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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio for Approval of a Market)
Rate Offer to Conduct a Competitive)
Bidding Process for Standard Service Offer)
Electric Generation Supply, Accounting)
Modifications, and Tariffs for Generation)
Service.)

Case No. 10-2586-EL-SSO

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DIRECT TESTIMONY OF

MICHAEL J. SWARTZ

ON BEHALF OF

FIRSTENERGY SOLUTIONS CORP.

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1 **I. INTRODUCTION**

2 **Q. PLEASE INTRODUCE YOURSELF.**

3 A. My name is Michael J. Swartz. I am employed by FirstEnergy Service Company
4 ("Service Company") as Manager, Corporate Credit Risk. My business address is 76
5 South Main Street; Akron, OH 44308.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. I earned a Bachelors of Business Administration degree from Ohio University, where
9 I majored in Finance. I earned a Masters of Business Administration degree from
10 The Ohio State University. I also earned a certificate in Financial Decision-Making
11 from Case Western Reserve University's Weatherhead School of Management.

12 In June 2000, I joined the Service Company and entered a two-year rotation program
13 in our finance department, during which time I gained experience in a variety of
14 finance-related functions including Controller, Rates and Regulatory Affairs,
15 Treasury and Investor Relations. While serving in the Treasury and Investor
16 Relations group, I worked on various projects involving internal and external analyses
17 of the credit strength of the FirstEnergy operating companies throughout our system
18 (*i.e.*, in Ohio, Pennsylvania and New Jersey). For example, I developed and
19 assembled informational packages designed to promote the creditworthiness of the
20 FirstEnergy operating companies to the three major credit rating agencies (*i.e.*,
21 Standard & Poor's ("S&P"), Fitch, Inc. ("Fitch"), and Moody's Investors Service
22 ("Moody's")). This required me to create and analyze various financial models
23 reflecting, for example, the FirstEnergy operating companies' cash flows and debt

1 structures in order to support upgrades in the credit ratings assigned by those rating
2 agencies.

3 Beginning in August 2002, I worked for two years in the Service Company's
4 Business Development group. While there, my responsibilities included the
5 preparation of valuation models designed to assess the financial health and credit
6 strength of businesses that the FirstEnergy companies had targeted for acquisition or
7 identified for possible divestiture.

8 Beginning in January 2005, I worked for two years in the Service Company's
9 Business Performance group, which performs an in-house consulting function. While
10 there, I led a variety of projects designed to assist corporate leadership in driving
11 strategic, operational and financial performance company-wide. In December 2006, I
12 became a Manager in the expanded group, which is now called Business Analytics.

13 In May 2009, I assumed my current position as Manager, Corporate Credit Risk.

14 **Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?**

15 A. Yes. I am a member of the International Energy Credit Association, an organization
16 that supports professionalism, education and communication among energy industry
17 credit professionals.

18 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER, CORPORATE**
19 **CREDIT RISK?**

20 A. In this position, I am responsible for developing and implementing policies and
21 procedures to be followed by all FirstEnergy companies in assessing the risk and
22 credit strength of our business partners. The FirstEnergy companies have business
23 relationships with a wide variety of entities, including banks and other financial

1 institutions, commodity suppliers and marketers, vendors of products and services
2 ranging from construction to office supplies, and customers of our competitive
3 businesses (like FirstEnergy Solutions Corp.). My job is to provide on-going
4 guidance to our business teams, through written policies and other communications,
5 regarding how to evaluate the creditworthiness of those counterparties. In order to
6 develop that guidance, my group conducts credit reviews of specific businesses,
7 including the examination of audited financial statements and other records, and
8 review general industry-wide studies and analyses, like S&P's company default
9 studies. Moreover, my credit risk group frequently assists in the negotiation of credit
10 terms with specific business partners, and I supervise our group's recommendations
11 and efforts in that regard. One goal of the credit risk group is to assist our business
12 teams in striking the right balance in mitigating the credit risk of our counterparties at
13 a competitive and reasonable cost.

