the transfer of that ownership interest within such Participant will be effected only through, records maintained by such Participant. Owners of beneficial interests in the Global Certificates will not receive written confirmation providing details of the transaction, or periodic statements of their holdings, from the Participants through which they purchased beneficial interests in the Global Certificates. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in the Global Certificates.

Beginning 40 days after the date of original issuance of the Senior Notes but not earlier, investors may also hold such interests through organizations other than Clearstream or Euroclear (each as defined below) that are participants in the DTC system. Clearstream and Euroclear will hold interests in the Global Certificates representing Senior Notes purchased pursuant to Regulation S on behalf of their participants through DTC.

Senior Notes purchased pursuant to Regulation S will initially be represented by the Temporary Regulation S Global Certificate. After the expiration of the period ending 40 days after the later of the commencement of the offering and the date the Senior Notes were initially issued (the "Regulation S Distribution Compliance Period"), holders of beneficial interests in the Temporary Regulation S Global Certificate may exchange their beneficial interests for beneficial interests in the Permanent Regulation S Global Certificate representing Senior Notes purchased pursuant to Regulation S, upon certification that such beneficial owner is not a "U.S. person" as such term is used in Regulation S or upon certification that such beneficial owner is a U.S. person who purchased its interest in the Senior Notes in a transaction that did not require registration of the Senior Notes under the Securities Act. Prior to the expiration of the Regulation S Distribution Compliance Period, any sale or transfer of interests in Senior Notes purchased pursuant to Regulation S to, or for the account or benefit of, U.S. persons will not be permitted. See "Transfer Restrictions."

So long as DTC, or its nominee, is the registered owner of the Global Certificates, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the Senior Notes represented by the Global Certificates for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in the Global Certificates will not be entitled to have Senior Notes registered in their names, will not receive or be entitled to receive physical delivery of the Senior Notes in definitive form and will not be considered the owners or Holders thereof under *the Indenture*.

Payment of principal of, premium, if any, and any interest on the Senior Notes represented by the Global Certificates will be made to DTC or its nominee, as the case may be, as the registered owner or the Holder of the Global Certificates representing the Senior Notes. Neither we nor any of the Trustee, any paying agent or the security registrar for the Senior Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC has advised us that, upon receipt of any payment of principal, premium or interest in respect of the Global Certificates, DTC will immediately credit Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificates as shown on the records of DTC. We also expect that payments by Participants to owners of beneficial interests in the Global Certificates held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants.

The Global Certificates may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

According to DTC, the foregoing information with respect to DTC has been provided to its Participants and other members of the financial community for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind. We have provided the foregoing descriptions of the operations and procedures of DTC solely as a matter of convenience. The operations and procedures are solely within the control of DTC and are subject to change by DTC from time to time. You are urged to contact DTC or its Participants directly to discuss these matters.

Clearstream

Clearstream Banking, société anonyme, Luxembourg ("Clearstream"), is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations, known as Clearstream participants, and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to the Global Certificates held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream.

Euroclear

Euroclear was created in 1968 to hold securities for its participants, known as Euroclear participants, and to clear and settle transactions between Euroclear participants and between Euroclear participants and participants of certain other securities intermediaries through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear is owned by Euroclear Clearance System Public Limited Company and operated through a license agreement by Euroclear Bank S.A./N.V., known as the Euroclear operator. The Euroclear operator provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing and related services. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters.

Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. The Euroclear operator is regulated and examined by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, collectively referred to as the terms and conditions. The terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the Global Certificates held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depositary for Euroclear.

Definitive Securities

If DTC is at any time unwilling or unable to continue as depositary and the Trustee does not appoint a successor depositary within 90 days or we in our sole discretion determine that the Senior Notes shall be exchangeable pursuant to the Supplemental Indenture, we will issue Definitive Securities in exchange for the Global Certificates representing the Senior Notes. In addition, in the event of a default and at the request of the holders of at least 25% in principal amount of the Senior Notes, Global Certificates in a book-entry form only will be exchanged for Definitive Securities representing the Senior Notes. In any such instance, an owner of a beneficial interest in the Global Certificates will be entitled to physical delivery of Definitive Securities represented by the Global Certificates equal in principal amount to such beneficial interest and to have such Definitive Securities registered in its name.

Restrictions on Transfer

The Senior Notes will be subject to restrictions on transfer and will bear a restrictive legend substantially as described in "Transfer Restrictions."

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

Circular 230 Notice

The tax discussion contained in this offering memorandum is not given in the form of a covered opinion within the meaning of Circular 230 issued by the U.S. Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any advice contained in this offering memorandum for the purpose of avoiding U.S. federal tax penalties. The tax discussion contained in this offering memorandum was written to support the promotion or marketing of the transactions or matters described in this offering memorandum. Each Holder (as defined below) should seek advice based on the Holder's particular circumstances from an independent tax advisor.

The following is a summary of material U.S. federal income tax consequences of the acquisition, ownership and disposition of the Senior Notes, but it does not purport to be a complete analysis of all the potential tax considerations. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis. This summary is limited to the tax consequences of those persons who are original beneficial owners of the Senior Notes, who purchase the Senior Notes at their original issue price for cash and who hold such Senior Notes as capital assets within the meaning of Section 1221 of the Code, who we refer to as "Holders." This summary assumes that the Senior Notes are not issued with "original issue discount" as that term is defined in the Code and Section 1.1273-1 of the Treasury Regulations. This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular Holders in light of their particular investment circumstances or status, nor does it address specific tax consequences that may be relevant to particular persons (including, for example, banks, financial institutions, broker-dealers, insurance companies, real estate investment trusts, regulated investment companies, partnerships or other pass-through entities, expatriates, tax-exempt organizations, persons that have a functional currency other than the U.S. Dollar or persons in special situations, such as those who have elected to mark securities to market or those who hold the Senior Notes as part of a straddle, hedge, conversion transaction or other integrated investment). In addition, this summary does not address U.S. federal alternative minimum, estate and gift tax consequences, consequences under the tax laws of any state, local or foreign jurisdiction, or consequences under any U.S. federal tax laws other than income tax law. We have not sought any ruling from the Internal Revenue Service (the "IRS"), with respect to the statements made and the conclusions reached in this summary, and we cannot assure you that the IRS will agree with such statements and conclusions.

This summary is for general information only. Prospective purchasers of the Senior Notes are urged to consult their independent tax advisors concerning the U.S. federal income tax consequences to them of acquiring, owning and disposing of the Senior Notes, as well as the application of state, local and foreign tax laws and U.S. federal tax laws other than income tax law.

For purposes of the following summary, "United States Holder" is a Holder that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the U.S.; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the U.S., any state thereof, or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if a court within the U.S. is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all its substantial decisions or if a valid election to be treated as a U.S. person is in effect with respect to such trust. A "Non-United States Holder" is a Holder that is neither a United States Holder nor a partnership for U.S. federal income tax purposes.

A partnership for U.S. federal income tax purposes is not subject to income tax on income derived from holding the Senior Notes. A partner of the partnership may be subject to tax on such income under rules similar to the rules for United States Holders or non-United States Holders depending on whether (i) the partner is a U.S. person and (ii) the partnership is engaged in a U.S. trade or business to which income or gain from the Senior Notes is effectively connected. If you are a partner of a partnership acquiring the Senior Notes, you should consult your tax advisor about the U.S. tax consequences of holding and disposing of the Senior Notes.

U.S. Federal Income Taxation of United States Holders

Payment of Interest

Payments of interest on the Senior Notes will be "qualified stated interest" and will be taxable as ordinary interest income at the time it accrues or is received by a United States Holder in accordance with the United States Holder's regular method of accounting for U.S. federal income tax purposes.

Disposition of Senior Notes

Upon the sale, exchange, redemption or other taxable disposition of a Senior Notes, a United States Holder generally will recognize taxable gain or loss equal to the difference between (i) the sum of cash plus the fair market value of all other property received on such disposition (except to the extent such cash or property is attributable to accrued but unpaid interest, which is treated as interest as described above) and (ii) such Holder's adjusted tax basis in the Senior Note. A United States Holder's adjusted tax basis in a Senior Notes generally will equal the cost of the Senior Note to such Holder.

Gain or loss recognized on the sale, exchange, redemption or other taxable disposition of a Senior Note generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of such disposition, the United States Holder's holding period for the Senior Note is more than one year. The deductibility of capital losses by United States Holders is subject to limitations.

U.S. Federal Income Taxation of Non-United States Holders

Payment of Interest

Subject to the discussion of backup withholding below, payments of interest on the Senior Notes by us or any of our agents to a Non-United States Holder will not be subject to U.S. federal withholding tax, provided that such payments are not effectively connected with the conduct of a U.S. trade or business or in the case of a treaty resident, attributable to a U.S. permanent establishment (or, in the case of an individual, a fixed base) maintained by the Non-United States Holder in the U.S., and:

(1) the Non-United States Holder does not, directly or indirectly (including by ownership of equity interests in FirstEnergy Corp.), actually or constructively own 10% or more of the total combined voting power of all classes of our stock which is entitled to vote;

(2) the Non-United States Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related to us (within the meaning of Section 864(d)(4) of the Code);

(3) the Non-United States Holder is not a bank described in Section 881(c)(3)(A) of the Code; and

(4) either (a) the beneficial owner of the Senior Notes certifies to us or our agent on IRS Form W-8BEN (or a suitable substitute form or successor form), under penalties of perjury, that it is not a "United States person" (as defined in the Code) and provides its name and address, or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, or a Financial Institution, and holds the Senior Notes on behalf of the beneficial owner certifies to us or our agent, under penalties of perjury, that such a certification has been received from the beneficial owner by it, or by a Financial Institution between it and the beneficial owner, and furnishes us with a copy thereof.

The requirements set forth in clauses (1), (2), (3) and (4) above are known as the Portfolio Interest Exception.

If a Non-United States Holder cannot satisfy the requirements of the Portfolio Interest Exception, payments of interest made to such Non-United States Holder will be subject to a 30% U.S. federal withholding tax unless the beneficial owner of the Senior Note provides us or our agent, as the case may be, with a properly executed:

(1) IRS Form W-8BEN (or successor form) claiming, under penalties of perjury, an exemption from, or reduction in, withholding under a tax treaty, or Treaty Exemption, or

(2) IRS Form W-8ECI (or successor form) stating that interest paid on the Senior Note is not subject to withholding tax because it is effectively connected with a U.S. trade or business of the beneficial owner (in which case such interest will be subject to regular graduated U.S. tax rates as described below).

The certification requirement described above also may require a non-United States Holder that provides an IRS form or that claims a Treaty Exemption, to provide its U.S. taxpayer identification number.

We suggest that you consult your tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge or reason to know that the statements on the form are false.

If interest on the Senior Note is effectively connected with a U.S. trade or business of the Non-United States Holder (and if required by an applicable treaty, attributable to a U.S. permanent establishment), the Non-United States Holder, although exempt from the withholding tax described above (provided that the certifications described above are satisfied), will be subject to U.S. federal income tax on such interest on a net income basis in the same manner as if it were a United States Holder. In addition, if such Holder is a foreign corporation and interest on the Senior Note is effectively connected with its U.S. trade or business (and if required by applicable treaty, attributable to a U.S. permanent establishment), such Holder may be subject to a branch profits tax equal to 30% (unless reduced by treaty) in respect of such interest.

Disposition of Senior Notes

Subject to the discussion of backup withholding below, no withholding of U.S. federal income tax will be required with respect to any gain or income realized by a Non-United States Holder upon the sale, exchange or other disposition of a Senior Note.

Except with respect to accrued and unpaid interest, a Non-United States Holder will not be subject to U.S. federal income tax on gain realized on the sale, exchange, redemption or other disposition of a Senior Note unless (a) the Non-United States Holder is an individual who is present in the U.S. for a period or periods aggregating 183 or more days in the taxable year of the disposition and certain other conditions are met or (b) such gain or income is effectively connected with a U.S. trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base). Accrued and unpaid interest realized on a sale, exchange, redemption or other disposition of the Senior Note will be subject to U.S. federal income tax to the extent interest would have been subject to U.S. federal income tax as described under "—U.S. Federal Income Taxation of Non-United States Holders; Payment of Interest."

Information Reporting and Backup Withholding

United States Holders

For each calendar year in which the Senior Notes are outstanding, we generally are required to provide the IRS with certain information, including the beneficial owner's name, address and taxpayer identification number, the aggregate amount of interest paid to that beneficial owner during the calendar year and the amount of tax withheld, if any. This obligation does not apply, however, with respect to certain payments to United States Holders, including corporations and tax-exempt organizations, provided that they establish entitlement to an exemption.

In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law, or underreports its tax liability, we, our agent or paying agents, or a broker may be required to "backup" withhold a tax at the applicable rate (currently, 28%) of each payment of interest and principal (and premium or additional interest, if any) on the Senior Notes and on the proceeds from a sale of the Senior Notes. This backup withholding is not an additional tax and may be refunded or credited against the United States Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

United States Holders should consult their own tax advisors regarding their qualifications for an exemption from backup withholding, and the procedure for obtaining such exemption, if applicable.

Non-United States Holders

U.S. backup withholding tax will not apply to payments on a Senior Note or proceeds from the sale of a Senior Note payable to a Non-United States Holder if the certification described in "—U.S. Federal Income Taxation of Non-United States Holders; Payment of Interest" is duly provided by such non-United States Holder or the non-United States Holder otherwise establishes an exemption, provided that the payor does not have actual knowledge or reason to know that the Holder is a U.S. person or that the conditions of any claimed exemption are not satisfied. Certain information reporting may still apply to interest payments even if an exemption from backup withholding is established. Copies of any information returns reporting interest payments and any withholding also may be made available to the tax authorities in the country in which a non-United States Holder resides under the provisions of an applicable income tax treaty.

Any amounts withheld under the backup withholding tax rules from a payment to a Non-United States Holder will be allowed as a refund, or a credit against such Non-United States Holder's U.S. federal income tax liability, provided that the requisite procedures are followed.

Non-United States Holders should consult their own tax advisors regarding their particular circumstance and the availability of and procedure for, obtaining an exemption from backup withholding.

MATERIAL ERISA CONSIDERATIONS

Circular 230 Notice

The tax discussion contained in this offering memorandum is not given in the form of a covered opinion within the meaning of Circular 230 issued by the U.S. Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any advice contained in this offering memorandum for the purpose of avoiding U.S. federal tax penalties. The tax discussion contained in this offering memorandum was written to support the promotion or marketing of the transactions or matters described in this offering memorandum. Each holder should seek advice based on the holder's particular circumstances from an independent tax advisor.

The following is a summary of certain considerations associated with the acquisition, holding and disposition of Senior Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "similar laws"), and entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements (each, a "plan").

This summary is based on the provisions of ERISA and the Code (and the related regulations and administrative and judicial interpretations) as of the date hereof. This summary does not purport to be complete, and no assurance can be given that future legislation, court decisions, administrative regulations, rulings or administrative pronouncements will not significantly modify the requirements summarized herein. Any such changes may be retroactive and may thereby apply to transactions entered into prior to the date of their enactment or release.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a plan subject to Title I of ERISA or Section 4975 of the Code and prohibit certain transactions involving the assets of a plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who has or exercises any discretionary authority or discretionary control over the administration of such a plan or authority or control with respect to the management or disposition of the assets of such a plan, or who renders to such a plan investment advice for a fee or other compensation is generally considered to be a fiduciary of the plan. Plans may purchase Senior Notes subject to the investing fiduciary's determination that the investment satisfies ERISA's fiduciary standards and other requirements under ERISA, the Code or similar laws applicable to investments by the plan.

In considering an investment in the Senior Notes of a portion of the assets of any plan, a fiduciary should determine, in the context of the particular circumstances of the investing plan, whether the investment is in accordance with the documents and instruments governing the plan and the applicable provisions of ERISA, the Code or any similar law relating to a fiduciary's duties to the plan including, without limitation, the prudence, diversification, exclusive benefit, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable similar laws.

Any insurance company proposing to invest assets of its general account in the Senior Notes should consider the extent that such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 114 S.Ct. 517 (1993), which in certain circumstances treats those general account assets as assets of a plan for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction rules of ERISA and the Code. In addition, such potential investor should consider the effect of any subsequent legislation or other guidance that has or may become available relating to that decision, including Section 401(c) of ERISA and the regulations promulgated thereunder.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit plans subject to Title I of ERISA or Section 4975 of the Code from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person, including a fiduciary, who engages in a prohibited transaction for which no statutory or regulatory exemption is available may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Senior Notes held by a plan will be deemed to constitute plan assets, and the acquisition, holding and disposition of the notes by a plan may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA, Section 4975 of the Code, or both of those sections, if we are, or the seller or purchaser is, a party in interest or disqualified person with respect to such plan, unless an exemption is available. In this regard, the U.S. Department of Labor (the "DOL") has issued prohibited transaction class exemptions, or "PTCEs," that may apply to these transactions. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting insurance company general accounts, PTCE 96-23 respecting transactions determined by in-house asset managers, and PTCE 75-1 respecting principal transactions by a broker-dealer. Each of these PTCEs contains conditions and limitations on its application. Fiduciaries of plans that consider purchasing Senior Notes in reliance on these or any other PTCEs should carefully review such PTCE to assure it is applicable. In addition to those PTCEs, there are statutory exemptions that may be available. In particular, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code permit certain transactions otherwise prohibited by Section 406(a)(1)(A), (B), and (D) of ERISA and Section 4975(c)(1)(A), (B), and (D) of the Code, between plans and non-fiduciary service providers. In order for the exemption to apply, the plan can receive no less, nor pay no more, than "adequate consideration."

Accordingly, by its purchase of the Senior Notes, each holder, and any fiduciary acting in connection with the purchase on behalf of any plan that is a holder, will be deemed to have represented and warranted on each day from and including the date of its purchase of the Senior Notes through and including the date of disposition of the Senior Notes either (i) that it is not a plan; (ii) that the acquisition, holding and the disposition of the Senior Notes by such holder does not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code or other similar laws; or (iii) that the acquisition, holding and the disposition of the Senior Notes by such holder constitutes or will constitute a prohibited transaction under ERISA or Section 4975 of the Code or other similar laws but an exemption is available with respect to such transaction and the conditions of such exemption have at all relevant times been satisfied.

Any plan should consult its own ERISA and tax advisors regarding the consequences of an investment in the Senior Notes.

The sale of Senior Notes to Plans is in no respect a representation by us or any other person associated with the sale of the Senior Notes that such securities meet all relevant legal requirements with respect to investments by Plans generally or by any particular Plan, or that such securities are otherwise appropriate for Plans generally or any particular Plan.

PLAN OF DISTRIBUTION

Barclays Capital Inc., Goldman, Sachs & Co. and J.P. Morgan Securities Inc. are acting as joint book-running managers of this offering and representatives of the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has agreed to purchase, severally and not jointly, and we have agreed to sell to each Initial Purchaser, the principal amount of Senior Notes set forth opposite each Initial Purchaser's name.

Initial Purchasers	Principal Amount
Barclays Capital Inc.	$ 148,146,000
Goldman, Sachs & Co.	66,667,000
J.P. Morgan Securities Inc.	66,667,000
Mitsubishi UFJ Securities (USA) Inc.	29,630,000
RBS Securities Inc.	29,630,000
Scotia Capital (USA) Inc.	29,630,000
UBS Securities LLC	29,630,000
Total	$ 400,000,000

The purchase agreement provides that the Initial Purchasers are obligated to purchase all of the Senior Notes if any are purchased. The Initial Purchasers propose to offer the Senior Notes initially at the offering prices on the cover page of this offering memorandum. After the initial offering, the offering prices may change.