14 **Q. AS PART OF THESE RESPONSIBILITIES, DO YOU ADVISE THE**
15 **FIRSTENERGY COMPANIES IN STANDARD SERVICE OFFER AND**
16 **OTHER POWER AUCTIONS?**

17 A. Yes. The FirstEnergy electric distribution utilities procure power through auctions
18 and FirstEnergy Solutions Corp. ("Solutions") participates as a bidder in auctions
19 held by distribution utilities. I provide consultation regarding credit-related matters in
20 these processes. Specifically, under my supervision, our credit risk personnel assist
21 our distribution utilities in the design and execution of the credit related elements of
22 their power auctions, including development of risk parameters for each auction,
23 assessing the credit strength of prospective bidders, analyzing relevant industry

1 standards and trends, and working with our Legal and Rates and Regulatory groups to
2 develop the credit requirements that are incorporated into supply agreements. Under
3 my supervision, the group has worked on approximately six auctions conducted by
4 FirstEnergy distribution utilities in Ohio, Pennsylvania and New Jersey, many of
5 which entailed the procurement of multiple power products. Again, the goal has been
6 to strike the right balance between suppliers' credit risk to the utilities and
7 responsibly minimizing the suppliers' cost of credit, which in turn encourages broad
8 and aggressive participation in the auctions.

9 I also supervise the negotiation of credit terms on behalf of Solutions in transactions
10 with distribution utilities, suppliers and retail customers. This includes the review,
11 analysis and negotiation of credit provisions contained in proposed supply agreements
12 associated with power auctions. In addition, my group provides independent risk
13 control and oversight for the wholesale commodity activities of FirstEnergy business
14 units. This entails ensuring all contracts and procurement activities are in compliance
15 with internal limits and policies.

16 **II. OVERVIEW OF DUKE'S PROPOSED CREDIT PROVISIONS AND**
17 **RECOMMENDED MODIFICATIONS**

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. I am testifying on behalf of Solutions to address certain credit-related provisions
20 contained in Duke Energy Ohio, Inc.'s ("Duke's") proposed Master Standard Service
21 Offer Supply Agreement ("Agreement"), which is Attachment F to Duke's
22 Application for a Market Rate Offer ("MRO Application"). Many of the credit-
23 related provisions in the Agreement are similar—if not identical—to provisions in
24 master supply agreements used by other utilities in power procurement auctions.

1 However, in four respects, Duke's proposed Agreement contains credit provisions
2 that are unreasonably restrictive and onerous for potential suppliers. These
3 provisions, if approved by the Commission, likely would cause fewer suppliers to
4 participate in the auction, may cause those suppliers who do participate to bid less
5 aggressively, and, as a result, may lead to higher clearing prices for Duke's
6 customers. Therefore, I propose the following four modifications to the Agreement:

- 7 1) The Agreement, which currently provides for assessment of the credit strength
8 of suppliers utilizing credit ratings from only S&P and Moody's, also should
9 utilize credit ratings from Fitch. With this modification, the Agreement also
10 should provide that Duke will evaluate suppliers' credit based on the lower of
11 the two highest of these three ratings.
- 12 2) The Agreement should grant suppliers unsecured credit to cover the
13 Independent Credit Requirement through the BB- (S&P and Fitch) and Ba3
14 (Moody's) credit rating level.
- 15 3) The Agreement should grant suppliers unsecured credit to cover the Mark-to-
16 Market Credit Exposure through the BB- (S&P and Fitch) and Ba3 (Moody's)
17 credit rating level.
- 18 4) The Agreement should allow suppliers to use first mortgage bonds as an
19 acceptable form of collateral.

20 **Q. FOR WHAT PURPOSES DOES DUKE PROPOSE TO EVALUATE THE**
21 **CREDIT OF POTENTIAL SUPPLIERS?**

22 A. As set forth in the Agreement, Duke proposes to assess the credit strength of potential
23 suppliers for three purposes: (i) to establish a "credit-based tranche cap," which

1 limits the number of tranches a supplier can bid on based on the supplier's credit (*see*
2 MRO Application Attachment C, "Bidding Rules for Duke's Competitive Bidding
3 Process Auctions, p. 9); (ii) to establish the amount of unsecured credit that suppliers
4 can use to cover the Independent Credit Requirement, a credit level that suppliers
5 must meet for each tranche they bid on (*see* MRO Application Attachment F,
6 Agreement, § 5.4); and (iii) to establish the amount of unsecured credit that suppliers
7 can use to cover Duke's Mark-to-Market Credit Exposure, which may result from
8 post-auction fluctuations in market prices (*see id.* at § 5.6).