The Initial Purchasers are offering the Senior Notes, subject to prior sale, when, as, and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Senior Notes, and other conditions contained in the purchase agreement. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Under the purchase agreement, we have agreed to indemnify the several Initial Purchasers against certain liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

In connection with the offering of the Senior Notes, the Initial Purchasers may engage in transactions that stabilize, maintain, or otherwise affect the price of the Senior Notes. Specifically, the Initial Purchasers may overallot in connection with the offering, creating a short position in the Senior Notes. In addition, the Initial Purchasers may bid for, and purchase, the Senior Notes in the open market to cover short positions or to stabilize the price of the Senior Notes. The Initial Purchasers also may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the Initial Purchasers or their affiliates have repurchased notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

Any of these activities may stabilize or maintain the market price of the Senior Notes above independent market levels, but no representation or prediction is made of the magnitude or the direction of any effect that the transactions described above may have on the market price of the Senior Notes. The Initial Purchasers are not required to engage in these activities, and, if commenced, may end any of these activities at any time without notice.

The Senior Notes will be a new issue of securities for which currently there is no trading market. In addition, the Senior Notes are subject to various restrictions on resale and transfer as described under "Transfer Restrictions." We do not intend to apply for the listing or quotation of the Senior Notes on any securities exchange or market. Although the Initial Purchasers have indicated that they intend to make a market in the Senior Notes in a manner permitted under applicable securities laws, the Initial Purchasers are not obligated to do so, and any such market making may be discontinued at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the exchange offer and pendency of any shelf registration statement. Accordingly, there can be no assurance as to the existence, development, maintenance, or liquidity of any trading market for the Senior Notes.

The Initial Purchasers or their respective affiliates have in the past provided, and may in the future provide, investment banking, commercial banking, financial advisory or other services to us and our affiliates for which they have received, or expect to receive, customary fees.

We have been advised by the Initial Purchasers that the Initial Purchasers propose to resell the Senior Notes purchased by them only to persons whom they reasonably believe to be (a) to Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act and (b) outside the U.S. to certain persons in reliance on Regulation S and in accordance with applicable law. See "Transfer Restrictions." In making a purchase of the Senior Notes, each purchaser will be deemed to have made certain representations, warranties, and agreements as set forth under "Transfer Restrictions." Any offer or sale of the Senior Notes in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act.

Each of the Initial Purchasers represents and warrants that (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, or "FSMA") received by it in connection with the issue or sale of any Senior Notes in circumstances in which section 21(1) of the FSMA does not apply to us; and (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Senior Notes in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Senior Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Senior Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and with notification to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Senior Notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by us, the issuer, of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Senior Notes to the public" in relation to any Senior Notes in any Relevant Member State means the communication in any form and by any means of sufficient

information on the terms of the offer and the Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Senior Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Member State.

The Senior Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Senior Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Senior Notes may not be circulated or distributed, nor may the Senior Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Senior Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The Senior Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and each Initial Purchaser has agreed that it will not offer or sell any Senior Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Purchasers of the Senior Notes sold outside the U.S. may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Senior Notes.

Offers and Sales by the Initial Purchasers

The Senior Notes have not been registered under the Securities Act and may not be offered or sold in the U.S. or to, or for the account or benefit of, U.S. Persons (within the meaning of the Securities Act) except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Senior Notes are being offered and sold only (1) in the U.S. to Qualified Institutional Buyers under Rule 144A, and (2) outside the U.S. to non-U.S. persons in reliance on Regulation S.

The only Senior Notes that will be eligible to be deposited with DTC are Senior Notes held by Qualified Institutional Buyers or sold to foreign purchasers in reliance upon Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of the Senior Notes, by accepting such Senior Notes, will be deemed to have represented and agreed as follows:

1. it is acquiring the Senior Notes for its own account or for an account with respect to which it exercises sole investment discretion, and that it or such account, as the case may be, (a) is a Qualified Institutional Buyer, and is aware that the sale to it is being made in reliance on Rule 144A, or (b) is not a "U.S. Person" and is not acquiring the Senior Notes in an offshore transaction, pursuant to Regulation S;

2. it acknowledges that the Senior Notes have not been registered under the Securities Act and may not be sold except as permitted below;

3. it understands and agrees that such Senior Notes are being offered only in a transaction not involving any public offering in the U.S. within the meaning of the Securities Act, and that (a) if in the future it decides to resell, pledge or otherwise transfer such Senior Notes on which the legend set forth below appears, such Senior Notes may be resold, pledged or transferred only (i) to us, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such security is eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A (as indicated by the box checked by the transferor on the Certificate of Transfer on the reverse of the Senior Note if such Senior Note is not in book-entry form), (iv) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S (as indicated by the box checked by the transferor on the Certificate of Transfer on the reverse of the Senior Note if such Senior Note is not in book-entry form), (v) in accordance with another applicable exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to us), or (vi) pursuant to an effective registration statement under the Securities Act and (b) the purchaser will, and each subsequent holder is required to, notify any purchaser of Senior Notes from it of the resale restrictions referred to in (a) above, if then applicable;

4. it understands that the notification requirement referred to in (3)(b) above will be satisfied, in the case only of transfers by physical delivery of certificated Senior Notes other than a Global Certificate, by virtue of the fact that the following legend will be placed on the permanent certificates evidencing the Senior Notes unless otherwise agreed by us:

"THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE DATE OF ORIGINAL ISSUANCE OF THE SECURITIES, EXCEPT IN ACCORDANCE WITH REGULATION S OR RULE 144A OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.";

"NEITHER THIS SECURITY NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). EACH HOLDER HEREOF, AND EACH OWNER OF A BENEFICIAL INTEREST HEREIN BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF AMERICAN TRANSMISSION SYSTEMS, INCORPORATED (THE "COMPANY") THAT THIS SECURITY MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (A)(1) TO THE COMPANY, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (4) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OR REGULATION S UNDER THE SECURITIES ACT (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY), OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR, (2) A NON U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF, OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF, PARAGRAPH (k)(2) OF RULE 902 UNDER REGULATION S UNDER THE SECURITIES ACT";

"THE TRANSFER RESTRICTIONS AND THE OTHER PROVISIONS SET FORTH IN THE INDENTURE ESTABLISHING THE FORM AND TERMS OF THE SENIOR NOTES, INCLUDING THE LEGENDS REQUIRED THEREBY, SHALL APPLY TO THE SENIOR NOTES EXCEPT AS OTHERWISE AGREED BY THE COMPANY AND THE INITIAL PURCHASERS. FOLLOWING THE INITIAL SALE OF THE SENIOR NOTES BY THE INITIAL PURCHASERS TO SUBSEQUENT PURCHASERS PURSUANT TO THE TERMS HEREOF, THE INITIAL PURCHASERS SHALL NOT BE LIABLE OR RESPONSIBLE TO THE COMPANY FOR ANY LOSSES, DAMAGES OR LIABILITIES SUFFERED OR INCURRED BY THE COMPANY, INCLUDING ANY LOSSES, DAMAGES OR LIABILITIES UNDER THE SECURITIES ACT, ARISING FROM OR RELATING TO ANY SUBSEQUENT SALE OR TRANSFER OF ANY SENIOR NOTE.";

5. it has received a copy of this offering memorandum and:

(a) has been afforded an opportunity to ask questions of and to request information from us and the Initial Purchasers, and has received all additional information it considers necessary in connection with its decision to purchase any of the Senior Notes and to verify the accuracy and completeness of the information contained herein;

(b) is relying on the information contained in this offering memorandum in making its investment decision with respect to the Senior Notes and has not relied on the Initial Purchasers or any of their affiliates in connection with investigating the accuracy of such information or its investment decision;

(c) acknowledges that no representation or warranty has been made by the Initial Purchasers as to the accuracy or completeness of the information contained in this offering memorandum or any of the additional information described above;

(d) neither we nor the Initial Purchasers nor any person representing or affiliated with the foregoing have made any representation to you with respect to our company or the offering or sale of the Senior Notes, other than the representations of our company contained in this offering memorandum; and

(e) has read and agreed to the matters set forth in this section of the offering memorandum;

6. it (i) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Senior Notes, (ii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment, and (iii) may be required to bear the financial risks of this investment for an indefinite period of time;

7. it understands that we, the Initial Purchasers, the Trustee, the paying agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by it by its purchase of the Senior Notes are no longer accurate, it shall promptly notify us and the Initial Purchasers in writing. If it is acquiring the Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

8. it understands that the Senior Notes may not be sold or transferred to any employee benefit plans that are subject to the fiduciary provisions of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA, entities that otherwise constitute "benefit plan investors" within the meaning of ERISA or entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements, each, a plan, except that such purchase for or on behalf of a plan shall be permitted, and each purchaser of the Senior Notes shall be deemed to have represented and covenanted that it is not acquiring the Senior Notes for, or on behalf of, and will not transfer the Senior Notes to, a plan unless: (i) no assets of any plan have been used to purchase the Senior Notes, (ii) the purchase, holding, and the disposition of the Senior Notes will not result in a prohibited transaction under ERISA, the Code, or any other applicable federal, state or local laws or regulations, or (iii) the purchase, holding, and the disposition of the Senior Notes is or will result in a prohibited transaction under ERISA, the Code, or any other applicable federal, state or local laws or regulations, but an exemption is available with respect to such transactions and the conditions of such exemption at all relevant times are satisfied.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Wendy Stark, Esq., Associate General Counsel of our affiliate, FirstEnergy Service Company, and Akin Gump Strauss Hauer & Feld LLP, New York, New York, our special New York counsel, and for the Initial Purchasers by Calfee, Halter & Griswold LLP, Cleveland, Ohio. As of September 30, 2009, Ms. Stark beneficially owned 7,258.609 shares of common stock of FirstEnergy Corp., which includes 3,889 shares of unvested restricted stock units. Calfee, Halter & Griswold LLP has in the past represented and currently represents us, FirstEnergy and certain of our affiliates on other matters.

INDEPENDENT ACCOUNTANTS

The financial statements as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008, included in the offering memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

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INDEX TO FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
200 Public Square, 18th Floor
Cleveland OH 44114-2301
Telephone (216) 875 3000
Facsimile (216) 566 7846

Report of Independent Auditors

To the Stockholder and Board of Directors of American Transmission Systems, Incorporated:

In our opinion, the accompanying balance sheets and the related statements of income, common stockholder's equity and cash flows present fairly, in all material respects, the financial position of American Transmission Systems, Incorporated at December 31, 2008, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Cleveland, Ohio
October 27, 2009

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

STATEMENTS OF INCOME

For the Years Ended December 31,	2008	2007	2006
		(In thousands)	
OPERATING REVENUES	$ 236,194	$ 239,691	$ 203,124
EXPENSES:			
Operating costs	63,943	65,326	59,471
Provision for depreciation	36,537	34,189	32,995
Amortization of regulatory assets, net	12,197	10,992	5,957
General taxes	31,188	31,155	28,162
Total expenses	143,865	141,662	126,585
OPERATING INCOME	92,329	98,029	76,539
OTHER INCOME (EXPENSE):			
Miscellaneous income (expense)	(433)	1,057	830
Interest expense	(19,825)	(20,369)	(20,157)
Capitalized interest	1,096	2,918	1,804
Total other expense	(19,162)	(16,394)	(17,523)
INCOME BEFORE INCOME TAXES	73,167	81,635	59,016
INCOME TAXES	27,492	29,575	22,403
NET INCOME	$ 45,675	$ 52,060	$ 36,613

The accompanying Notes to Financial Statements are an integral part of these statements.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

BALANCE SHEETS

As of December 31,	2008	2007	2006
		(In thousands)	
ASSETS			
CURRENT ASSETS:			
Receivables-			
Customers	$ 16,519	$ 20,243	$ 18,194
Associated companies	5,306	7,035	270
Other	49	44	68
Notes receivable from associated companies	15,022	29,656	36,235
Prepayments and other	1,389	1,110	729
	38,285	58,088	55,496
UTILITY PLANT:			
In service	1,507,768	1,456,906	1,392,550
Less - Accumulated provision for depreciation	824,796	794,869	758,973
	682,972	662,037	633,577
Construction work in progress	16,481	26,629	42,039
	699,453	688,666	675,616
DEFERRED CHARGES AND OTHER ASSETS:			
Property taxes	35,632	34,138	35,357
Regulatory assets	30,596	42,794	35,813
Other	71	12	457
	66,299	76,944	71,627
	$ 804,037	$ 823,698	$ 802,739
LIABILITIES AND CAPITALIZATION			
CURRENT LIABILITIES:			
Short-term borrowings to associated companies	$ 2,193	$ 18,496	$ 1,883
Accounts payable to associated companies	12,120	22,958	24,262
Accrued taxes	32,860	32,611	32,867
Other	1,251	1,134	1,034
	48,424	75,199	60,046
CAPITALIZATION:			
Common stockholder's equity			
Common Stock	1	1	1
Other paid-in capital	279,578	279,031	277,981
Accumulated other comprehensive loss	(2,481)	(1,244)	(374)
Retained earnings	138,308	116,633	99,560
Total common stockholder's equity	415,406	394,421	377,168
Long-term debt and other long-term obligations to associated companies	231,307	233,499	235,532
	646,713	627,920	612,700
NONCURRENT LIABILITIES:			
Accumulated deferred income taxes	58,153	43,675	53,383
Accumulated deferred investment tax credits	9,766	10,519	11,273
Property tax credits	35,632	34,138	35,357
Other (See Note 4)	4,349	32,247	29,980
	108,900	120,579	129,993
COMMITMENTS AND CONTINGENCIES			
	$ 804,037	$ 823,698	$ 802,739

The accompanying Notes to Financial Statements are an integral part of these statements.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Comprehensive Income (Loss)	Number of Shares	Par Value	Other Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings
			(Dollars in thousands)			
Balance, January 1, 2006		1	$ 1	$ 277,981	$ -	$ 62,947
Net income and comprehensive income	$ 36,613					36,613
Net liability for unfunded retirement benefits due to the implementation of SFAS 158, net of $391 of income tax benefits					(374)	
Balance, December 31, 2006		1	1	277,981	(374)	99,560
Net income	$ 52,060					52,060
Pension and other postretirement benefits, net of $369 of income tax benefits	(870)				(870)	
Comprehensive income	$ 51,190					
Consolidated tax benefit allocation				1,050		
FIN 48 cumulative effect adjustment						13
Cash dividends declared on common stock						(35,000)
Balance, December 31, 2007		1	1	279,031	(1,244)	116,633
Net income	$ 45,675					45,675
Pension and other postretirement benefits, net of $663 of income tax benefits	(1,237)				(1,237)	
Comprehensive income	$ 44,438					
Consolidated tax benefit allocation				547		
Cash dividends declared on common stock						(24,000)
Balance, December 31, 2008		1	$ 1	$ 279,578	$ (2,481)	$ 138,308

The accompanying Notes to Financial Statements are an integral part of these statements.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2008	2007	2006
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 45,675	$ 52,060	$ 36,613
Adjustments to reconcile net income to net cash from operating activities-			
Provision for depreciation	36,537	34,189	32,895
Amortization of regulatory assets, net	12,197	10,992	5,957
Deferred income taxes and investment tax credits, net	13,060	6,554	4,604
Provision for rate refunds	(8,400)	-	-
Unearned revenue	(21,191)	1,721	1,449
Deferral of new regulatory assets	-	(17,972)	(15,945)
Decrease (increase) in operating assets-			
Receivables	5,448	(7,735)	(1,806)
Prepayments and other current assets	(279)	(381)	(118)
Increase (decrease) in operating liabilities-			
Accounts payable	(10,306)	(1,304)	(7,366)
Accrued taxes	796	(268)	(482)
Other	1,701	(318)	(1,318)
Net cash provided from operating activities	75,238	77,538	54,584
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemptions and Repayments-			
Short-term borrowings, net	(18,495)	(1,883)	(1,745)
Dividend Payments-			
Common stock	(24,000)	(35,000)	-
Net cash used for financing activities	(42,495)	(36,883)	(1,745)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property additions	(46,458)	(47,306)	(39,839)
Loan repayments from (loans to) associated companies, net	14,634	6,579	(12,705)
Other, net	(909)	71	(295)
Net cash used for investing activities	(32,743)	(40,656)	(52,839)
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	$ -	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash Paid During the Year-			
Interest (net of amounts capitalized)	$ 18,285	$ 20,735	$ 16,903
Income taxes	$ 19,093	$ 25,028	$ 17,172

The accompanying Notes to Financial Statements are an integral part of these statements.

American Transmission Systems, Incorporated

Notes to Financial Statements

1 - ORGANIZATION AND BASIS OF PRESENTATION

The notes to financial statements include American Transmission Systems, Incorporated (Company), a wholly owned subsidiary of FirstEnergy Corp. (FirstEnergy). The Company follows accounting principles generally accepted in the United States (GAAP) and complies with the regulations, orders, policies and practices prescribed by the Federal Energy Regulatory Commission (FERC). The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not indicative of results of operations for any future period. In preparing the financial statements, FirstEnergy and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through October 27, 2009, the date the financial statements were issued.

2 - ACCOUNTING FOR THE EFFECTS OF REGULATION

The Company accounts for the effects of regulation through the application of SFAS 71, "Accounting for the Effects of Certain Types of Regulation", since their rates:

- are established by a third-party regulator with the authority to set rates that bind customers;
- are cost-based; and
- can be charged to and collected from customers.

An enterprise meeting all of these criteria capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. SFAS 71 is applied only to the parts of the business that meet the above criteria. If a portion of the business applying SFAS 71 no longer meets those requirements, previously recorded net regulatory assets are removed from the balance sheet in accordance with the guidance in SFAS 101 "Accounting for Discontinuation of Application of SFAS 71".

3 - UTILITY PLANT AND DEPRECIATION

The Company owns major high-voltage transmission facilities consisting of approximately 5,800 pole miles of transmission lines with nominal voltages of 345 kilovolts (kV), 138 kV, and 69 kV. The facilities include lines, towers, poles, conductors, substations, transformers, and other equipment. Effective October 1, 2003, the Company transferred operational control of its transmission facilities to the Midwest Independent Transmission System Operator, Inc. (MISO).

The Company provides for depreciation on a straight-line basis over the estimated lives of property included in plant in service. The annual composite rate for the Company's transmission facilities was approximately 2.5% in 2008 and 2.4% in 2007 and 2006.

Property, plant and equipment reflects original cost (except for nuclear generating assets which were adjusted to fair value in accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets"), including payroll and related costs such as taxes, employee benefits, administrative and general costs, and interest costs incurred to place the assets in service. The costs of normal maintenance, repairs and minor replacements are expensed as incurred. FES' accounting policy for planned major maintenance projects is to recognize liabilities as they are incurred.

The Company evaluates the carrying value of its long-lived assets when events or circumstances indicate that the carrying amount may not be recoverable. In accordance with SFAS 144, the carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If an impairment exists, a loss is recognized for the amount by which the carrying value of the long-lived asset exceeds its estimated fair value. Fair value is estimated by using available market valuations or the long-lived asset's expected future net discounted cash flows. The calculation of expected cash flows is based on estimates and assumptions about future events.

4 - REVENUES AND RECEIVABLES

The Company's principal business is providing transmission services to electric energy providers, power marketers, and receiving transmission-related revenues from operation of a portion of the FirstEnergy transmission system. Included in other noncurrent liabilities was unearned revenues of $19 million and $18 million as of December 31, 2007 and 2006, respectively. The unearned revenue obligation was settled in 2008.

Receivables from transmission customers include any electric utility (including transmission providers and power marketers), federal power marketing agency, or person generating electric energy for sale or resale. There are 38 interconnections with six neighboring control areas. The Company's transmission system offers gateways into the East via high-capacity ties with PJM Interconnection L.L.C. (PJM) through Duquesne Light Company (Duquesne) and Allegheny Energy, Inc.; into the North through multiple 345 kV high-capacity ties with Michigan's International Transmission Company and 138 kV through Cleveland Public Power; and into the South through ties with American Electric Power Company, Inc. (AEP) and Dayton Power & Light.

5 - COMPREHENSIVE INCOME

Comprehensive income includes net income as reported on the Consolidated Statements of Income and all other changes in common stockholder's equity except those resulting from transactions with stockholders. Accumulated other

	2008	2007	2006
		(In thousands)	
Pension and other postretirement benefits	$ 68	$ 73	$ -
Income taxes related to reclassification to net income	27	28	-
Reclassification to net income, net of income taxes	$ 41	$ 45	$ -

comprehensive loss (AOCL), net of tax, included on the Company's Consolidated Balance Sheets as of December 31, 2008, 2007 and 2006 is comprised of the following components:

Accumulated Other Comprehensive Loss	2008	2007	2006
		(In thousands)	
Net liability for unfunded retirement benefits			
including the implementation of SFAS 158	$ (2,481)	$ (1,244)	$ (374)
AOCL Balance	$ (2,481)	$ (1,244)	$ (374)

Other comprehensive income (loss) reclassified to net income in the three years ended December 31, 2008 is as follows:

6 - LEASES AND RENTAL PAYMENTS

The Company leases fee-owned land, easements, franchises, and other land use rights from Ohio Edison Company (OE), Pennsylvania Power Company (Penn), The Cleveland Electric Illuminating Company (CEI) and The Toledo Edison Company (TE). Land use is rented to the Company under the terms and conditions of a ground lease approved by FERC. The Company, OE, Penn, CEI, and TE reserve the right to use (and to permit authorized others to use) the land for any purpose that does not cause a violation of electrical safety code or applicable law, or does not impair the Company's ability to satisfy its service obligations. Additional uses of such land for the Company's facilities requires prior written approval from the applicable operating companies. The Company purchases directly any new property acquired for transmission use. The Company provides fixed quarterly lease payments of approximately $5.2 million through December 31, 2049, unless terminated prior to maturity, or extended by the Company for up to ten additional successive periods of fifty years each.

7 - CAPITALIZATION

Long-Term Debt-

FirstEnergy Corp. made an equity investment of $278 million in the Company that funded 46% of the purchase of the transmission facilities. The remaining $340 million was financed with promissory notes payable to OE, CEI, TE, and Penn at a rate of 7.75%. Final payments will be made for OE and TE in 2040 and 2030 for Penn. The Company retired its entire note obligation to CEI in February 2005. The fair value of long-term debt as of December 31, 2008, 2007 and 2006 was $280 million, $286 million and $275 million, respectively.

Maturing long-term debt for the next five years is:

2009	$ 2,192,585
2010	$ 2,365,803
2011	$ 2,552,705
2012	$ 2,754,372
2013	$ 2,971,972

Retained Earnings -

The Company currently has no restrictions on its retained earnings available to pay common stock dividends.

8 - SHORT-TERM BORROWINGS

The Company has the ability to borrow from its regulated affiliates and FirstEnergy to meet its short-term working capital requirements. FirstEnergy Service Company (FESC) administers this money pool and tracks surplus funds of FirstEnergy and its regulated subsidiaries, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal, together with accrued interest within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from the pool and is based on the average cost of funds available through the pool. The average interest rate for borrowings in 2008 was 2.93%. As of December 31, 2008, the Company's investment in the money pool was $13 million.

The Company, FirstEnergy and certain of FirstEnergy's other subsidiaries are parties to a $2.75 billion five-year revolving credit facility. FirstEnergy has the ability to request an increase in the total commitments available under this facility up to a maximum of $3.25 billion, subject to the discretion of each lender to provide additional commitments. Commitments under the facility are available until August 24, 2012, unless the lenders agree, at the request of the borrowers, to an unlimited number of additional one-year extensions. Generally, borrowings under the facility must be repaid within 364 days. Available amounts for each borrower are subject to a specified sub-limit, as well as applicable regulatory and other limitations. The annual facility fee is 0.125%. As of December 31, 2008 the Company could not borrow under the revolving credit facility. The Company may borrow up to $100 million under the facility by delivering notice to the administrative agent that either (i) the Company has senior unsecured debt ratings of at least BBB- by Standard & Poors and Baa3 by Moody's or (ii) FirstEnergy has guaranteed the Company's obligations of such borrowings under the facility.

9 - COMMITMENTS AND CONTINGENCIES

The Company accrues environmental and legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. Unasserted claims are reflected in the Company's determination of environmental and legal liabilities and are accrued in the period that they are both probable and reasonably estimable.

10 - TAXES

Income Taxes

The Company records income taxes in accordance with the liability method of accounting. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognized for tax purposes. Investment tax credits, which were deferred when utilized, are being amortized over the recovery period of the related property. Deferred income tax liabilities related to temporary tax and accounting basis differences are recognized at the statutory income tax rates in effect when the liabilities are expected to be paid. Deferred tax assets are recognized based on income tax rates expected to be in effect when they are settled. Details of income taxes for the three years ended December 31, 2008 are shown below:

PROVISION FOR INCOME TAXES:	2008	2007	2006
		(In thousands)	
Currently payable-			
Federal	$ 12,673	$ 19,808	$ 15,153
State	1,759	3,214	2,646
	14,432	23,022	17,799
Deferred, net-			
Federal	13,300	7,427	5,067
State	513	(120)	292
	13,813	7,307	5,359
Investment tax credit amortization	(753)	(754)	(755)
Total provision for income taxes	$ 27,492	$ 29,575	$ 22,403

The Company is party to an intercompany income tax allocation agreement with FirstEnergy and its other subsidiaries that provides for the allocation of consolidated tax liabilities. Net tax benefits attributable to FirstEnergy, excluding any tax benefits derived from interest expense associated with acquisition indebtedness from the merger with GPU, is reallocated to the subsidiaries of FirstEnergy that have taxable income. That allocation is accounted for as a capital contribution to the company receiving the tax benefit.

The following table provides a reconciliation of federal income tax expense at the federal statutory rate to the total provision for income taxes for the three years ended December 31, 2008.

RECONCILIATION OF FEDERAL INCOME TAX EXPENSE AT STATUTORY RATE TO TOTAL PROVISION FOR INCOME TAXES:	2008	2007	2006
		(In thousands)	
Book income before provision for income taxes	$ 73,167	$ 81,635	$ 59,016
Federal income tax expense at statutory rate	$ 25,608	$ 28,572	$ 20,656
Increases (reductions) in taxes resulting from-			
Amortization of investment tax credits	(753)	(754)	(755)
State income taxes, net of federal income tax benefit	1,477	2,011	1,910
Other, net	1,160	(254)	592
Total provision for income taxes	$ 27,492	$ 29,575	$ 22,403

Accumulated deferred income taxes for the three years ended December 31, 2008 are as follows:

ACCUMULATED DEFERRED TAXES	2008	2007	2006
		(In thousands)	
Property basis differences	$ 134,185	$ 119,635	$ 135,741
Tax basis step-up	(75,309)	(82,171)	(88,971)
Unamortized investment tax credits	(3,541)	(3,811)	(4,090)
Vegetation management	4,948	9,363	10,821
All other	(1,130)	659	(118)
Net deferred income tax liability	$ 59,153	$ 43,675	$ 53,383

On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) 48, which provides guidance for accounting for uncertainty in income taxes in a company's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This interpretation prescribes a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken on a company's tax return. FIN 48 also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is to determine if it is more likely than not that a tax position will be sustained upon examination, based on the merits of the position, and should therefore be

recognized. The second step is to measure a tax position that meets the more likely than not recognition threshold to determine the amount of income tax benefit to recognize in the financial statements.

As of January 1, 2007, the total amount of the Company's unrecognized tax benefits and the cumulative effect amount recorded as an adjustment to the January 1, 2007 balance of retained earnings were immaterial. FIN 48 also requires companies to recognize interest expense or income related to uncertain tax positions. That amount is computed by applying the applicable statutory interest rate to the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken on the tax return. The Company includes net interest and penalties in the provision for income taxes, consistent with its policy prior to implementing FIN 48. During the years ended December 31, 2008, 2007 and 2006, the amount of net interest expense was immaterial.

The Company has tax returns that are under review at the audit or appeals level by the IRS and state tax authorities. All state jurisdictions are open from 2001-2008. The IRS began reviewing returns for the years 2001-2003 in July 2004 and several items are under appeal. The federal audit for years 2004-2006 were completed in the third quarter of 2008 and several items are under appeal. The IRS began auditing the year 2007 in February 2007 and the year 2008 in February 2008 under its Compliance Assurance Process program. Both audits are expected to close before December 2009. Management believes that adequate reserves have been recognized and final settlement of these audits is not expected to have a material adverse effect on the Company's financial condition or results of operations.

General Taxes

Details of general taxes for the three years ended December 31, 2008 are shown below:

GENERAL TAXES	2008	2007	2006
		(In thousands)	
Real and personal property	$ 30,849	$ 30,744	$ 27,810
Kilowatt-hour excise	2	(15)	(21)
State gross receipts	63	55	38
Social security and unemployment	286	262	258
Other	(12)	109	77
Total general taxes	$ 31,188	$ 31,155	$ 28,162

11 - TRANSACTIONS WITH AFFILIATED COMPANIES

In additon to the intercompany income tax allocation, short-term borrowings and long-term debt, the Company has other operating expense and interest expense transactions with affiliated companies, primarily OE, CEI, TE, Penn and FESC. The primary affiliated-company transactions, including the effects of the transmission arrangements with OE, CEI, TE, and Penn, are as follows:

	2008	2007	2006
		(In millions)	
Operating Costs:			
Ground lease expense	$21	$21	$21
Service Company support services	26	28	21
Interest expense	19	19	19

FirstEnergy does not bill directly or allocate any of its costs to any subsidiary company. Costs are allocated to the Company from FESC, a subsidiary of FirstEnergy. The majority of costs are directly billed or assigned at no more than cost. The remaining costs are for services that are provided on behalf of more than one company, or costs that cannot be precisely identified and are allocated using formulas developed by FESC. The current allocation or assignment formulas used and their bases include multiple factor formulas: each company's proportionate amount of FirstEnergy's aggregate direct payroll, number of employees, asset balances, revenues, number of customers, other factors and specific departmental charge ratios. Management believes that these allocation methods are reasonable. Intercompany transactions with FirstEnergy and its other subsidiaries are generally settled under commercial terms within thirty days.

12 - REGULATORY MATTERS

REGULATORY ASSETS -

In 2004, the Company received approval from the FERC to establish a regulatory asset to defer vegetation management costs. On March 28, 2006, the Company and MISO filed with the FERC a request to modify the Attachment O formula rate to include revenue requirements associated with recovery of deferred Vegetation Management Enhancement Program (VMEP) costs. The Company estimated that it may defer approximately $54 million of such costs over a five-year period. Approximately $42 million had been deferred as of December 31, 2006. The effective date for recovery was June 1, 2006. The FERC conditionally approved the filing on May 22, 2006, and on July 14, 2006 FERC accepted the Company's compliance filing. A request for rehearing of the FERC's May 22, 2006 Order was denied by FERC on October 25, 2006. The estimated annual revenues to the Company from the VMEP cost recovery is $12 million for each of the five years beginning June 1, 2006. The Company had approximately $31 million, $43 million and $36 million of regulatory assets on its Consolidated Balance Sheets as of December 31, 2008, 2007 and 2006, respectively.

RELIABILITY INITIATIVES -

In late 2003 and early 2004, a series of letters, reports and recommendations were issued from various entities, including governmental, industry and ad hoc reliability entities (the Public Utilities Commission of Ohio (PUCO), the FERC, the North American Electric Reliability Council (NERC) and the U.S. – Canada Power System Outage Task Force) regarding enhancements to regional reliability. The proposed enhancements were divided into two groups: enhancements that were to be completed in 2004; and enhancements that were to be completed after 2004. In 2004, FirstEnergy completed all of the enhancements that were recommended for completion in 2004. FirstEnergy has also proceeded with the implementation of the recommendations that were to be completed subsequent to 2004 and will continue to periodically assess the FERC-ordered Reliability Study recommendations for forecasted 2009 system conditions, recognizing revised load forecasts and other changing system conditions which may impact the recommendations. Thus far, implementation of the recommendations has not required, nor is expected to require, substantial investment in new or material upgrades to existing equipment. The FERC or other applicable government agencies and reliability coordinators may, however, take a different view as to recommended enhancements or may recommend additional enhancements in the future that could require additional material expenditures.

In 2005, Congress amended the Federal Power Act to provide for federally-enforceable mandatory reliability standards. The mandatory reliability standards apply to the bulk power system and impose certain operating, record-keeping and reporting requirements on the FirstEnergy Utility subsidiaries and the Company. The NERC is charged with establishing and enforcing these reliability standards, although it has delegated day-to-day implementation and enforcement of its responsibilities to eight regional entities, including Reliability*First* Corporation. All of FirstEnergy's facilities are located within the Reliability*First* region. FirstEnergy actively participates in the NERC and Reliability*First* stakeholder processes, and otherwise monitor and manage its companies in response to the ongoing development, implementation and enforcement of the reliability standards.

FirstEnergy believes that it is in compliance with all currently-effective and enforceable reliability standards. Nevertheless, it is clear that the NERC, Reliability*First* and the FERC will continue to refine existing reliability standards as well as to develop and adopt new reliability standards. The financial impact of complying with new or amended standards cannot be determined at this time. However, the 2005 amendments to the Federal Power Act provide that all prudent costs incurred to comply with the new reliability standards be recovered in rates. Still, any future inability on FirstEnergy's part to comply with the reliability standards for its bulk power system could result in the imposition of financial penalties and thus have a material adverse effect on its financial condition, results of operations and cash flows.

In April 2007, Reliability*First* performed a routine compliance audit of FirstEnergy's bulk-power system within the MISO region and found it to be in full compliance with all audited reliability standards.

FERC MATTERS -

Transmission Service between MISO and PJM

On November 18, 2004, the FERC issued an order eliminating the through and out rate for transmission service between the MISO and PJM regions. The FERC's intent was to eliminate multiple transmission charges for a single transaction between the MISO and PJM regions. The FERC also ordered MISO, PJM and the transmission owners within MISO and PJM to submit compliance filings containing a rate mechanism to recover lost transmission revenues created by elimination of this charge (referred to as the Seams Elimination Cost Adjustment or "SECA") during a 16-month transition period. The FERC issued orders in 2005 setting the SECA for hearing. The presiding judge issued an initial decision on August 10, 2006, rejecting the compliance filings made by MISO, PJM, and the transmission owners, and directing new compliance filings. This decision is subject to review and approval by the

FERC. Briefs addressing the initial decision were filed on September 11, 2006 and October 20, 2006. A final order is pending before the FERC, and in the meantime, FirstEnergy affiliates have been negotiating and entering into settlement agreements with other parties in the docket to mitigate the risk of lower transmission revenue collection associated with an adverse order. On September 26, 2008, the MISO and PJM transmission owners filed a motion requesting that the FERC approve the pending settlements and act on the initial decision. On November 20, 2008, FERC issued an order approving uncontested settlements, but did not rule on the initial decision. On December 19, 2008, an additional order was issued approving two contested settlements.

Post Transition Period Rate Design

The FERC had directed MISO, PJM, and the respective transmission owners to make filings on or before August 1, 2007 to reevaluate transmission rate design within MISO, and between MISO and PJM. On August 1, 2007, filings were made by MISO, PJM, and the vast majority of transmission owners, including FirstEnergy affiliates, which proposed to retain the existing transmission rate design. These filings were approved by the FERC on January 31, 2008. As a result of the FERC's approval, the rates charged to FirstEnergy's load-serving affiliates for transmission service over existing transmission facilities in MISO and PJM are unchanged. In a related filing, MISO and MISO transmission owners requested that the current MISO pricing for new transmission facilities that spreads 20% of the cost of new 345 kV and higher transmission facilities across the entire MISO footprint (known as the RECB methodology) be retained.

On September 17, 2007, AEP filed a complaint under Sections 206 and 306 of the Federal Power Act seeking to have the entire transmission rate design and cost allocation methods used by MISO and PJM declared unjust, unreasonable, and unduly discriminatory, and to have the FERC fix a uniform regional transmission rate design and cost allocation method for the entire MISO and PJM "Super Region" that recovers the average cost of new and existing transmission facilities operated at voltages of 345 kV and above from all transmission customers. Lower voltage facilities would continue to be recovered in the local utility transmission rate zone through a license plate rate. AEP requested a refund effective October 1, 2007, or alternatively, February 1, 2008. On January 31, 2008, the FERC issued an order denying the complaint. The effect of this order is to prevent the shift of significant costs to the FirstEnergy zones in MISO and PJM. A rehearing request by AEP was denied by the FERC on December 19, 2008. On February 17, 2009, AEP appealed the FERC's January 31, 2008, and December 19, 2008, orders to the U.S. Court of Appeals for the Seventh Circuit.

Duquesne's Request to Withdraw from PJM

On November 8, 2007, Duquesne filed a request with the FERC to exit PJM and to join MISO. Duquesne's proposed move would affect numerous FirstEnergy interests, including but not limited to the terms under which FirstEnergy's Beaver Valley Plant would continue to participate in PJM's energy markets. FirstEnergy, therefore, intervened and participated fully in all of the FERC dockets that were related to Duquesne's proposed move.

In November, 2008, Duquesne and other parties, including FirstEnergy, negotiated a settlement that would, among other things, allow for Duquesne to remain in PJM and provide for a methodology for Duquesne to meet the PJM capacity obligations for the 2011-2012 auction that excluded the Duquesne load. The settlement agreement was filed on December 10, 2008 and approved by the FERC in an order issued on January 29, 2009. MISO opposed the settlement agreement pending resolution of exit fees alleged to be owed by Duquesne. The FERC did not resolve this issue in its order.

MISO Resource Adequacy Proposal

MISO made a filing on December 28, 2007 that would create an enforceable planning reserve requirement in the MISO tariff for load-serving entities such as the OE, CEI, TE, Penn and FirstEnergy Solutions Corp. This requirement is proposed to become effective for the planning year beginning June 1, 2009. The filing would permit MISO to establish the reserve margin requirement for load-serving entities based upon a one day loss of load in ten years standard, unless the state utility regulatory agency establishes a different planning reserve for load-serving entities in its state. FirstEnergy believes the proposal promotes a mechanism that will result in commitments from both load-serving entities and resources, including both generation and demand side resources that are necessary for reliable resource adequacy and planning in the MISO footprint. Comments on the filing were filed on January 28, 2008. The FERC conditionally approved MISO's Resource Adequacy proposal on March 26, 2008, requiring MISO to submit to further compliance filings. Rehearing requests are pending on the FERC's March 26 Order. On May 27, 2008, MISO submitted a compliance filing to address issues associated with planning reserve margins. On June 17, 2008, various parties submitted comments and protests to MISO's compliance filing. FirstEnergy submitted comments identifying specific issues that must be clarified and addressed. On June 25, 2008, MISO submitted a second compliance filing establishing the enforcement mechanism for the reserve margin requirement which establishes deficiency payments for load-serving entities that do not meet the resource adequacy requirements. Numerous parties, including FirstEnergy, protested this filing.