9 **III. MODIFICATIONS TO DUKE'S PROPOSED USE OF**
10 **CREDIT AGENCY RATINGS**

11 **Q. WHAT CREDIT RATING AGENCIES DOES DUKE PROPOSE TO UTILIZE**
12 **IN ASSESSING THE CREDIT STRENGTH OF POTENTIAL SUPPLIERS**
13 **FOR THESE PURPOSES?**

14 A. Duke proposes to incorporate the ratings of two credit rating agencies, S&P and
15 Moody's. Duke does not propose to incorporate the ratings of Fitch, the third major
16 credit rating agency.

17 **Q. WHAT ARE CREDIT RATING AGENCIES?**

18 A. Credit rating agencies are independent companies that issue ratings designed to
19 reflect the ability of a business to meet its financial commitments, including its ability
20 to pay bonds and other debt it issues. These ratings also are widely seen as reliable
21 indicators of the general financial health of a business. Although there are several
22 credit rating agencies in existence today, three are most well-established and widely
23 viewed within the energy credit industry as most authoritative: S&P, Moody's and

1 Fitch. A chart reflecting the spectrum of possible credit ratings from these agencies is
2 attached hereto as Exhibit MJS-1.

3 **Q. DO YOU BELIEVE THAT DUKE'S PROPOSED USE OF RATINGS FROM**
4 **ONLY S&P AND MOODY'S IS SUFFICIENT?**

5 A. No. Duke's proposed use of the ratings of only two of the three major credit rating
6 agencies is unnecessarily restrictive, likely would deter and inhibit participation in
7 Duke's proposed MRO auction and may result in a skewed picture of the credit
8 strength of suppliers. Broadly speaking, there are two different assessments that are
9 incorporated into credit ratings: a quantitative assessment and a qualitative
10 assessment. The quantitative assessment generally is based on the credit rating
11 agencies' review of the business' various financial data, such as audited financial
12 statements. And because the agencies typically examine the same data for a given
13 business, the quantitative assessments of each of the three agencies for that business
14 tend to be very similar.

15 The qualitative assessment, however, incorporates more subjective factors, including
16 the agencies' assumptions regarding corporate management's ability to execute its
17 business plan, the upward or downward movement of future power prices, the number
18 of customers who are projected to shop, operational considerations specific to a
19 business, such as whether a particular power plant will be operating or idle, and
20 assumptions regarding general economic conditions. Because one agency's
21 evaluation of these factors may vary from another's, the agencies' qualitative
22 assessments are more likely to differ from each other. And to the extent the
23 qualitative assessments differ, the agencies' overall ratings for a particular business

1 also may be different. In fact, this variance is a common phenomenon. For example,
2 S&P rates Solutions as BBB-. Both Moody's and Fitch, however, rate Solutions as
3 Baa2 and BBB, respectively, which are higher than the S&P rating. (See Ex. MJS-1.)
4 This kind of variance among the agencies' ratings is commonly known as a "split
5 rating."

6 Thus, to the extent Duke proposes to use the ratings of only two agencies, it risks
7 having to utilize a rating that may be an outlier. Because the agencies' ratings often
8 vary, it is important to incorporate as much information as possible to get the fullest,
9 most accurate picture of a supplier's credit strength. Duke's proposal deprives it of
10 the benefit of all three major ratings and, thus, of a more comprehensive view of a
11 supplier's creditworthiness.

12 **Q. HOW DO YOU PROPOSE TO MODIFY DUKE'S PROPOSED**
13 **AGREEMENT?**

14 A. Duke should use ratings from Fitch in its credit analyses, along with those of S&P
15 and Moody's. By doing so, Duke will have a greater sample size and a much
16 improved view of the credit strength of potential suppliers. Utilizing Fitch ratings
17 also will reduce the influence of possible outliers or variations among the agencies'
18 ratings. There simply is no reason for Duke not to take advantage of all (rather than
19 two-thirds) of this information, which already exists for the vast majority of likely
20 auction participants.