On October 20, 2008, the FERC issued three orders essentially permitting the MISO Resource Adequacy program to proceed with some modifications. First, the FERC accepted MISO's financial settlement approach for enforcement of Resource Adequacy subject to a compliance filing modifying the cost of new entry penalty. Second, the FERC conditionally accepted MISO's compliance filing on the qualifications for purchased power agreements to be capacity resources, load forecasting, loss of load expectation, and planning reserve zones. Additional compliance filings were directed on accreditation of load modifying resources and price responsive demand. Finally, the FERC largely denied rehearing of its March 26 order with the exception of issues related to behind the meter resources and certain ministerial matters. On November 19, 2008, MISO made various compliance filings pursuant to these orders. Issuance of orders on these compliance filings is not expected to delay the June 1, 2009, start date for MISO Resource Adequacy.

13 - PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

FirstEnergy provides a noncontributory qualified defined benefit pension plan that covers substantially all of its employees and non-qualified pension plans that cover certain employees. The plans provide defined benefits based on years of service and compensation levels. FirstEnergy's funding policy is based on actuarial computations using the projected unit credit method. On January 2, 2007, FirstEnergy made a $300 million voluntary cash contribution to its qualified pension plan (Company's share was $0.2 million). In December 2008, The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) was enacted. Among other provisions, the WRERA provides temporary funding relief to defined benefit plans in light of the current economic crisis. It is expected that the WRERA will have a favorable impact on the level of minimum required contributions for years after 2009. The Company estimates that additional cash contributions will not be required before 2011.

FirstEnergy provides a minimum amount of noncontributory life insurance to retired employees in addition to optional contributory insurance. Health care benefits, which include certain employee contributions, deductibles and co-payments, are also available upon retirement to employees hired prior to January 1, 2005, their dependents and, under certain circumstances, their survivors. FirstEnergy recognizes the expected cost of providing other postretirement benefits to employees and their beneficiaries and covered dependents from the time employees are hired until they become eligible to receive those benefits. During 2006, FirstEnergy amended the Other Post-Employment Benefits (OPEB) plan effective in 2008 to cap the monthly contribution for many of the retirees and their spouses receiving subsidized health care coverage. During 2008, FirstEnergy further amended the OPEB plan effective in 2010 to limit the monthly contribution for pre-1990 retirees. In addition, FirstEnergy has obligations to former or inactive employees after employment, but before retirement, for disability-related benefits.

Pension and OPEB costs are affected by employee demographics (including age, compensation levels, and employment periods), the level of contributions made to the plans and earnings on plan assets. Pension and OPEB costs may also be affected by changes in key assumptions, including anticipated rates of return on plan assets, the discount rates and health care trend rates used in determining the projected benefit obligations for pension and OPEB costs. FirstEnergy uses a December 31 measurement date for its pension and OPEB plans. The fair value of the plan assets represents the actual market value as of December 31, 2008.

With the exception of the Company's share of net pension (asset) liability at the end of year and net periodic pension expense, the following tables detail the Consolidated FirstEnergy pension plan and OPEB.

Obligations and Funded Status	FirstEnergy Pension Benefits			FirstEnergy Other Benefits		
As of December 31	2008	2007	2006	2008	2007	2006
			(In millions)			
Change in benefit obligation						
Benefit obligation as of January 1	$ 4,750	$ 5,031	$ 4,911	$ 1,182	$ 1,201	$ 1,884
Service cost	87	88	87	19	21	34
Interest cost	298	294	276	74	59	105
Plan participants' contributions	-	-	-	25	23	20
Plan amendments	6	-	-	(20)	-	(620)
Medicare retiree drug subsidy	-	-	-	2	-	8
Actuarial (gain) loss	(152)	(381)	38	12	(30)	(119)
Benefits paid	(288)	(282)	(281)	(105)	(102)	(109)
Benefit obligation as of December 31	$ 4,701	$ 4,750	$ 5,031	$ 1,189	$ 1,182	$ 1,201
Change in fair value of plan assets						
Fair value of plan assets as of January 1	$ 5,285	$ 4,818	$ 4,525	$ 618	$ 607	$ 573
Actual return on plan assets	(1,251)	438	567	(152)	43	69
Company contribution	8	311	7	54	47	54
Plan participants' contribution	-	-	-	25	23	20
Benefits paid	(289)	(282)	(281)	(105)	(102)	(109)
Fair value of plan assets as of December 31	$ 3,753	$ 5,285	$ 4,818	$ 440	$ 618	$ 607
Qualified plan	$ (774)	$ 700	$ (43)			
Non-qualified plans	(174)	(165)	(170)			
Funded status	$ (948)	$ 535	$ (213)	$ (749)	$ (564)	$ (594)
Accumulated benefit obligation	$ 4,367	$ 4,387	$ 4,565			
Amounts Recognized in the Statement of Financial Position						
Noncurrent assets	$ -	$ 700	$ -	$ -	$ -	$ -
Current liabilities	(8)	(7)	(7)	-	-	-
Noncurrent liabilities	(940)	(158)	(206)	(749)	(564)	(594)
Net asset (liability) as of December 31	$ (948)	$ 535	$ (213)	$ (749)	$ (564)	$ (594)
Company's share of net asset (liability) at end of year	(2)	-	-	(2)	(2)	(1)
Amounts Recognized in Accumulated Other Comprehensive Income						
Prior service cost (credit)	$ 80	$ 83	$ 97	$ (912)	$ (1,041)	$ (1,190)
Actuarial loss	2,182	623	1,039	801	635	702
Net amount recognized	$ 2,262	$ 706	$ 1,136	$ (111)	$ (406)	$ (488)
Assumptions Used to Determine Benefit Obligations As of December 31						
Discount rate	7.00 %	6.50 %	6.00 %	7.00%	6.50	6.00 %
Rate of compensation increase	5.20 %	5.20 %	3.5 %			
Allocation of Plan Assets As of December 31						
Asset Category						
Equity securities	47 %	61 %	64 %	56 %	69 %	72 %
Debt securities	38	30	29	38	27	26
Real estate	9	7	5	2	2	1
Private equities	3	1	1	1	-	-
Cash	3	1	1	3	2	1
Total	100 %	100 %	100 %	100 %	100 %	100 %

Estimated Items to be Amortized in 2009 Net Periodic Pension Cost from Accumulated Other Comprehensive Income	FirstEnergy Pension Benefits	FirstEnergy Other Benefits
	(In millions)	
Prior service cost (credit)	$ 13	$ (151)
Actuarial loss	$ 170	$ 83

	FirstEnergy Pension Benefits			FirstEnergy Other Benefits		
Components of Net Periodic Benefit Costs	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
			(In millions)			
Service cost	$ 87	$ 88	$ 87	$ 18	$ 21	$ 34
Interest cost	299	294	276	74	69	105
Expected return on plan assets	(463)	(449)	(396)	(51)	(50)	(46)
Amortization of prior service cost	13	13	13	(149)	(149)	(76)
Recognized net actuarial loss	8	45	62	47	45	56
Net periodic cost	$ (56)	$ (9)	$ 42	$ (60)	$ (64)	$ 73
Company's share of net periodic costs (income)	$ -	$ -	$ -	$ -	$ -	$ -

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended December 31	FirstEnergy Pension Benefits			FirstEnergy Pension Benefits		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Discount rate	6.50 %	6.00 %	5.75 %	6.50 %	6.00 %	5.75 %
Expected long-term return on plan assets	9.00 %	9.00 %	9.00 %	9.00 %	9.00 %	9.00 %
Rate of compensation increase	5.20 %	3.50 %	3.50 %			

In selecting an assumed discount rate, FirstEnergy considers currently available rates of return on high-quality fixed income investments expected to be available during the period to maturity of the pension and other postretirement benefit obligations. The assumed rates of return on pension plan assets consider historical market returns and economic forecasts for the types of investments held by FirstEnergy's pension trusts. The long-term rate of return is developed considering the portfolio's asset allocation strategy.

FirstEnergy generally employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return on plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalization funds. Other assets such as real estate and private equity are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on a continuing basis through periodic investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

Assumed Health Care Cost Trend Rates As of December 31	2008	2007	2006
Health care cost trend rate assumed for next year (pre/post-Medicare)	8.5-10 %	9-11 %	9-11 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5 %	5 %	5 %
Year that the rate reaches the ultimate trend rate (pre/post-Medicare)	2015-2017	2015-2017	2011-2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects to FirstEnergy:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
	(In millions)	
Effect on total of service and interest cost	$ 4	$ (3)
Effect on accumulated postretirement benefit obligation	$ 36	$ (32)

Taking into account estimated employee future service, FirstEnergy expects to make the following pension benefit payments from plan assets and other benefit payments, net of the Medicare subsidy and participant contributions:

Year	Pension Benefits	Other Benefits
	(In millions)	
2009	$ 302	$ 85
2010	309	89
2011	314	94
2012	325	96
2013	338	99
2014-2018	1,905	524

14 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

SFAS 141(R) – "Business Combinations"

In December 2007, the FASB issued SFAS 141(R), which: (i) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction; (ii) establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and (iii) requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The Standard includes both core principles and pertinent application guidance, eliminating the need for numerous Emerging Issues Task Force (EITF) issues and other interpretative guidance. SFAS 141(R) will affect business combinations entered into by the Company that close after January 1, 2009. In addition, the Standard also affects the accounting for changes in deferred tax valuation allowances and income tax uncertainties made after January 1, 2009, that were established as part of a business combination prior to the implementation of this Standard. Under SFAS 141(R), adjustments to the acquired entity's deferred tax assets and uncertain tax position balances occurring outside the measurement period will be recorded as a component of income tax expense, rather than goodwill. The impact of the application of this Standard in periods after implementation will be dependent upon the nature of acquisitions at that time.

SFAS 160 - "Non-controlling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51"

In December 2007, the FASB issued SFAS 160 that establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The Statement is not expected to have a material impact on financial statements of the Company.

EITF Issue No. 08-6 – "Equity Method Investment Accounting Considerations"

In November 2008, the FASB issued EITF 08-6, which clarifies how to account for certain transactions involving equity method investments. It provides guidance in determining the initial carrying value of an equity method investment, accounting for a change in an investment from equity method to cost method, assessing the impairment of underlying assets of an equity method investment, and accounting for an equity method investee's issuance of shares. This statement is effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is not permitted. The impact of the application of this Standard in periods after implementation will be dependent upon the nature of future investments accounted for under the equity method.

FSP SFAS 132 (R)-1 – "Employers' Disclosures about Postretirement Benefit Plan Assets"

In December 2008, the FASB issued Staff Position (FSP) SFAS 132(R)-1, which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. Requirements of this FSP include disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant categories of risk. This FSP is effective for fiscal years ending after December 15, 2009. The Company expects this Staff Position to increase its disclosure requirements for postretirement benefit plan assets.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended September 30	
	2009	2008
	(In thousands)	
OPERATING REVENUES	$ 168,261	$ 183,914
EXPENSES:		
Operating costs	44,073	50,183
Provision for depreciation	27,819	27,316
Amortization of regulatory assets, net	9,495	9,032
General taxes	24,510	23,375
Total expenses	105,897	109,906
OPERATING INCOME	62,364	74,008
OTHER INCOME (EXPENSE):		
Miscellaneous income (expense)	422	(212)
Interest expense	(14,313)	(15,076)
Capitalized interest	1,157	845
Total other expense	(12,734)	(14,445)
INCOME BEFORE INCOME TAXES	49,630	59,563
INCOME TAXES	17,846	22,727
NET INCOME	$ 31,784	$ 36,836

The accompanying Notes to Financial Statements are an integral part of these statements.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

BALANCE SHEETS
(Unaudited)

	September 30, 2009	December 31, 2008
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers	$ 15,735	$ 16,519
Associated companies	137	5,306
Other	28	49
Notes receivable from associated companies	24,409	15,022
Prepayments and other	728	1,389
	41,037	38,285
UTILITY PLANT:		
In service	1,521,229	1,507,768
Less - Accumulated provision for depreciation	851,767	824,796
	669,462	682,972
Construction work in progress	29,645	16,481
	699,107	699,453
DEFERRED CHARGES AND OTHER ASSETS:		
Property taxes	35,632	35,632
Regulatory assets	22,782	30,596
Other	161	71
	58,565	66,299
	$ 798,699	$ 804,037
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Short-term borrowings from associated companies	$ 2,880	$ 2,193
Accounts payable to associated companies	7,196	12,120
Accrued taxes	34,259	32,860
Other	792	1,251
	45,127	48,424
CAPITALIZATION:		
Common stockholder's equity		
Common Stock	1	1
Other paid-in capital	280,196	279,578
Accumulated other comprehensive loss	(2,348)	(2,481)
Retained earnings	140,092	138,308
Total common stockholder's equity	417,941	415,406
Long-term debt and other long-term obligations to associated companies	229,544	231,307
	647,485	646,713
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	58,894	59,153
Accumulated deferred investment tax credits	9,207	9,766
Property taxes	35,632	35,632
Other	2,354	4,349
	106,087	108,900
COMMITMENTS AND CONTINGENCIES		
	$ 798,699	$ 804,037

The accompanying Notes to Financial Statements are an integral part of these statements.

AMERICAN TRANSMISSION SYSTEMS, INCORPORATED

STATEMENTS OF CASH FLOWS
(Unaudited)

For the Nine Months Ended September 30,	2009	2008
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 31,784	$ 36,636
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	27,819	27,316
Amortization of regulatory assets, net	9,495	9,032
Deferred income taxes and investment tax credits, net	(964)	4,515
Customer refunds accrued in prior periods	-	(8,400)
Unearned Revenue	-	(21,191)
Decrease (increase) in operating assets-		
Receivables	5,975	8,831
Prepayments and other current assets	660	(7)
Increase (decrease) in operating liabilities-		
Accounts payable	(4,924)	(15,000)
Accrued taxes	2,016	(6,856)
Other	(3,721)	88
Net cash provided from operating activities	68,120	34,965
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and Repayments-		
Short-term borrowings, net	(1,075)	(12,335)
Dividend Payments-		
Common stock	(30,000)	(14,000)
Net cash used for financing activities	(31,075)	(26,335)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(25,604)	(37,914)
Loan repayments from (loans to) associated companies, net	(9,387)	29,656
Other, net	(2,054)	(372)
Net cash used for investing activities	(37,045)	(8,630)
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	$ -	$ -

The accompanying Notes to Financial Statements are an integral part of these statements.

American Transmission Systems, Incorporated

Notes to Financial Statements (Unaudited)

1 - ORGANIZATION AND BASIS OF PRESENTATION

The notes to financial statements include American Transmission Systems, Incorporated (Company), a wholly owned subsidiary of FirstEnergy Corp. (FirstEnergy). The Company follows accounting principles generally accepted in the United States (GAAP) and complies with the regulations, orders, policies and practices prescribed by the Federal Energy Regulatory Commission (FERC). The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not indicative of results of operations for any future period. In preparing the financial statements, FirstEnergy and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through November 10, 2009, the date the financial statements were issued.

These statements should be read in conjunction with the financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2008 for FirstEnergy and the financial statements and notes included in the annual financial statements for the year ended December 31, 2008 for the Company. The consolidated unaudited financial statements of the Company reflect all normal recurring adjustments that, in the opinion of management, are necessary to fairly present results of operations for the interim periods.

2 - ACCOUNTING FOR THE EFFECTS OF REGULATION

The Company accounts for the effects of regulation through the application of the FASB standard issued on accounting for the effects of certain types of regulation, since its rates (i) are established by a third-party regulator with the authority to set rates that bind customers; (ii) are cost-based; and (iii) can be charged to and collected from customers. An entity meeting all of these criteria capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue.

3 - REVENUES AND RECEIVABLES

The Company's principal business is providing transmission services to electric energy providers, power marketers, and receiving transmission-related revenues from operation of a portion of the FirstEnergy transmission system. Receivables from transmission customers include any electric utility (including transmission providers and power marketers), federal power marketing agency, or person generating electric energy for sale or resale. There are 38 interconnections with six neighboring control areas. The Company's transmission system offers gateways into the East via high-capacity ties with PJM Interconnection L.L.C. (PJM) through Duquesne Light Company (Duquesne) and Allegheny Energy, Inc., into the North through multiple 345 kV high-capacity ties with Michigan's International Transmission Company and 138 kV through Cleveland Public Power; and into the South through ties with American Electric Power Company, Inc. (AEP) and Dayton Power & Light.

4 - COMPREHENSIVE INCOME

Comprehensive income includes net income as reported on the Consolidated Statements of Income and all other changes in common stockholder's equity except those resulting from transactions with stockholders. Accumulated other comprehensive loss (AOCL), net of tax, included on the Company's Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008 is comprised of the following components:

Accumulated Other Comprehensive Loss	September 30 2009	December 31 2008
	(In thousands)	
Net liability for unfunded retirement benefits	$ (2,348)	$ (2,481)
AOCL Balance	$ (2,348)	$ (2,481)

5 - LEASES AND RENTAL PAYMENTS

The Company leases fee-owned land, easements, franchises, and other land use rights from Ohio Edison Company (OE), Pennsylvania Power Company (Penn), The Cleveland Electric Illuminating Company (CEI) and The Toledo Edison Company (TE). Land use is rented to the Company under the terms and conditions of a ground lease approved by FERC. The Company, OE, Penn, CEI, and TE reserve the right to use (and to permit authorized others to use) the land for any purpose that does not cause a violation of electrical safety code or applicable law, or does not impair the Company's ability to satisfy its service obligations. Additional uses of such land for the Company's facilities require prior written approval from the applicable operating companies. The Company purchases directly any new property acquired for transmission use. The Company provides fixed quarterly lease payments of approximately $5.2 million through December 31, 2049, unless terminated prior to maturity, or extended by the Company for up to ten additional successive periods of fifty years each.

6 - CAPITALIZATION

Long-Term Debt-

FirstEnergy Corp. made an equity investment of $278 million in the Company that funded 45% of the purchase of the transmission facilities. The remaining $340 million was financed with promissory notes payable to OE, CEI, TE, and Penn at a rate of 7.75%. Final payments will be made for OE and TE by 2040 and by 2030 for Penn. The Company retired its entire note obligation to CEI in February 2005. The fair value of long-term debt as of September 30, 2009, December 31, 2008 and December 31, 2007 was $279 million, $280 million and $286 million, respectively.

Retained Earnings -

The Company currently has no restrictions on its retained earnings available to pay common stock dividends. During the nine months ended September 30, 2009, the Company paid dividends of $30 million.

7 - SHORT-TERM BORROWINGS

The Company has the ability to borrow from its regulated affiliates and FirstEnergy to meet its short-term working capital requirements. FirstEnergy Service Company (FESC) administers this money pool and tracks surplus funds of FirstEnergy and its regulated subsidiaries, as well as proceeds available from bank borrowings. Companies receiving a loan under the money pool agreements must repay the principal, together with accrued interest, within 364 days of borrowing the funds. The rate of interest is the same for each company receiving a loan from the pool and is based on the average cost of funds available through the pool. The average interest rate for borrowings in 2009 was 0.78%. As of September 30, 2009, the Company's investment in the money pool was $22 million.

The Company, FirstEnergy and certain of FirstEnergy's other subsidiaries are parties to a $2.75 billion five-year revolving credit facility. FirstEnergy has the ability to request an increase in the total commitments available under this facility up to a maximum of $3.25 billion, subject to the discretion of each lender to provide additional commitments. Commitments under the facility are available until August 24, 2012, unless the lenders agree, at the request of the borrowers, to an unlimited number of additional one-year extensions. Generally, borrowings under the facility must be repaid within 364 days. Available amounts for each borrower are subject to a specified sub-limit, as well as applicable regulatory and other limitations. As of September 30, 2009 the Company could not borrow under the revolving credit facility. The Company may borrow up to $100 million under the facility by delivering notice to the administrative agent that either (i) the Company has senior unsecured debt ratings of at least BBB- by Standard & Poors and Baa3 by Moody's or (ii) FirstEnergy has guaranteed the Company's obligations of such borrowings under the facility.

8 - COMMITMENTS AND CONTINGENCIES

The Company accrues environmental and legal liabilities only when it concludes that it is probable that it has an obligation for such costs and can reasonably estimate the amount of such costs. Unasserted claims are reflected in the Company's determination of environmental and legal liabilities and are accrued in the period that they are both probable and reasonably estimable.

9 - TRANSACTIONS WITH AFFILIATED COMPANIES

In additon to the intercompany income tax allocation, short-term borrowings and long-term debt, the Company has other operating expense and interest expense transactions with affiliated companies, primarily OE, CEI, TE, Penn and FESC. The primary affiliated-company transactions, including the effects of the transmission arrangements with OE, CEI, TE, and Penn, are as follows:

	Nine months ended September 30 2009	2008
	(In Millions)	
Operating Costs:		
Ground lease expense	$ 16	$ 16
Service Company support services	18	20
Interest expense	14	15

FirstEnergy does not bill directly or allocate any of its costs to any subsidiary company. Costs are allocated to the Company from FESC, a subsidiary of FirstEnergy. The majority of costs are directly billed or assigned at no more than cost. The remaining costs are for services that are provided on behalf of more than one company, or costs that cannot be precisely identified and are allocated using formulas developed by FESC. The current allocation or assignment formulas used and their bases include multiple factor formulas: each company's proportionate amount of FirstEnergy's aggregate direct payroll, number of employees, asset balances, revenues, number of customers, other factors and specific departmental charge ratios. Management believes that these allocation methods are reasonable. Intercompany transactions with FirstEnergy and its other subsidiaries are generally settled under commercial terms within thirty days.

10 - REGULATORY MATTERS

RELIABILITY INITIATIVES -

In 2005, Congress amended the Federal Power Act to provide for federally-enforceable mandatory reliability standards. The mandatory reliability standards apply to the bulk power system and impose certain operating, record-keeping and reporting requirements on the FirstEnergy Utility subsidiaries and ATSI. The NERC is charged with establishing and enforcing these reliability standards, although it has delegated day-to-day implementation and enforcement of its responsibilities to eight regional entities, including Reliability*First* Corporation. All of FirstEnergy's facilities are located within the Reliability*First* region. FirstEnergy actively participates in the NERC and Reliability*First* stakeholder processes, and otherwise monitors and manages its companies in response to the ongoing development, implementation and enforcement of the reliability standards.

FirstEnergy believes that it is in compliance with all currently-effective and enforceable reliability standards. Nevertheless, it is clear that the NERC, Reliability*First* and the FERC will continue to refine existing reliability standards as well as develop and adopt new reliability standards. The financial impact of complying with new or amended standards cannot be determined at this time. However, the 2005 amendments to the Federal Power Act provide that all prudent costs incurred to comply with the new reliability standards be recovered in rates. Still, any future inability on FirstEnergy's part to comply with the reliability standards for its bulk power system could result in the imposition of financial penalties and thus have a material adverse effect on ATSI's financial condition, results of operations and cash flows.

In April 2007, Reliability*First* performed a routine compliance audit of FirstEnergy's bulk-power system within the MISO region and found it to be in full compliance with all audited reliability standards.

FERC MATTERS -

Transmission Service between MISO and PJM

On November 18, 2004, the FERC issued an order eliminating the through and out rate for transmission service between the MISO and PJM regions. The FERC's intent was to eliminate multiple transmission charges for a single transaction between the MISO and PJM regions. The FERC also ordered MISO, PJM and the transmission owners within MISO and PJM to submit compliance filings containing a rate mechanism to recover lost transmission revenues created by elimination of this charge (referred to as the Seams Elimination Cost Adjustment or SECA) during a 16-month transition period. The FERC issued orders in 2005 setting the SECA for hearing. The presiding judge issued an initial decision on August 10, 2006, rejecting the compliance filings made by MISO, PJM and the transmission owners, and directing new compliance filings. This decision is subject to review and approval by the FERC. Briefs addressing the initial decision were filed on September 11, 2006 and October 20, 2006. A final order is pending before the FERC, and in the meantime, FirstEnergy affiliates have been negotiating and entering into settlement agreements with other parties in the docket to mitigate the risk of lower transmission revenue collection associated with an adverse order. On September 26, 2008, the MISO and PJM transmission owners filed a motion requesting that the FERC approve the pending settlements and act on the initial decision. On November 20, 2008, FERC issued an order approving uncontested settlements, but did not rule on the initial decision. On December 19, 2008, an additional order was issued approving two contested settlements. On October 29, 2009, FirstEnergy and Exelon filed an additional settlement agreement with FERC to resolve their outstanding claims. FirstEnergy is actively pursuing settlement agreements with other parties to the case.

Post Transition Period Rate Design

The FERC had directed MISO, PJM, and the respective transmission owners to make filings on or before August 1, 2007 to reevaluate transmission rate design within MISO, and between MISO and PJM. On August 1, 2007, filings were made by MISO, PJM, and the vast majority of transmission owners, including FirstEnergy affiliates, which proposed to retain the existing transmission rate design. These filings were approved by the FERC on January 31, 2008. As a result of the FERC's approval, the rates charged to FirstEnergy's load-serving affiliates for transmission service over existing transmission facilities in MISO and PJM are unchanged. In a related filing, MISO and MISO transmission owners requested that the current MISO pricing for new transmission facilities that spreads 20% of the cost of new 345 KV and higher transmission facilities across the entire MISO footprint (known as the RECB methodology) be retained.

On September 17, 2007, AEP filed a complaint under Sections 206 and 306 of the Federal Power Act seeking to have the entire transmission rate design and cost allocation methods used by MISO and PJM declared unjust, unreasonable, and unduly discriminatory, and to have the FERC fix a uniform regional transmission rate design and cost allocation method for the entire MISO and PJM "Super Region" that recovers the average cost of new and existing transmission facilities operated at voltages of 345 kV and above from all transmission customers. Lower voltage facilities would continue to be recovered in the local utility transmission rate zone through a license plate rate. AEP requested a refund effective October 1, 2007, or alternatively, February 1, 2008. On January 31, 2008, the FERC issued an order denying the complaint. The effect of this order is to prevent the shift of significant costs to the FirstEnergy zones in MISO and PJM. A rehearing request by AEP was denied by the FERC on December 19, 2008. On February 17, 2009, AEP appealed the FERC's January 31, 2008, and December 19, 2008, orders to the U.S. Court of Appeals for the Seventh Circuit. Now that the Seventh Circuit has ruled on the Opinion 494 case, AEP and FERC have until November 11, 2009, to advise the Seventh Circuit of any changes to their litigation positions that result from or reflect the Seventh Circuit's decision in the Opinion 494 case.

MISO Resource Adequacy Proposal

MISO made a filing on December 28, 2007 that would create an enforceable planning reserve requirement in the MISO tariff for load-serving entities such as OE, CEI, TE, Penn and FES. This requirement is proposed to become effective for the planning year beginning June 1, 2009. The filing would permit MISO to establish the reserve margin requirement for load-serving entities based upon a one day loss of load in ten years standard, unless the state utility regulatory agency establishes a different planning reserve for load-serving entities in its state. FirstEnergy believes the proposal promotes a mechanism that will result in commitments from both load-serving entities and resources, including both generation and demand side resources that are necessary for reliable resource adequacy and planning in the MISO footprint. Comments on the filing were filed on January 28, 2008. The FERC conditionally approved MISO's Resource Adequacy proposal on March 26, 2008, requiring MISO to submit to further compliance filings. Rehearing requests are pending on the FERC's March 26 Order. On May 27, 2008, MISO submitted a compliance filing to address issues associated with planning reserve margins. On June 17, 2008, various parties submitted comments and protests to MISO's compliance filing. FirstEnergy submitted comments identifying specific issues that must be clarified and addressed. On June 25, 2008, MISO submitted a second compliance filing establishing the enforcement mechanism for the reserve margin requirement which establishes deficiency payments for load-serving entities that do not meet the resource adequacy requirements. Numerous parties, including FirstEnergy, protested this filing.

On October 20, 2008, the FERC issued three orders essentially permitting the MISO Resource Adequacy program to proceed with some modifications. First, the FERC accepted MISO's financial settlement approach for enforcement of Resource Adequacy subject to a compliance filing modifying the cost of new entry penalty. Second, the FERC conditionally accepted MISO's compliance filing on the qualifications for purchased power agreements to be capacity resources, load forecasting, loss of load expectation, and planning reserve zones. Additional compliance filings were directed on accreditation of load modifying resources and price responsive demand. Finally, the FERC largely denied rehearing of its March 26 order with the exception of issues related to behind the meter resources and certain ministerial matters. On November 19, 2008, MISO made various compliance filings pursuant to these orders. Issuance of orders on rehearing and two of the compliance filings occurred on February 19, 2009. No material changes were made to MISO's Resource Adequacy program. On April 16, 2009, the FERC issued an additional order on rehearing and compliance, approving MISO's proposed financial settlement provision for Resource Adequacy. The MISO Resource Adequacy process was implemented as planned on June 1, 2009, the beginning of the MISO planning year. On June 17, 2009, MISO submitted a compliance filing in response to the FERC's April 16, 2009 order directing it to address, among others, various market monitoring and mitigation issues. On July 8, 2009, various parties submitted comments on and protests to MISO's compliance filing. FirstEnergy submitted comments identifying specific aspects of the MISO's and Independent Market Monitor's proposals for market monitoring and mitigation and other issues that it believes the FERC should address and clarify. On October 23, 2009, FERC issued an order approving a MISO compliance filing that revised its tariff to provide for netting of demand resources, but prohibiting the netting of behind-the-meter generation.

RTO Consolidation

On August 17, 2009, FirstEnergy filed an application with the FERC requesting to consolidate its transmission assets and operations into PJM. Currently, FirstEnergy's transmission assets and operations are divided between PJM and MISO. The consolidation would make ATSI's transmission assets part of PJM. Most of FirstEnergy's transmission assets in Pennsylvania and all of the transmission assets in New Jersey already operate as a part of PJM.

To ensure a definitive ruling at the same time FERC rules on its request to integrate ATSI into PJM, on October 19, 2009, FirstEnergy filed a related complaint with FERC on the issue of allocating transmission costs to the ATSI footprint for high voltage transmission projects approved prior to FirstEnergy's integration into PJM.

FirstEnergy has requested that FERC rule on its application by December 17, 2009, to provide time to permit management to make a decision on whether to integrate ATSI into PJM prior to the 2010 Base Residual Auction for capacity. Subject to a satisfactory FERC ruling, the integration is expected to be complete on June 1, 2011, to coincide with delivery of power under the next competitive generation procurement process for FirstEnergy's Ohio companies.

On September 4, 2009, the PUCO opened a case to take comments from Ohio's stakeholders regarding the RTO consolidation. FirstEnergy filed extensive comments in the PUCO case on September 25, 2009, and reply comments on October 13, 2009, and attended a public meeting on September 15, 2009 to answer questions regarding the RTO consolidation.

Several parties have intervened in the regulatory dockets at the FERC and at the PUCO. Certain interveners have commented and protested particular elements of the proposed RTO consolidation, including an exit fee to MISO, integration costs to PJM, and cost-allocations of future transmission upgrades in PJM and MISO. The result of these comments and protests could delay or otherwise have a material financial effect on the proposed RTO consolidation.

11 - <u>NEW ACCOUNTING STANDARDS AND INTERPRETATIONS</u>

In December 2008, the FASB issued a standard on an employer's disclosures about assets of a defined benefit pension or other postretirement plan. Requirements include disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant categories of risk. This standard is effective for fiscal years ending after December 15, 2009. ATSI will expand its disclosures related to postretirement benefit plan assets.

In June 2009, the FASB amended the derecognition guidance in the Transfers and Servicing Topic of the FASB Accounting Standards Codification and eliminated the concept of a Qualifying Special-Purpose Entity (QSPE). The amended guidance requires an evaluation of all existing QSPEs to determine whether they must be consolidated. This standard is effective for financial asset transfers that occur in fiscal years beginning after November 15, 2009. ATSI does not expect this standard to have any effect upon its financial statements.

In June 2009, the FASB amended the consolidation guidance applied to Variable Interest Entities (VIE). This standard replaces the quantitative approach previously required to determine which entity has a controlling financial interest in a VIE with a qualitative approach. Under the new approach, the primary beneficiary of a VIE is the entity that has both (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could be significant to the VIE. This standard also requires ongoing reassessments of whether an entity is the primary beneficiary of a VIE and enhanced disclosures about an entity's involvement in VIEs. The standard is effective for fiscal years beginning after November 15, 2009. ATSI does not expect this standard to have any effect upon its financial statements.

In August 2009, the FASB updated the Fair Value Measurement and Disclosures Topic, which provides guidance in determining fair value when a quoted price in an active market for an identical liability is not available. In such instances, an entity should measure fair value using one of the following approaches; (i) the quoted price of an identical liability when traded as an asset; (ii) the quoted price of a similar liability or a similar liability traded as an asset; (iii) a technique based on the amount an entity would pay to transfer the identical liability; or (iv) a technique based on the amount an entity would receive to enter into an identical liability. This standard is effective for the first reporting period, including interim periods, beginning after issuance, or October 1, 2009, for ATSI. ATSI does not expect this standard to have any effect upon its financial statements.

SCHEDULE A

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Schedule A has been extracted from FirstEnergy Corp.'s Proxy Statement filed with the SEC on Form 14A on April 1, 2009 (the "Proxy Statement"). Any capitalized terms used but not defined herein have the meaning ascribed to them in the Proxy Statement.

Introduction

The foundation of our compensation philosophy is the concept of pay-for-performance. When we achieve outstanding performance in terms of earnings, shareholder return, operational performance, and safety, this performance leads to commensurate and appropriate compensation for our named executive officers (later referred to as NEOs) and other executives. We provide a competitive total compensation program designed to attract, retain, and reward employees whose performance drives our success. As a result, our executive compensation program is designed to reward and retain executives who are responsible for leading our organization in achieving our business objectives in the highly complex energy services industry.

In 2008, our management team successfully guided us through numerous regulatory issues, worked to address the impacts of the global credit crisis and economic downturn, and further enhanced the operational performance of both our regulated and competitive businesses. As a result of these efforts and the progress we have made in recent years, in 2008 we delivered record earnings and generation output, near-record cash from continuing operations, and made significant progress toward the achievement of our regulatory objectives.

Earnings per share of common stock increased to $4.41 in 2008, from $4.27 in 2007, exceeding our guidance to the financial community. Cash generated from operations reached $2.2 billion, up from $1.7 billion in 2007. Management continued to seek ways to operate generating plants reliably and safely, and record generation output in 2008 of 82.4 million megawatt-hours reflects the success of those initiatives, as well as the strongest performance in the history of our nuclear fleet. Additionally, during a year when many companies reduced payouts to shareholders, our operating and financial results supported a dividend increase in early 2008, which was maintained throughout the year.

During 2008, we also remained committed to continuous financial and operational improvements and took advantage of strategic opportunities for future growth. New cost-effective technologies helped achieve improvements in transmission and distribution service reliability for the fourth consecutive year. We invested in a Montana coal mining operation that we believe ultimately will secure a supply of competitively priced, cleaner-burning coal with a higher heat value than typical western coal, and will help improve the generating capacity of our fossil plants. We also purchased a partially complete natural gas, combined-cycle plant in Fremont, Ohio, which we believe will be an important part of our future generation portfolio because of its size, location, and low carbon emitting characteristics.

Managing the transition to competitive markets for electricity in Ohio and Pennsylvania was a significant focus for our executive team in 2008, and continues to be a priority in 2009. In 2008, we worked to ensure that the interests of customers, shareholders, and employees were represented throughout the legislative process that led to Ohio's new electric restructuring law, which was signed in May 2008. In February 2009, we reached agreements with key stakeholders on a comprehensive electric security plan for our Ohio utilities. If approved by the Public Utilities Commission of Ohio, the plan is expected to more appropriately reflect our cost of supplying customers with power and our ability to provide them with reliable service, while balancing the interest of our shareholders. In Pennsylvania, we continue to lay the groundwork for the transition to competitive markets that will occur in 2011 for our Metropolitan Edison and Pennsylvania Electric operating companies. In Ohio, Pennsylvania, and New Jersey, we are developing plans to comply with new energy efficiency and conservation directives, with the goal of complying with these requirements while also recovering our investments.

At the end of 2008 and in early 2009, in the face of regulatory uncertainty and the declining economic environment, we took actions to manage cash expenditures, enhance operating efficiencies, and strengthen our liquidity position. Among those actions, we made spending cuts that will total more than $600 million in 2009 alone; extended the construction schedule of our Fremont plant to reflect current and projected power supply needs; adjusted the construction schedule for an air quality control project; and completed new financings to reinforce our liquidity position.

To further control costs and maintain financial flexibility, employees were informed in January 2009 that we were taking a number of additional steps to address the economic and regulatory uncertainty that impacted 2009 compensation decisions approved by the Board, as discussed later in this proxy statement. We also introduced a new organizational structure and adjusted staffing to enable the greater flexibility, efficiency, and responsiveness that is necessary in the current environment.

While the business climate will remain challenging in 2009, our executive team will maintain its focus on strengthening safety performance; maximizing the output from generation plants; enhancing the reliability of the transmission and distribution system; managing the transition to competitive markets; maintaining adequate and ready access to cash resources; and achieving financial goals and commitments to shareholders.

Compensation Summary

We believe that the quality, skills, and dedication of our executive officers, including our NEOs, are critical elements in our ongoing ability to positively affect our operating results and enhance shareholder value. The chief objectives of our executive compensation program are to attract, retain, and reward the talented executives who we believe can provide the performance, leadership, and contributions to drive our success in the complex energy services industry. Additionally, we aim to align management's interests with the long-term interests of our shareholders.

Our compensation philosophy targets total compensation at a range of 80 to 120 percent of the market median for our peer group, with the opportunity for executives to achieve above-median compensation for strong corporate and individual performance and the risk of earning below-median compensation if corporate performance does not meet targets. We review our compensation philosophy annually to ensure that it continues to align with our goals and shareholder interests and offers competitive levels of compensation.

To achieve our goals, we offer a total compensation package to all executives, including our NEOs, that:

- Is targeted at or near the market median for our peer group of energy services companies (described below),
- Fosters and supports a "pay-for-performance" culture to reward individual, business unit, and corporate results, and
- Is comprised of a mix of base salary, short-term and long-term incentive opportunities, severance and change in control benefits, and other executive benefits and perquisites.