21 Utilizing Fitch ratings also will encourage broader participation in the auction. From
22 suppliers' perspective, there are two critical factors, among others, in deciding
23 whether to participate in Duke's proposed auction and how aggressively to bid in it:

1 (i) the number of tranches it can bid on; and (ii) the amount of unsecured credit it can
2 use to cover the Independent Credit Requirement and Mark-to-Market Credit
3 Exposure. As described above, these factors depend on the ratings assigned by the
4 credit rating agencies: the higher the credit rating, the more tranches a supplier can
5 bid on and the more unsecured credit it will have. By utilizing Fitch ratings, Duke
6 will have a more comprehensive view of suppliers' credit strength, and for many
7 suppliers, this will mean a higher credit rating. As a result, those suppliers will be
8 more likely to participate—and to bid aggressively—in the auction, which ultimately
9 will lead to a lower clearing price that benefits Duke's customers.

10 **Q. IS THE REQUIREMENT THAT DUKE UTILIZE FITCH RATINGS**
11 **CONSISTENT WITH THE SUPPLY AGREEMENTS APPROVED IN OTHER**
12 **ENERGY PROCUREMENT AUCTIONS?**

13 A. Yes, this proposal also is consistent with supply agreements approved in other utility
14 retail procurement auctions. For example, in November 2010 the New Jersey Board
15 of Public Utilities approved the master supply agreement of Jersey Central Power &
16 Light ("JCP&L"), one of the FirstEnergy operating utilities. *See* Case No.
17 ER10040287, Order dated Nov. 2010. That agreement expressly enables JCP&L to
18 utilize the ratings of S&P, Moody's and Fitch for purposes of determining, among
19 other things, the amount of unsecured credit to allow suppliers to use to cover the
20 Independent Credit Requirement and Mark-to-Market Credit Exposure in that
21 auction. (*See* JCP&L 2011 BGS-FP Master Supply Agreement, §§ 6.4, 6.6 (Ex. MJS-
22 2).) Two other state commissions—including the Public Utilities Commission of
23 Ohio ("Commission")—have approved master supply agreements containing

1 substantially identical provisions. (*See* Default Service Supplier Master Agreement,
2 Metropolitan Edison Co., §§ 6.4, 6.6 (Ex. MJS-3) (approved by Pennsylvania Public
3 Utility Commission in Case No. P-2009-2093053); Master Standard Service Offer
4 Supply Agreement, Ohio Edison Co, The Cleveland Elec. Illuminating Co., and The
5 Toledo Edison Co., §§ 6.4, 6.6 (Ex. MJS-4) (approved by the Commission in Case
6 No. 10-388-EL-SSO, Op. and Order dated Aug. 25, 2010).) Consistent with the
7 utility commission decisions in those cases, the Commission here should require
8 Duke to utilize Fitch ratings in the Agreement.

9 **Q. DO YOU PROPOSE ANY OTHER MODIFICATIONS RELATED TO THE**
10 **USE OF FITCH RATINGS?**

11 A. Yes. Should the Commission require Duke to consider Fitch ratings, it also will have
12 to modify the Agreement in another way. Specifically, the proposed Agreement
13 provides that in the event of a split rating, the lower of the two ratings must be used.
14 (*See* Agreement, § 5.4(a)(i).) If Duke utilizes all three ratings (as it should), this
15 language should be modified to provide that, in the event of a split rating, the lower of
16 the two highest ratings (*i.e.*, the median) be used. For example, if a supplier is rated
17 Baa3 by Moody's, BBB- by Fitch, and BB+ by S&P, this is a split rating—the S&P
18 rating is relatively lower than those of Moody's and Fitch. In that scenario, the
19 "lower of the two highest" ratings would be either the Moody's or Fitch rating (since
20 those ratings are equivalent). Utilizing the median credit rating further reduces the
21 effect of outliers and is the fairest, most accurate way to evaluate the creditworthiness
22 of potential suppliers.

1 **IV. MODIFICATIONS TO DUKE'S PROPOSED CREDIT RATING**
2 **REQUIREMENTS**

3 **Q. HOW DOES DUKE PROPOSE TO UTILIZE CREDIT RATINGS OF**
4 **SUPPLIERS?**

5 A. Duke proposes to use credit ratings to, among other things, (i) establish the amount of
6 unsecured credit that suppliers can use to cover the Independent Credit Requirement
7 ("ICR"); and (ii) establish the amount of unsecured credit that suppliers can use to
8 cover Duke's Mark-to-Market Credit Exposure. Specifically, as currently proposed,
9 the ICR and Mark-to-Market Credit Exposure may be covered by unsecured credit
10 equal to a descending percentage of a supplier's Tangible Net Worth, so long as the
11 supplier has at least a BBB- rating from S&P and a Baa3 rating from Moody's. (*See*
12 *id.* at §§ 5.4, 5.6.)

13 **Q. DO YOU BELIEVE THAT THESE REQUIREMENTS ARE APPROPRIATE?**

14 A. No. The credit limits proposed by Duke are unduly onerous and likely would deter
15 supplier participation, jeopardize the robustness of the auction, and may increase
16 bidding prices, therefore potentially leading to an unsuccessful auction with
17 artificially high clearing prices. Suppliers who do not meet the credit rating
18 requirements described above must post either cash or a letter of credit as collateral to
19 cover the ICR and Mark-to-Market Credit Exposure. (*See id.* at §§ 5.4(d), 5.6(a).)
20 But for most (if not all) suppliers, this would be prohibitively expensive. In order to
21 obtain cash or a letter of credit, a supplier almost certainly would have to do so on the
22 open credit market or by borrowing cash, with the attendant interest payments and
23 administrative costs these transactions require. A supplier also may have to
24 encumber some of its assets as collateral for the cash loan or letter of credit. These

costs likely would deter most suppliers who do not meet Duke's proposed credit requirements from participating in the auction. And suppliers who are able to obtain the necessary collateral will not be able to bid as aggressively in the auction, since they will have to recover enough in the auction to pay the interest and fees necessary to obtain that collateral. Thus, Duke's proposed credit requirements will have two effects detrimental to customers: it will reduce the number of suppliers able to bid in the auction, and it will raise the bid prices of those who are able to bid (and thus raise final clearing prices).

Q. HOW DO YOU PROPOSE TO MODIFY DUKE'S PROPOSED CREDIT REQUIREMENTS?

A. I propose that bidders and potential suppliers should be able to provide unsecured credit through a credit rating of BB- (S&P and Fitch) and Ba3 (Moody's). Specifically, I propose the following modifications to the Agreement's credit provisions:

Section 5.4 Independent Credit Threshold

Credit Rating of the SSO Supplier			Maximum Independent Credit Threshold
S&P	Moody's	Fitch	Percentage of TNW
BBB+ and above	Baa1 and above	BBB+ and above	16%
BBB	Baa2	BBB	10%
BBB-	Baa3	BBB-	8%
BB+	Ba1	BB+	2%
BB	Ba2	BB	1%
BB-	Ba3	BB-	0.5%
Below BB-	Below Ba3	Below BB-	0%

1 Section 5.6 Credit Limit to cover the Total Exposure Amount

Credit Rating of the SSO Supplier			Maximum Credit Limit (calculated as the lesser of the percentage of TNW and the Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap
BBB+ and above	Baa1 and above	BBB+ and above	16%	\$75,000,000
BBB	Baa2	BBB	10%	\$50,000,000
BBB-	Baa3	BBB-	8%	\$25,000,000
BB+	Ba1	BB+	2%	\$10,000,000
BB	Ba2	BB	1%	\$5,000,000
BB-	Ba3	BB-	0.5%	\$5,000,000
Below BB-	Below Ba3	Below BB-	0%	\$0

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3 **Q. WHY ARE THE CHANGES YOU PROPOSE BENEFICIAL?**

4 A. The changes I propose will be beneficial in two ways. First, they will increase the
5 number of suppliers who will be able to cover all or a portion of the ICR and Mark-
6 to-Market Credit Exposure with unsecured credit, thus increasing the number of
7 suppliers who will participate in the auction. Second, my proposed changes will
8 lower the cost of credit for participating suppliers, allowing them to bid more
9 aggressively in the auction. Both of these changes likely will lead to lower clearing
10 prices than would be realized under Duke's proposal. Moreover, the changes I
11 propose will have little, if any, effect on the likelihood of default by suppliers who
12 win tranches.