Within the incentive component of our compensation program, short-term incentive opportunities for each executive are linked to annual performance results based on a combination of corporate and business unit goals; while long-term incentive opportunities are based on both our absolute performance and our performance relative to other energy services companies over a three-year period thereby encouraging the accomplishment of goals that are intended to increase shareholder value.

In line with our "pay-for-performance" orientation, a significant portion of an executive's actual compensation is based on corporate and business unit performance as defined by financial and operational measures. Executive rewards are linked directly to short-term and long-term results for key stakeholders, including shareholders and customers. Financial performance measures include earnings per share and funds from operations for shareholders. Operational performance measures include levels of customer satisfaction, average number of

transmission outages, average total duration of distribution outage minutes, generation output, and industry-standard safety metrics, all of which are intended to align executive, shareholder, and customer interests by improving service, reliability, and safety. All of our 2008 financial and operational performance measures are described below. We believe that shareholder value is impacted not only by financial measures but also by operational measures. The proportion of pay at risk increases as an executive's responsibilities increase. Thus, executives with greater responsibilities for the achievement of corporate performance targets bear a greater risk if those goals are not achieved, and conversely they receive a greater reward if the goals are met or surpassed.

Named Executive Officers

For 2008, our NEOs and their respective titles were as follows:

- Anthony J. Alexander, President and Chief Executive Officer (CEO)
- Richard H. Marsh, Senior Vice President and Chief Financial Officer (CFO)
- Gary R. Leidich, Executive Vice President and President, FirstEnergy Generation
- Richard R. Grigg, Executive Vice President and President, FirstEnergy Utilities
- Leila L. Vespoli, Executive Vice President and General Counsel

Messrs. Alexander and Marsh are NEOs as a result of their positions with us during 2008. Messrs. Leidich and Grigg and Ms. Vespoli were our three most highly compensated executive officers (other than our CEO and CFO) who were executive officers at the end of 2008.

Compensation Setting Process

Compensation Committee

Our Compensation Committee (later referred to in this section as the Committee) is responsible for overseeing compensation for our executive officers, including our NEOs.

The Committee's role in setting compensation is to assist and make recommendations to the Board in establishing appropriate base salary, incentive compensation, and equity-based compensation for our executive officers, including our NEOs, that will attract, retain, and motivate skilled and talented executives while also aligning our executives' interests with Company and business unit performance, business strategies, and growth in shareholder value. The Committee is further responsible for administering our compensation plans in a manner consistent with these objectives. In this process, the Committee evaluates information provided by Hewitt Associates, the Committee's compensation consultant (later referred to as the consultant), and relies on the consultant's expertise in benchmarking and familiarity with competitive compensation practices in the energy services industry. Additionally, in its review of the compensation of our NEOs, the Committee also evaluates the following factors:

- Company performance against relevant financial and operational measures,
- The NEO's individual performance,
- The NEO's experience and future potential to play an increased leadership role in the Company,
- Our desire to retain the NEO,
- Applicable changes, if any, in the NEO's responsibilities during the year, and

- Relevant changes, if any, in the competitive marketplace.

With respect to our CEO's compensation, the Committee also annually:

- Reviews, determines, and recommends to the Board the Company goals and objectives relevant to CEO compensation,
- Evaluates CEO performance in light of previously established goals and objectives and communicates the results of such evaluation to the Board, and
- Makes recommendations to the other independent directors of the Board for their approval based upon their evaluation and the competitive information provided by the consultant as well as our desire to retain the CEO.

In 2008, the Committee reviewed the factors listed above as well as the competitive data provided by the consultant. This review resulted in changes to base salary and short-term and long-term incentive targets, as discussed in further detail under the Elements of Compensation section below. When making compensation decisions, the Committee also reviews current and previously awarded but unvested compensation through the use of tally sheets as discussed later in this section.

Role of Executive Officers in Determining Compensation

The CEO makes recommendations to the Committee with respect to the compensation of the NEOs (other than himself) and other executives identified as Section 16 Insiders under the Exchange Act. The CEO possesses insight regarding individual performance levels, degree of experience, future promotion potential, and our intentions in retaining particular senior executives. In all cases, the CEO's recommendations are presented to the Committee for review in light of the market data provided by the consultant. The Committee may, however, elect to modify or disregard the CEO's recommendations. The Committee elected to follow the CEO's recommendations in determining compensation for the NEOs in 2008 and 2009.

Neither the CEO nor any other NEO makes recommendations for setting his or her own compensation except to the degree their recommendations for short-term and long-term performance measures generally will impact their own compensation mix and targets in the same way it will affect those of all other eligible employees. The recommendation of the CEO's compensation to be presented to the Board is determined in Committee meetings during executive session with only the consultant and the Committee members present.

The CEO, the other NEOs, and our other senior executives play a role in the early stages of design and evaluation of our compensation programs and policies and setting performance measures. Because of their greater familiarity with our business and culture, these executives are in the best position to suggest programs and policies that will engage employees and provide effective incentives to produce outstanding financial and operating results for us and our shareholders. Additionally, these executives are the most appropriate individuals to determine performance measures for the Committee to recommend to the Board for approval, based on their experience and knowledge of our financial and operational objectives.

Consultant

As noted above, the Committee employs an independent external compensation consultant at our expense. The consultant reports directly to the Committee. Consistent with NYSE rules, the Committee has the sole authority to retain and dismiss the consultant and to approve the consultant's fees. The consultant provides objective and independent advice and analysis to the Committee with respect to executive compensation. Since September 2006, the Committee has retained the consultant in this role based upon its expertise, independence, and energy services industry experience. Separate and apart from the advice it provides to the Committee, Hewitt Associates provides actuarial and benefit plan consulting services to our management team and has provided these services prior to its selection as the Committee's consultant. Management also has engaged Hewitt Associates from time to time to conduct additional compensation analysis for non-executive positions, and may do so in the future as needed.

Management advises the Committee of the nature and extent of this work. The Committee's decision to engage the consultant to provide executive compensation consulting services to the Committee is independent of management's engagement of Hewitt Associates for these other services. Executive compensation consulting services provided to the Committee and other consulting services provided to management by Hewitt Associates are performed by separate and distinct divisions of Hewitt Associates. The services are provided under separate contractual agreements and the Committee's consultant does not work on any other consulting services for management. The work performed by Hewitt Associates for management does not impact or influence executive compensation decisions made by the Committee. The Committee meets with the consultant without management present in an executive session of each regularly scheduled Committee meeting. The Committee has determined that management's relationship with Hewitt Associates does not impair the ability of the consultant to render impartial, quality services and independent advice to the Committee.

The Committee relies on the consultant to provide an annual review of executive compensation practices of companies in our peer group. This review includes companies with which we compete for executive talent and is further discussed below under the Benchmarking section. This review encompasses base salary, short-term incentives, and long-term incentives. In addition, the Committee may request advice concerning the design, communication, and implementation of our incentive plans or other compensation programs. The services provided by the consultant to the Committee in 2008 included:

- Reviewing the alignment of executive compensation practices with our compensation philosophy,
- Benchmarking and analysis of competitive compensation practices for executives and directors within our industry,
- Reviewing the SEC proxy disclosure requirements,
- Reviewing our change in control severance agreements to ensure alignment with our compensation philosophy and competitive practice,
- Calculating quarterly total shareholder return relative to the companies in the Edison Electric Institute's (EEI) Index of Investor-Owned Electric Utility Companies described in the Performance Share section of this proxy statement. This group of companies is used to measure our performance over the three-year performance period for the performance share component of the long-term incentive program only,
- Analyzing compensation rankings for our NEOs as compared to the EEI peer group of companies, and
- Informing the Committee of market trends and current events in executive compensation.

Benchmarking

In early 2008, the consultant compared executive compensation among 23 large utilities in the United States. These are generally the energy services organizations with which we compete for executive talent and generally the same peer group identified in 2007. The consultant utilized the following as the energy services industry peer group:

Ameren Corporation	American Electric Power	CenterPoint Energy
CMS Energy Corporation	Consolidated Edison, Inc.	Constellation Energy
DTE Energy Company	Dominion Resources, Inc.	Duke Energy Corporation
Edison International	Entergy Corporation	Exelon Corporation
FPL Group, Inc.	Integrys Energy Group	PG&E
PPL Corporation	Pepco Holdings, Inc.	Progress Energy, Inc.
Public Service Enterprise Group	Sempra Energy	Southern Company
TXU Corp.	Xcel Energy	

For 2008, targeted base salary and short-term and long-term incentive opportunities for our NEOs were *determined based on a review of the compensation of executives holding similar roles in 2007 at these companies.* Since our annual revenue is larger than the annual revenue of a typical firm in the sample, results were size-adjusted using regression analysis to determine market values of compensation that relate closely to our revenue size. Regression analysis in this context is a statistical technique used to estimate market compensation levels based on *the relationship between compensation and revenue size for the underlying market data.*

The consultant evaluated the energy services industry peer group data and provided competitive benchmarking information to the Committee. This information was considered by the Committee and used to *determine the mix of components of our compensation package, individually and in the aggregate, relative to the* size adjusted 50th percentile ("median") levels for that peer group.

We generally target executive pay at a range of 80 to 120 percent of peer group median levels to allow us *the flexibility to achieve a pay-for-performance philosophy, to provide the ability to recruit and retain talent, to* remain competitive in the marketplace, and to recognize individual performance and experience. In 2008, the consultant's data indicated total compensation including actual base salary, short-term incentive targets, and long-term incentive targets for our NEOs was at 116.5 percent of peer group median levels and therefore within our target *range.*

Due to the unique nature of the functions within Ms. Vespoli's scope of responsibility, a specific comparable benchmark for the position of Executive Vice President and General Counsel was not available in our *peer group. Compensation targets for Ms. Vespoli's position were therefore determined based on comparisons of* other similarly situated executives within our organization.

The 2009 energy services industry peer group for benchmarking executive compensation will remain *unchanged from 2008, except that TXU Corp. is now Energy Future Holdings Corporation.*

Tally Sheets and Accumulated Wealth

In January of each year, the Committee reviews a comprehensive summary of all components of total compensation, including base salary, health and welfare benefits, current year short-term and long-term incentive grants, earnings on deferred compensation, Company matching contributions to the FirstEnergy Savings Plan (later referred to as the Savings Plan), perquisites, and short-term and long-term incentive payouts (actual and projected, *as appropriate) under several termination scenarios (i.e., voluntary resignation, retirement, involuntary separation,* termination following a change in control, death, and termination for cause) for the NEOs. The primary purpose of these tally sheets is to summarize in one place the individual elements of each NEO's compensation and the estimated value of compensation that would be received by the NEO in the event of a termination of employment to *ensure that the total compensation provided and such potential payouts are appropriate. The tally sheets are used to* quantify the present value of past compensation awards still outstanding.

For the first time in January 2009, the Committee also reviewed a report for the NEOs providing a *historical summary of accumulated wealth for each executive. The report shows realized and granted compensation* over the most recent five-year period by component of compensation: base salary, short-term incentive program payouts, long-term incentive program payouts and grants, realized values of exercised options, and the value of unvested grants.

Based on its review of the tally sheets and summary of accumulated wealth report, the Committee determined that the total compensation provided (and, in the case of termination scenarios, the potential payouts) remained consistent with our pay-for-performance compensation philosophy. The Committee did not make *adjustments to compensation or programs in light of the review of these reports.*

Elements of Compensation

The elements of our compensation program are:

- Base salary: fixed element of compensation payable throughout the year,
- Short-term incentive program: entirely at-risk variable cash compensation which is performance-based and payable annually,
- Long-term incentive program:
- Performance shares: entirely at-risk variable cash compensation which is performance-based and payable at the end of a three-year vesting period if performance is achieved, and
- Performance-adjusted restricted stock units: partially at-risk equity compensation, a portion of which is performance-based and settled in shares of our common stock at the end of a three-year vesting period,
- Retirement benefits and perquisites, and
- Severance and change in control benefits.

The mix of base salary, short-term incentives, and long-term incentives was determined using the competitive market data provided by the consultant to strengthen our ability to attract and retain talent and is representative of the compensation mix used by the companies in our peer group at the 50th percentile (base salary constitutes 28 percent of total compensation, the short-term incentive program constitutes 19 percent of total compensation, and the long-term incentive program constitutes 53 percent of total compensation). The long-term incentive program consists of performance shares and performance-adjusted restricted stock units, each of which accounts for approximately 50 percent of the total opportunity, in order to encourage the achievement of performance measures (absolute and relative to our peers) over a three-year period.

Compensation decisions made by the Committee regarding the individual components of compensation are considered in the aggregate and adjustments to the amounts of base salary, short-term incentives, and long-term incentives are made concurrently to maintain an accurate overall compensation picture. The mix of compensation components is used to provide the NEOs with opportunities to earn compensation through a variety of vehicles, both fixed and at-risk.

We utilize a combination of short-term and long-term incentives intended to facilitate the retention of talented executives, recognize the achievement of short-term goals, reward long-term strategic results, and encourage equity ownership. We believe that our success with ongoing recruitment efforts, including recent executive hires from the external market, and our relatively low executive turnover indicate that our compensation program is meeting the goal of providing competitive pay while targeting compensation at or near the industry median level.

Although benchmarking data serves as a foundation for the Committee's compensation recommendations, additional variations occur among the NEOs based on their individual performance and experience.

The chart below represents the percentage of each pay element at target levels for the NEOs in 2008:

	Base Salary	Short-Term Incentive	Long-Term Incentive
Anthony J. Alexander	15.6%	15.6%	68.8%
Richard H. Marsh	26.5%	18.5%	55.0%
Gary R. Leidich	21.6%	17.3%	61.1%
Richard R. Grigg	26.5%	18.5%	55.0%
Leila L. Vespoli	26.5%	18.5%	55.0%

Short-term and long-term incentive program targets shown to the nearest whole percentage of base salary for our NEOs in 2008 were as follows:

	Short-Term Incentive Program Target	Long-Term Incentive Program Target	
		Performance Shares	Performance-Adjusted Restricted Stock Units
Anthony J. Alexander	100%	226%	214%
Richard H. Marsh	70%	107%	101%
Gary R. Leidich	80%	145%	138%
Richard R. Grigg	70%	107%	101%
Leila L. Vespoli	70%	107%	101%

These percentages are determined during the annual review of executive compensation practices in our peer group conducted by the consultant. Each NEO's compensation is compared to the compensation provided to executives in similar positions at companies in our peer group. As mentioned previously, executives with greater responsibilities for the achievement of corporate performance targets, including the NEOs, bear a greater risk if those goals are not achieved, and conversely they receive a greater reward if the goals are met or surpassed.

The following chart converts the short-term and long-term incentive program percentages shown above to a dollar value for each NEO.

	Base Salary	Short-Term Incentive Program Target	Long-Term Incentive Program Target	
			Performance Shares	Performance-Adjusted Restricted Stock Units
Anthony J. Alexander	$ 1,340,000	$ 1,340,000	$ 3,028,400	$ 2,867,600
Richard H. Marsh	$ 515,000	$ 360,500	$ 551,050	$ 520,150
Gary R. Leidich	$ 650,000	$ 520,000	$ 942,500	$ 897,000
Richard R. Grigg	$ 750,000	$ 525,000	$ 802,500	$ 757,500
Leila L. Vespoli	$ 530,000	$ 371,000	$ 567,100	$ 535,300

When allocating total compensation for the NEOs, long-term incentives are weighted heavily to ensure executive and shareholder interests are aligned by linking payouts to performance measures that impact shareholder value. Also, long-term incentive targets are used to encourage sustained performance levels. Additionally, because restricted stock units are settled in shares of our common stock, their value reflects changes in our stock price, further aligning our NEOs' interests with the interests of shareholders. Long-term incentive program awards granted in 2008 vest over three years, are partially performance-based, and are subject to forfeiture or proration if employment is terminated prior to the end of the performance period as shown in the 2008 Post-Termination Compensation and Benefits table later in this proxy statement. We believe this rewards long-term strategic success and encourages continued employment, which increases the opportunity to achieve the transfer of knowledge from more senior executives to new executives. Mr. Alexander has the highest long-term incentive target weighting because we believe a significant portion of the CEO's compensation should be based on long-term performance and sustainability.

Base Salary

The NEOs are paid a base salary to provide them with a fixed amount of cash compensation. The NEOs' base salaries are reviewed annually by the Committee. The consultant provides the Committee with the median competitive data for each NEO's position in January of each year as described above. Adjustments to base salary are made, if appropriate, generally on or around March 1 of each year, after considering factors such as Company performance, individual performance, experience, future potential for promotion, our desire to retain the executive, changes in the executive's responsibilities, and changes in the competitive marketplace. These factors are not weighted or part of a formula but rather provide the latitude to make adjustments to base salary based on a combination of any or all of these factors. Variations of base salary from median levels for individual executives are influenced by the relative responsibilities of the position, qualifications, experience, and sustained performance level of the executive.

The Committee recommended and the Board approved base salary changes for the NEOs, effective March 2, 2008, based on the factors described above. The changes were as follows: Mr. Alexander — from $1,285,000 in 2007 to $1,340,000 in 2008; Mr. Marsh — from $505,000 in 2007 to $515,000 in 2008; Mr. Leidich — from $550,000 in 2007 to $650,000 in 2008; Mr. Grigg — from $800,000 in 2007 to $750,000 in 2008; and Ms. Vespoli — from $500,000 in 2007 to $530,000 in 2008 based in each case on:

- The relationship of prior year compensation to the competitive data (if available) provided by the consultant in the annual compensation review process,
- Individual performance and experience,
- Mr. Leidich was promoted to Executive Vice President and President, FirstEnergy Generation, in March 2008. In recognition of his promotion from Senior Vice President, Operations, and his new broadened responsibilities, his salary was increased based on the competitive data provided by the consultant and his individual performance, experience, and the expectations of Mr. Leidich in his new role in light of the separation of our regulated and unregulated businesses due to changes in the energy services industry;
- Mr. Grigg's position was changed from Executive Vice President and Chief Operating Officer to Executive Vice President and President, FirstEnergy Utilities, in March 2008. Accordingly, Mr. Grigg's salary was decreased to more closely align his base salary to the competitive market in light of his new duties, which resulted from the separation of regulated and unregulated businesses due to changes in the energy services industry, and
- Ms. Vespoli was promoted to Executive Vice President and General Counsel in March 2008. In recognition of her promotion from Senior Vice President and General Counsel and her new broadened responsibilities, her salary was increased based on her individual performance, experience, and the expectations of Ms. Vespoli in her new role.

Based on current economic conditions and regulatory uncertainty, in February 2009, our CEO proposed maintaining 2008 base salary levels for the NEOs in 2009. The Committee recommended and the Board approved no base salary changes for the NEOs in 2009.

Short-Term Incentive Program

The short-term incentive program (later referred to as the STIP) provides annual cash awards to executives whose contributions support the achievement of our financial and operational goals. The program supports our compensation philosophy by linking executive awards directly to annual performance results, which the Committee recommends and the Board approves, as key to our success in relation to Company and business unit objectives.

The STIP targets executive payouts at or near the median target payout of our peer group with the potential to achieve total cash compensation above the median target payout of the peer group if our performance is superior. However, the STIP payout is entirely at risk if our performance is below expectations. As an executive's responsibility increases, a greater percentage of the annual incentive is linked to our financial performance, rather than operational business unit performance.

We establish threshold, target, and maximum levels for incentive compensation performance measures based on earnings growth aspirations and achieving continuous improvement in operational performance. Awards for the STIP based on financial performance range from 50 percent of target for performance at threshold to 200 percent of target for performance at the maximum level. Awards for the STIP based on operational performance range from 50 percent of target for performance at the threshold level to 150 percent of target for performance at the maximum level. The financial performance range is weighted more heavily than the operational performance range if goals are surpassed to focus attention on our financial results. Executives are evaluated based on performance measures applicable to the Company and their responsibilities within our organization. Awards are not paid if threshold performance is not achieved. Maximum performance levels are designed to encourage superior performance. Awards are adjusted mathematically downward for performance between threshold and target and adjusted upward for performance between target and maximum.

The Committee reviews these target award opportunities annually, which are expressed as a percentage of base salary. During the first quarter, adjustments to target award levels for the current year are made when appropriate and warranted by competitive market practices. In 2008, the Committee recommended and the Board approved the following adjustments to the NEOs' target incentive opportunities for the 2008 STIP: Mr. Leidich — from 70 percent in 2007 to 80 percent in 2008; Mr. Grigg — from 75 percent in 2007 to 70 percent in 2008; and Ms. Vespoli — from 65 percent in 2007 to 70 percent in 2008. The change for Mr. Leidich reflected his new broadened responsibilities as Executive Vice President and President, FirstEnergy Generation; the change for Mr. Grigg was made based on competitive data reflecting his new responsibilities and to more closely align his compensation to the competitive market in light of his new duties; and the change for Ms. Vespoli was made based on her new broadened responsibilities and comparisons to other similarly situated executives within our organization.

In conjunction with maintaining base salary levels for NEOs in 2009, and based on current economic conditions and regulatory uncertainty, in February 2009, our CEO also proposed maintaining short-term incentive target opportunities at 2008 levels for 2009. The Committee recommended and the Board approved no short-term incentive target opportunity changes for the NEOs in 2009. Short-term incentive target opportunities are shown under the Elements of Compensation section earlier in this proxy statement.

2008 Performance Measures

The weightings of financial and operational STIP targets for executives are determined by the Committee and approved by the Board at the beginning of each year. In 2008, the weightings and performance measures for the NEOs were:

	Alexander	Marsh	Leidich	Grigg	Vespoli
Financial	80%	70%	70%	70%	70%
Earnings Per Share	60%	55%	50%	50%	55%
Funds from Operations for Shareholders	20%	15%	20%	20%	15%
Safety/Operational	20%	30%	30%	30%	30%
Safety-Corporate	5%	10%			10%
Safety-Energy Delivery				10%	
Safety-Fossil			10%		
Nuclear Safety Culture	5%				
Operational Linkage: Seven key operating metrics:	10%	20%			20%
CustomerFirst Index, Distribution System Average Interruption Duration Index, Transmission Outage Frequency, Generation Megawatt Hour Output-Fossil, Institute of Nuclear Power Operations Index, Corporate Support Financial, Workforce Hiring Plan					
Business Unit Operational					
CustomerFirst Index				5%	
Distribution System Average Interruption Duration Index-Energy Delivery and Customer Service				5%	
Transmission Outage Frequency				5%	
Generation Megawatt Hour Output-Fossil			5%		
Equivalent Forced Outage Rate-Fossil			5%		
Air Quality Control Project Management			5%		
Energy Delivery and Customer Service Financial				5%	
Fossil Financial			5%		

Mr. Marsh, Mr. Leidich, Mr. Grigg, and Ms. Vespoli received adjustments to their financial and safety/operational weightings in 2008 designed to focus their attention on our financial results. Mr. Alexander, Mr. Marsh, and Ms. Vespoli are weighted slightly more heavily in earnings per share based on the scope of their responsibility within the organization. Mr. Leidich and Mr. Grigg are weighted more heavily in business unit specific measures compared to the other NEOs due to the operational nature of their roles in the organization.

In 2008, the threshold, target, maximum, and actual performance measures for the NEOs were:

	Threshold	Target	Maximum	Actual Result	Result
Financial					
Earnings Per Share-GAAP earnings divided by average common shares outstanding.	$ 4.15	$ 4.28	$ 4.45	$ 4.41	Above Target
Funds from Operations for Shareholders-A cash based metric that measures funds generated by our business less capital expenditures.	$ 202M	$ 241M	$ 293M	$ 469M	Maximum
Safety/Operational					
Safety-Corporate(1)-Measures the number of Occupational Safety and Health Administration reportable incidents per 100 employees for the corporation.	1.30	1.15	0.85	0.97	Above Target
Safety-Energy Delivery (1) - Measures the number of Occupational Safety and Health Administration reportable incidents per 100 employees in the Energy Delivery business.	1.90	1.62	1.24	1.77	Above Threshold
Safety-Fossil(1)-Measures the number of Occupational Safety and Health Administration reportable incidents per 100 employees in the Fossil Generation business.	1.56	1.10	0.50	1.07	Above Target
Nuclear Safety Culture-An annual evaluation of 8 principles that support a safety culture, on an index scale of 100.	82	86	90	89.8	Above Target
Operational Linkage: Performance index of seven key operating metrics based on points awarded.	3	6	10	7.83	Above Target
CustomerFirst Index-Measures	3	6	10	6.81	Above Target

	Threshold	Target	Maximum	Actual Result	Result
the level of customer satisfaction based on points awarded for seven key metrics.					
Distribution System Average Interruption Duration Index-Energy Delivery and Customer Service (1) -Represents the average total duration of outages in minutes in a year.	138	128	118	126.72	Above Target
Transmission Outage Frequency(1) -Measures the average number of transmission circuit outages.	0.84	0.78	0.62	0.73	Above Target
Generation Megawatt-Hour Output-Fossil-Represents fossil operations' gross output, less station use.	50.3	52.9	53.3	50.24	Below Threshold
Institute of Nuclear Power Operations Performance Indicator Index- Nuclear-A composite measure of 10 indicators used by nuclear power plants.	80	84	85	86.63	Maximum
Corporate Support Financial(1) -Cost per megawatt-hour.	$ 3.81	$ 3.73	$ 3.66	$ 3.55	Maximum
Workforce Hiring Plan-Number of vital positions staffed.	7,016	7,105	7,174	7,182	Maximum
Business Unit Operational					
Equivalent Forced Outage Rate-Fossil (1) -Measures the percentage of generation that was not available versus the amount of time a unit was requested to be online.	5.18	3.99	3.19	4.19	Above Threshold
Air Quality Control Project Management (1) -Measured by project milestones and capital budget achievement.	$ 16 705M	$ 18 650M	$ 20 640M	19 $ 638 2M	Above Target
Energy Delivery and Customer Service (1) -Financial-Total direct cost per customer.	$ 277.41	$ 271.97	$ 265.17	$ 289.60	Below Threshold
Fossil Financial(1)-Cost per megawatt-hour.	$ 30.55	$ 30.05	$ 29.55	$ 30.36	Above Threshold

(1) In contrast to the other performance measures, the lower the result, the better the performance.

In 2008, we achieved outstanding financial and operational performance relative to our performance measures which had a positive impact on the STIP payout. Mr. Alexander's award was $2,305,403. The remaining NEOs' awards were as follows: Mr. Marsh — $593,507; Mr. Leidich — $796,068; Mr. Grigg — $799,801; and Ms. Vespoli — $610,794.

Financial Measures

Financial performance measures include earnings per share (later referred to as EPS) and funds from operations for shareholders (later referred to as FFOS), which were chosen because they impact shareholder value and are designed to align executive compensation to shareholder interests. Financial performance measures are weighted more heavily than safety/operational performance measures in determining STIP payouts for our NEOs as described in the chart earlier in this proxy statement.

We use EPS as a measure because increases in earnings per share indicate growth of the business and a corresponding increase in the value of our shareholders' investment. Additionally, EPS is commonly used by financial analysts and investors as a measure of general financial and operational health. Similarly, we believe FFOS is an appropriate measure of funds available to increase shareholder value, either directly through payout of a dividend or retained by our businesses for reinvestment to generate future growth. FFOS represents cash available for shareholders from our normal operations (net income adjusted for major non-cash charges and credits) less capital expenditures and related items. Targets are based upon expected budgeted results which reflect estimates of sales, equipment performance, expenses, and other costs of operations.

Safety/Operational Measures

Safety is measured by either the Occupational Safety and Health Administration (later referred to as OSHA) incident rate or the Nuclear Safety Culture performance and is a performance measure for all of our employees. Safety is a core value and is tied to the short and long-term incentive programs because of its importance and potential to impact our employees and other stakeholders. The OSHA metric tracks the number of OSHA reportable incidents in 2008 per 100 employees. OSHA performance at target levels is close to top-decile performance based on the EEI 2006 Health & Safety Survey of all EEI companies. Nuclear Safety Culture is a systematic approach to measure safety culture through annual evaluations of principles that support safety culture at each of our nuclear sites. We created the Nuclear Safety Culture metric in 2003 to measure the safety culture in the nuclear fleet. The 2008 measures are based on eight Institute of Nuclear Power Operations (later referred to as INPO) principles and align with industry standards.

The Operational Linkage Index is based on the seven operating metrics referred to in the table above. Each component is weighted equally. Operational performance measures include levels of customer satisfaction, average number of transmission outages, average total duration of distribution outage minutes, generation output, nuclear performance, corporate support financial goals, and hiring goals, all of which are intended to align executive and customer interests by improving service, reliability, and safety.

The CustomerFirst Index is an internal index comprised of seven component metrics to measure overall customer satisfaction. These metrics were chosen because they measure customer service levels on several different dimensions that we believe drive customer satisfaction in the energy services industry. In 2008, the CustomerFirst Index target was the equivalent of achieving target performance on six of the seven component metrics, compared to the 2007 actual year-end result of 6.4. Target levels for four of the seven components were set at levels representing improvements of 10 percent or more above 2007 results. The targets for two surveys and the justified complaints metric were adjusted to absorb the impact of the following expected events: energy legislation and proposed rate increases in Ohio, continued aggressive approach to collection of past due bills, enhanced security deposit requirements, and market-based prices for generation in New Jersey and parts of Pennsylvania. The CustomerFirst Index was first used as our measure of customer satisfaction for purposes of the STIP in 2007.

In an effort to continue to meet reliability standards, we have focused on two energy delivery reliability measures: Distribution System Average Interruption Duration Index (later referred to as SAIDI) and Transmission Outage Frequency (later referred to as TOF). SAIDI represents the average total duration of outage minutes per customer annually, adjusted for major storms. SAIDI goals incorporate state reliability standards and regulatory interim requirements. The 2008 target was derived by applying regional and state requirements weighted by customer count in the applicable region or state. In 2007, the TOF goal measured the average number of transmission circuit outages per circuit in the 230-500 kV range. In 2008, the TOF goal was enhanced to measure the average number of transmission circuit outages per circuit in the 69kV and above range. The 2008 targets for transmission outage frequency per circuit are based on the National SGS Transmission Reliability benchmarking study. SGS Statistical Services sets the standard for transmission reliability benchmarking in the U.S. The national top quartile has been established as the target performance level.

The two generation reliability goals are Generation Megawatt-hour (later referred to as MWh) Output-Fossil and INPO Performance Indicator Index. Generation MWh Output represents fossil operations' gross output less station use. The goal was established to capture maximum utilization of our fossil generation assets, which enables us to take advantage of profitable market opportunities and reduces the need to purchase power on the open market.

The INPO Performance Indicator Index is a composite measure of 10 indicators used by nuclear power plants created by INPO with input from the industry. The maximum score is 100. The targets are based on business plan performance targets for the four nuclear units and averaged to obtain the fleet INPO index.

The Corporate Support Financial goal is the amount spent by the shared service organizations collectively compared to the amount of electricity produced by our generation fleet, thereby encouraging shared service organizations to remain within budget, but not ignoring opportunities to enhance our production.

Workforce Hiring Plan measures the number of vital positions that are staffed. This measure focuses management on recruiting and retaining those employees in positions necessary for sustained viability. Vital positions have been identified internally by each of our business units and meet all of the following criteria:

- Critical to operations,
- Relatively long learning curve,
- Risk of attrition,
- Difficult to locate skills in external labor markets, and
- Quantity of current and/or anticipated positions.

Business Unit Operational Measures

Due to the operational nature of their roles in the organization, the business unit operational performance measures are applicable only to Mr. Leidich and Mr. Grigg. The Air Quality Control (later referred to as AQC) Project Management goal measures the achievement of project milestones and budget requirements over the course of the project. This multi-year project involves the installation of state-of-the-art air quality control systems to reduce emissions.

The fossil fleet Equivalent Forced Outage Rate (later referred to as EFOR) measures the amount of generation that was not available versus the amount of time a generation unit was requested to be operating. The EFOR targets have been determined based on steady improvement for the past several years.

The Energy Delivery and Customer Service Financial goal, Total Direct Cost per Customer, is linked to business unit plans and designed to achieve top quartile spend per customer. The Fossil Financial goal, Cost per MWh, is designed to encourage increasing fossil generation while remaining within budget.

Long-Term Incentive Program

The long-term incentive program (later referred to as the LTIP) is an equity-based program designed to reward executives for achievement of Company goals that are intended to increase shareholder value. In 2008, the Committee recommended and the Board approved the following changes to the long-term incentives provided under the FirstEnergy Corp. 2007 Incentive Plan (later referred to as the Plan) to further align our grants with the competitive practices of our peers:

- Eliminating the share value protection rights for performance shares and performance-adjusted restricted stock units which provided participants a guaranteed benefit of no less than the grant value in the event of a change in control,
- Reducing the 12-month minimum service requirement to receive an award of performance shares and performance-adjusted restricted stock units to one month and continuing prorating the awards based on full months of service, and

- Eliminating the requirement that a termination must occur upon a change in control for grants to vest consistent with competitive practice and based on the recommendations of the consultant.

During the first quarter of each year, the Committee reviews and recommends for approval to the Board executives' long-term incentive target opportunities as appropriate and warranted by competitive market practice considerations. Target opportunities are expressed as a percentage of base salary and are determined by competitive data, which accounts for the differences among the NEOs and from prior years. In 2008, we provided long-term incentive opportunities through a combination of performance shares and performance-adjusted restricted stock units. In 2008, the Committee recommended and the Board approved adjustments to the 2008 LTIP target opportunities for each NEO as follows: Mr. Alexander — from 402 percent in 2007 to 440 percent in 2008; Mr. Marsh — from 194 percent in 2007 to 208 percent in 2008; Mr. Leidich — from 305 percent in 2007 to 283 percent in 2008; Mr. Grigg — from 232 percent in 2007 to 208 percent in 2008; and Ms. Vespoli — from 194 percent in 2007 to 208 percent in 2008. The consultant determined, and the Committee agreed, that our long-term target opportunities were generally at median competitive levels.

Based on current economic conditions and regulatory uncertainty, in February 2009, our CEO proposed implementing reductions to the LTIP target opportunities for the NEOs. The Committee recommended and the Board approved decreases to the LTIP target opportunity for each NEO as follows: Mr. Alexander — from 440 percent in 2008 to 375 percent in 2009; Mr. Leidich — from 283 percent in 2008 to 241 percent in 2009; and Mr. Marsh, Mr. Grigg, and Ms. Vespoli — from 208 percent in 2008 to 177 percent in 2009. The consultant's data indicated base salary, short-term incentive targets, and adjusted long-term incentive target opportunities for 2009 in the aggregate were within the range of our target median levels of 80 to 120 percent at 104.8 percent.

In contrast to the 2008 target opportunities disclosed in the table in the Elements of Compensation section earlier in this proxy statement, the STIP and LTIP target opportunities shown as a whole percentage of base salary for our NEOs in 2009 are as follows:

			Long-Term Incentive Program Target	
	Base Salary	STIP Target	Performance Shares	Performance-Adjusted Restricted Stock Units
Anthony J. Alexander	100%	100%	193%	182%
Richard H. Marsh	100%	70%	91%	86%
Gary R. Leidich	100%	80%	124%	117%
Richard R. Grigg	100%	70%	91%	86%
Leila L. Vespoli	100%	70%	91%	86%

The following chart converts the short-term and long-term incentive program percentages shown above to a dollar value for each NEO.

			Long-Term Incentive Program Target	
	Base Salary	STIP Target	Performance Shares	Performance-Adjusted Restricted Stock Units
Anthony J. Alexander	$ 1,340,000	$ 1,340,000	$ 2,586,200	$ 2,438,800
Richard H. Marsh	$ 515,000	$ 360,500	$ 468,650	$ 442,900
Gary R. Leidich	$ 650,000	$ 520,000	$ 806,000	$ 760,500
Richard R. Grigg	$ 750,000	$ 525,000	$ 682,500	$ 645,000
Leila L. Vespoli	$ 530,000	$ 371,000	$ 482,300	$ 455,800

Coupled with the reduction in 2009 grants under the LTIP, the Committee recommended and the Board approved changes to the performance adjustments for performance shares and restricted stock units as described below and discussed further in the Grants of Plan-Based Awards section of this proxy statement:

- Performance shares from 0% for performance below the 40th percentile and 150% for performance above the 86th percentile to 0% for performance below the 40th percentile and 200% for performance at the 90th percentile, and

- Performance-adjusted restricted stock units from a minimum performance adjustment of 75% and a maximum performance adjustment of 125% to a minimum performance adjustment of 50% to a maximum performance adjustment of 150%.

Performance Shares

Our performance share program provides the NEOs and our other executives with the opportunity to receive awards based on our total shareholder return (later referred to as TSR) over a three-year period relative to the TSRs of the companies in the EEI Index of Investor-Owned Electric Utility Companies (later referred to as the EEI Index). There are approximately 58 companies in the EEI Index. The Index represents a larger group of companies than the peer group we use for benchmarking total compensation allowing us to compare our performance to the performance of the broader industry. TSR is the total return of one share of common stock to an investor (capital gains plus dividends) and assumes that an investment is made at the beginning of the three-year period and all dividends are reinvested throughout the entire three-year period. The Committee believes it is important to emphasize not only our performance in isolation, but our performance relative to our industry peers. TSR is used to encourage the NEOs to develop and implement business strategies that will allow our TSR to outperform those of our peers over time and to reward executives when TSR goals are achieved. The three-year performance period encourages executives to stay with us because awards are at risk of proration or even forfeiture if an executive leaves prior to the end of the performance period, as shown in the 2008 Post-Termination Compensation and Benefits table later in this proxy statement.

Performance shares are granted annually and performance is tracked over the three-year performance period. Dividend equivalent units accrue on performance shares based on the dividend rate paid to shareholders and the average high and low prices of our common stock on the date the dividend is paid to shareholders and convert to additional units at the end of each quarter during the performance period. In accordance with the performance share agreements, dividend equivalent units are subject to the same restrictions as the original shares granted.

Based on analysis of the peer group competitive data provided by the consultant, each eligible executive received an initial grant of performance shares, based on a portion of the LTIP target opportunities expressed as a percentage of base salary as of March 2, 2008, disclosed in the table in the Elements of Compensation section earlier in this proxy statement, and calculated using the average of the high and low prices of our shares of common stock for the month of December of the prior year ($72.91 for December 2007). Performance share grants in 2008 for the 2008-2010 performance period were issued as follows: Mr. Alexander — 41,598 shares;

Mr. Marsh — 7,537 shares; Mr. Leidich — 12,971 shares; Mr. Grigg — 10,976 shares; and Ms. Vespoli — 7,756 shares. These shares will vest on December 31, 2010.

Performance shares typically pay out in cash at the end of the performance cycle based on the average high and low prices of our shares of common stock for the month of December in the last year of the performance cycle. The performance share payout amount is based on our ranking among the EEI Index companies. Our ranking is determined by comparing the average of the high and low prices per share of our common stock during the month of January of the first year of the performance cycle ($50.84 for January 2006) and the average of the high and low prices per share of our common stock during the month of December of the third and final year of the performance cycle ($52.03 for December 2008), accounting for the reinvestment of all dividends in the three-year period, to an equivalent calculation for the other companies in the EEI Index. If our performance ranks us below the 40th percentile of these companies, no award is paid. If our performance ranks us at or above the 86th percentile — an indication that we outperformed a vast majority of our peers over the three-year period — awards are paid at the maximum of 150 percent of the sum of the initial grant and all dividends accrued during the performance period. Awards are interpolated for performance between these two percentiles on a straight-line basis.

For the three-year performance period that ended December 2008, for the performance shares granted in 2006, we ranked 10th out of 58 companies (83rd percentile) in the EEI Index resulting in performance share payouts at 145.6 percent. In March 2009, the payouts for our NEOs for performance shares for the 2006-2008 performance period were as follows: Mr. Alexander — $2,655,022; Mr. Marsh — $404,165; Mr. Leidich — $382,667; Mr. Grigg — $784,253; and Ms. Vespoli — $399,866.

Based on the reduced 2009 LTIP target opportunities expressed as a percentage of base salary as of March 2, 2009, disclosed in the Long-Term Incentive Program section above, and calculated using the average of the high and low prices per share of our common stock during December 2008 ($52.03), performance share grants for the 2009-2011 performance period were issued in 2009 as follows: Mr. Alexander — 49,706 shares; Mr. Marsh — 9,007 shares; Mr. Leidich — 15,491 shares; Mr. Grigg — 13,117 shares; and Ms. Vespoli — 9,270 shares. These shares will vest on December 31, 2011.

Performance-Adjusted Restricted Stock Units

Performance-adjusted restricted stock units (later referred to as RSUs) are granted annually to all eligible executives, including our NEOs. Performance-adjusted RSUs are designed to focus participants on key financial and operational measures that drive our success, to foster management ownership, and to aid retention. The performance measures are EPS, Safety, and the Operational Linkage Index. These measures are also used for the STIP. However, for performance-adjusted RSUs, these measures are tracked over a three-year period thereby focusing on sustainability with regard to these measures. These measures are considered by the Committee to be fundamental to our long-term success and financial health, and for that reason, are tied to both the STIP and the LTIP. These key metrics are independent and equally weighted.

Dividend equivalent units accrue on performance-adjusted RSUs granted based on the dividend rate paid to shareholders and the average high and low prices of our common stock on the date the dividend is paid to shareholders and convert to additional units at the end of each quarter during the restriction period. In accordance with the performance-adjusted RSU agreements, dividend equivalent units are subject to the same restrictions as the underlying performance-adjusted RSUs granted.

The actual number of shares issued at payout ranges from a minimum of 75 percent to a maximum of 125 percent of the units granted plus dividends based on our performance against the above-referenced performance measures over the performance cycle. The 75 percent payout level is intended to serve as a retention tool and to provide another means of achieving compensation at or near median competitive levels.

Based on analysis of competitive data provided by the consultant for companies in our peer group, each eligible executive received an initial grant of performance-adjusted RSUs for the 2008-2010 performance period, based on the LTIP target opportunities expressed as a percentage of base salary as of March 2, 2008, disclosed in the table in the Elements of Compensation section earlier in this proxy statement and calculated using the average high and low stock prices of our common stock on March 3, 2008 ($66.81). These performance-adjusted RSUs are granted to each executive with the right to receive, at the end of the three-year performance period, shares of our common stock. The three-year vesting period encourages executives to stay with us because awards are prorated if an executive retires and forfeited if an executive leaves prior to the end of the performance period, as shown in the 2008 Post-Termination Compensation and Benefits table under Potential Post-Employment Payments. In 2008, performance-adjusted RSU grants for the 2008-2010 performance period were as follows: Mr. Alexander — 42,946 units; Mr. Marsh — 7,782 units; Mr. Leidich — 13,392 units; Mr. Grigg — 11,333 units; and Ms. Vespoli — 8,008 units. The units vest on March 3, 2011, and may be performance adjusted.

The threshold, target, maximum, and actual results for the 2006-2008 performance-adjusted RSU cycle were:

	2006				2007				2008				Average		
Goal	Threshold	Target	Maximum	Result	Threshold	Target	Maximum	Result	Threshold	Target	Maximum	Result	Target	Result	Result
Earnings Per Share	$3.45	$3.55	$3.70	$3.84	$3.95	$4.10	$4.25	$4.27	$4.15	$4.28	$4.45	$4.41	$3.98	$4.17	Above Target
Safety[1]	1.40	1.30	1.10	0.97	1.35	1.20	0.90	0.86	1.30	1.15	0.85	0.97	1.22	0.93	Above Target
Operational Performance Index	3	5	8	7.10	3	6	10	7.40	3	6	10	7.83	5.67	7.44	Above Target

(1) In contrast to EPS and the Operational Performance Index, the lower the safety result, the better the performance.

In March 2009, the performance-adjusted RSUs granted in 2006 were paid in shares of our common stock as follows: Mr. Alexander — 65,288 shares; Mr. Marsh — 8,283 shares; Mr. Leidich — 6,635 shares; Mr. Grigg —

20,604 shares; and Ms. Vespoli — 6,934 shares. The initial grants made in 2006 plus all dividend equivalent units accrued were adjusted upward by 25 percent based on the above-target performance over the previous three years on the key metrics shown above.

Based on the reduced 2009 LTIP target opportunities expressed as a percentage of base salary as of March 2, 2009, disclosed in the Long-Term Incentive Program section above, and calculated using the average high and low stock prices of our common stock on March 2, 2009 ($41.41), performance-adjusted RSU grants for the 2009-2011 performance period were issued as follows: Mr. Alexander — 58,894 units; Mr. Marsh — 10,696 units; Mr. Leidich — 18,366 units; Mr. Grigg — 15,576 units; and Ms. Vespoli — 11,008 units. These units may be performance adjusted and will vest on March 2, 2012.

Timing and Pricing of LTIP Grants

The Committee determined that an equity grant date on or around March 1 is appropriate for performance-adjusted RSUs. Performance shares are also granted on or around March 1 and are effective January 1 of that same year. March 1 was selected because it occurs directly after the February Committee and Board meetings where grants and payouts under the LTIP are determined, evaluated, and approved. Granting performance shares and performance-adjusted RSUs on or around March 1 enables us and the Committee to gather and consider competitive market data and prior-year Company performance in establishing target levels. Performance shares are granted effective January 1 because they are based on performance beginning in January of the year granted. Performance-adjusted RSUs are also based on performance beginning in January of the year granted but equity grants cannot be granted and made effective on a prior date. We average high and low stock prices over a full month in computing grants and awards of performance shares in an attempt to minimize stock price volatility that might otherwise distort grant or payout amounts if we looked only at a single computation date, such as, for example, the grant effective date or the last or first trading day of a relevant year or month. We use the average of the high and low prices of our common stock as of the date of grant for awarding the performance-adjusted RSUs. Any equity grants awarded in proximity to an earnings announcement or other market event are coincidental.

Other Equity Awards

Traditionally, we have granted discretionary RSUs in limited circumstances to high-performing and/or high-potential employees or to retain critical talent. Beginning in 2007, we discontinued issuing discretionary RSU awards to senior executives.

The Plan also allows for other grants of restricted stock solely for purposes of recruitment, retention, and special recognition. No grants of restricted stock were made to the NEOs in 2008.

To retain Mr. Leidich and Mr. Grigg in their new capacities, in March 2008 we entered into an employment agreement with Mr. Leidich and extended Mr. Grigg's existing agreement. The agreements provided an additional grant of performance-adjusted RSUs for Mr. Leidich: 18,451 units and Mr. Grigg: 15,612 units, that will vest in full upon the termination date of the employment agreements (June 30, 2010) or in the event the executive's employment is terminated by us without cause prior to that date, and will vest on a prorated basis in the event either executive retires prior to the termination of the employment agreement. The amount of common stock the executive receives upon vesting may be increased or decreased by 25% at that time based on the achievement of corporate performance criteria that mirror the criteria and target levels for the annual performance-adjusted RSU grants. The employment agreements are discussed in the Grants of Plan-Based Awards section later in this proxy statement.

Discretionary Awards

In 2008, our CEO proposed, the Committee recommended, and the Board approved a discretionary award for Ms. Vespoli as disclosed in the Bonus column of the Summary Compensation Table later in this proxy statement for her contributions toward ensuring that the interests of shareholders, employees, and customers were represented throughout the legislative process that led to Ohio's new electric restructuring law, which was signed in May 2008, and her leadership in directing our efforts to make a successful transition to competitive markets for generation services.

Retirement Benefits

We offer retirement benefits to all of our NEOs through our Qualified and Nonqualified (Supplemental) Plans under the FirstEnergy Corp. Pension Plan and the Executive Deferred Compensation Plan (later referred to as EDCP), respectively. The Qualified Plan benefit is based on earnings, length of service, and age at retirement and is considered a defined benefit plan under the Internal Revenue Code of 1986, as amended. The Qualified Plan is subject to applicable federal and plan limits. The Nonqualified Plan has similarities to the Qualified Plan, but is designed to provide a comparable benefit to the executive without the restriction of federal and plan limits and as a method to provide a competitive retirement benefit. Additionally, Mr. Alexander, Mr. Marsh, and Ms. Vespoli also participate in the FirstEnergy Supplemental Executive Retirement Plan (later referred to as the SERP). Historically, participation in the SERP was provided to certain key executives as part of the integrated compensation program intended to attract, motivate, and retain top executives who are in positions to make significant contributions to our operation and profitability for the benefit of our customers and shareholders. Participation in the SERP requires approval of the Committee, and no executives have been added to the program since 2001. Mr. Leidich and Mr. Grigg do not participate in the SERP. In lieu of the SERP, Mr. Leidich is entitled to an additional lump sum retirement benefit upon termination of employment for any reason. The benefit is payable based on the terms defined by the Severance and Employment Agreement dated July 1, 1996, between Mr. Leidich and Centerior Energy Corporation. Centerior Energy Corporation merged with Ohio Edison in 1997 to create the Company. Mr. Grigg was hired in 2004 and pursuant to the terms of his original employment agreement is not eligible to participate in the SERP. Retirement benefits are further discussed in the narrative section following the Pension Benefits table later in this proxy statement.

Earnings on Deferred Compensation

The EDCP offers executives, including the NEOs, the opportunity to accumulate assets, both cash and our common stock, on a tax-favored basis. The EDCP is part of our integrated executive compensation program to attract, retain, and motivate key executives who are in positions to make significant contributions to our operation and our profitability.

Above-market interest earnings on the deferred compensation cash accounts of executives are provided as an incentive for executives to defer base salary and short-term incentive awards. The annualized rate of return over the last five years for the EDCP cash account was 9.07 percent, compared with the S&P 500 annualized rate of return over the last five years of -2.19 percent. In 2008, the interest rate was 9.03 percent and the interest rate in 2009 is 9.38 percent. The above-market earnings are provided as an attractive benefit that is cost-effective and highly valued and intended to aid in the attraction and retention of executives. We contribute a 20 percent incentive match in our common stock on deferrals from short-term and long-term incentive awards. This incentive encourages stock ownership and further ties management investment performance to our success and aligns the executives' interests with those of shareholders.

Personal Benefits and Perquisites

In 2008, our NEOs were eligible to receive perquisites, including company-paid financial planning and tax preparation services, reimbursement of golf and/or country club dues, special event tickets, personal use of the corporate aircraft, holiday gifts, and company-paid leisure activities at the annual Board retreat as described in the Summary Compensation Table. We believe by providing expert financial planning, including tax preparation services to our NEOs and other executives, we reduce the time that executives spend on these activities while also assisting them in achieving the full benefit of the financial rewards we provide.

Beginning in November 2008, in an effort to further control costs, we discontinued the reimbursement of membership(s) in golf and/or country clubs and access to special event tickets for personal use. Pursuant to the direction of the Board, Mr. Alexander is required to use our corporate aircraft for all personal and business travel for security purposes. Other executives, including the other NEOs, may from time to time, with CEO approval, use our corporate aircraft for personal travel. We have a written policy that sets forth guidelines regarding the personal use of the corporate aircraft by executive officers and other employees.

The Committee believes these perquisites are reasonable, competitive, and consistent with our overall compensation philosophy.

Share Ownership Guidelines

We believe it is critical that the interests of executives and shareholders be clearly aligned. As such, the following share ownership guidelines, defined as a multiple of salary, were in place for our NEOs in 2008:

- Anthony J. Alexander, President and Chief Executive Officer — 5 times salary
- Richard H. Marsh, Senior Vice President and Chief Financial Officer — 3 times salary
- Gary R. Leidich, Executive Vice President and President, FirstEnergy Generation — 3 times salary
- Richard R. Grigg, Executive Vice President and President, FirstEnergy Utilities — 4 times salary
- Leila L. Vespoli, Executive Vice President and General Counsel — 3 times salary

Executives at the highest levels are required to own a greater number of shares of common stock than executives at lower levels. The salary multiple for each NEO was determined by the Committee consistent with competitive practice based on information provided by the consultant. In 2008, Mr. Grigg was required to maintain an additional number of shares compared to the other NEOs (other than the CEO) based on his previous role within our organization as Chief Operating Officer. For 2008, the following were included to determine ownership status:

- Shares directly or jointly owned in certificate form or in a stock investment plan,
- Shares owned through the Savings Plan,
- Brokerage shares,
- Shares held in the EDCP, and
- Shares granted through the LTIP (performance shares and RSUs).

Since performance shares are ultimately paid out in cash, the Committee decided in 2005 to remove performance shares from consideration when determining share ownership beginning in 2010 and also required executives to retain 50 percent of shares granted through the LTIP after January 1, 2005, until their termination of employment.

These share ownership guidelines are reviewed by the Committee for competitiveness on an annual basis and were last reviewed at the Committee's February 2009 meeting. As a result of organizational changes in 2008 and based on the consultant's analysis of competitive practice in early 2009, the Committee revised the multiple of salary required to meet the share ownership guidelines as follows: Mr. Alexander: increase from 5 times base salary to 6 times base salary and all other NEOs: increase from 3 times base salary to 4 times base salary with the exception of Mr. Grigg who was previously at 4 times base salary. The Committee also determined performance shares should continue to be included for purposes of determining whether ownership levels have been met but prohibited the sale of any common stock until the executive has reached his/her required guideline excluding performance shares. The requirement to retain 50 percent of all shares granted after January 1, 2005, was eliminated consistent with competitive practice based on the consultant's analysis of companies in our peer group. These changes were designed to continue to emphasize strong alignment to shareholder value for the NEOs as well as align with the competitive practices of our peers. Additionally, our Insider Trading Policy prohibits executive officers from hedging their economic exposure to our common stock that they own.

The Security Ownership of Management table earlier in this proxy statement shows the shares held by each NEO as of March 3, 2009. Each NEO attained the share ownership guidelines without including performance shares.

Although the Committee has established share ownership guidelines for executives, such equity ownership is not considered when establishing compensation levels. However, the Committee does review previously granted awards, both vested and unvested, that are still outstanding on a regular basis through the use of the tally sheets and the summary of accumulated wealth report described earlier.

Involuntary Separation

Consistent with competitive practice, in the event of an involuntary separation, Mr. Alexander's severance benefit would be determined by the Committee and approved by the Board. Mr. Leidich and Mr. Grigg are not eligible for benefits provided under the FirstEnergy Executive Severance Benefits Plan (later referred to as the Severance Plan) based on the provisions in their employment agreements as discussed in the Grants of Plan-Based Awards section of this proxy statement. By not providing Messrs. Leidich and Grigg with benefits under the Severance Plan, we believe they have additional incentive to remain with our Company and assist us in accomplishing one of our primary goals of transferring their extensive knowledge of the industry to other employees in our Company. Mr. Marsh and Ms. Vespoli are covered in the event of an involuntary separation under the Severance Plan when business conditions require the closing of a facility, corporate restructuring, a reduction in workforce, or job elimination. Benefits under the Severance Plan are also offered if an executive rejects a job assignment that would result in a material reduction in current base pay; contain a requirement that the executive must make a material relocation from his or her current residence for reasons related to the new job; or result in a material change in the executive's daily commute from the executive's current residence to a new reporting location. Any reassignment which results in the distance from the executive's current residence to his or her new reporting location being at least 50 miles farther than the distance from the executive's current residence to his or her previous reporting location is considered material. The Severance Plan provides three weeks' base pay for each full year of service with a minimum of 52 weeks. Additionally, executives who elect continuation of health care for the severance period will be provided this benefit at active employee rates.

Change In Control

Change in Control Special Severance Agreements (later referred to as Special Severance Agreements), are intended to ensure that certain executives are free from personal distractions in the context of a potential change in corporate control, when the Board needs the objective assessment and advice of these executives to determine whether a potential business combination is in our best interests and those of our shareholders. We have in place separate Special Severance Agreements with all NEOs. In each case, the agreements provide for the payment of severance benefits if the individual's employment with us or our subsidiaries is terminated under specified circumstances within two years after a change in control of the Company. Circumstances defining a change in control are explained in the Potential Post-Employment Payments section later in this proxy statement. Mr. Leidich was provided a Special Severance Agreement on August 6, 2008, based on his promotion to Executive Vice President and President, FirstEnergy Generation. In this capacity, Mr. Leidich would be involved during the negotiation stages of a potential business combination. As is common for CEO positions, Mr. Alexander is eligible for the specified severance benefits if he resigns, for any reason, during a limited window period following his completion of a retention period that commences with a change in control.

In September 2008, the Special Severance Agreements were reviewed by the consultant to ensure they were consistent with competitive practice and market trends. The consultant found the agreements generally were competitive with our peer group, and no modifications were made to the agreements. Subsequently, the Special Severance Agreements entered into with Messrs. Alexander, Marsh, Grigg, and Ms. Vespoli, each effective as of December 31, 2007, were extended for an additional one-year term by the Board. The Special Severance Agreement entered into with the NEOs will be due for Board approval of extension for one additional year in September 2009.

A detailed representation of the termination benefits provided under a change in control scenario as of December 31, 2008, is provided in the Potential Post-Employment Payments tables later in this proxy statement.

Impact of Regulatory Requirements on Compensation

The Committee is responsible for addressing pay issues associated with Internal Revenue Code Section 162(m) which limits to $1 million, the tax deduction for certain compensation paid to the NEOs (other than the

CFO). Through the Committee, we attempt to qualify executive compensation as tax deductible to the fullest extent feasible and where we believe it is in our best interest and the best interest of our shareholders. We do not intend to permit this tax provision to distort the effective development and execution of our compensation program. Thus, the Committee is permitted to and will continue to exercise discretion in those instances where satisfaction of tax law requirements could compromise the interests of our shareholders. In addition, because of the uncertainties associated with the application and interpretation of Internal Revenue Code Section 162(m) and the regulations issued thereunder, there can be no assurance that compensation intended to satisfy the requirements for deductibility under Internal Revenue Code Section 162(m) will in fact be deductible.

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