13 **Q. IS YOUR PROPOSAL TO HAVE DUKE EXTEND UNSECURED CREDIT**
14 **TO COMPANIES WITH RATINGS AT THE BB- (FOR S&P AND FITCH)**
15 **AND Ba3 (FOR MOODY'S) LEVEL CONSISTENT WITH OTHER SUPPLY**
16 **AGREEMENTS APPROVED IN OTHER ENERGY PROCUREMENT**
17 **AUCTIONS?**

1 A. Yes. Agreements providing for unsecured credit to companies with these ratings was
2 approved for the FirstEnergy Ohio operating companies (Master Standard Service
3 Offer Supply Agreement, §§ 6.4, 6.6, approved by the Commission in Case No. 10-
4 388-EL-SSO (Ex. MJS-4)), Metropolitan Edison (Default Service Supplier Master
5 Agreement, §§ 6.4, 6.6, approved by the Pennsylvania Public Utility Commission in
6 Case No. P-2009-2093053 (Ex. MJS-3)), Duquesne Light Company (Default Supply
7 Master Agreement, § 14.3, approved by the Pennsylvania Public Utility Commission
8 in Case No. P-2009-2135500 (Ex. MJS-5)), and West Penn Power Company, d/b/a
9 Allegheny Power (Provider of Last Resort Supply Master Agreement, § 14.3,
10 approved by the Pennsylvania Public Utility Commission in Case No. P-00072342
11 (Ex. MJS-6)).

12 **V. MODIFICATION TO TYPES OF COLLATERAL DUKE**
13 **PROPOSES TO ACCEPT**

14 **Q. DO YOU HAVE ANY CONCERNS REGARDING THE TYPES OF**
15 **COLLATERAL THAT DUKE PROPOSES TO ACCEPT?**

16 A. Yes. As described above, where a supplier is required to post collateral, that
17 collateral must be either cash or a letter of credit. (See Agreement at §§ 5.4(d),
18 5.6(a).) And as I describe above, obtaining these types of collateral can be very
19 expensive for suppliers—and often prohibitively so.

20 **Q. HOW DO YOU PROPOSE TO MODIFY DUKE'S PROPOSED**
21 **COLLATERAL REQUIREMENT?**

22 A. I propose that Duke be required to accept first mortgage bonds as collateral, in
23 addition to cash and letters of credit.

24 **Q. WHAT IS A FIRST MORTGAGE BOND?**

1 A. A first mortgage bond is a form of collateral that is backed by unencumbered assets
2 of a company. For example, a supplier may have an interest in a power plant. A first
3 mortgage bond allows the supplier to pledge as collateral the value or portion of value
4 of the power plant, less the value of liens or other encumbrances.

5 **Q. WHY DO YOU PROPOSE THAT DUKE BE REQUIRED TO ACCEPT FIRST**
6 **MORTGAGE BONDS AS COLLATERAL?**

7 A. First mortgage bonds are typically less expensive than letters of credit or cash
8 because there are no borrowing costs associated with obtaining capital on the open
9 market. Rather, first mortgage bonds allow suppliers to use the value of their own
10 assets as security. By allowing suppliers to use first mortgage bonds, they will be
11 able to obtain credit at much lower cost, allowing them to participate (or participate
12 more aggressively) in the auction than if they were forced to pledge cash or a letter of
13 credit. By allowing the use of first mortgage bonds as an acceptable form of
14 collateral, Duke would help ensure the likelihood of a more competitive, robust
15 auction with many suppliers.

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was sent to the following by e-mail this 21st day of December, 2010.

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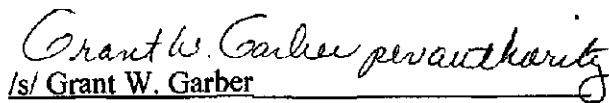

/s/ Grant W. Garber
An Attorney for FirstEnergy Solutions Corp.

EXHIBIT MJS-1

Moody's

S&P

Moody's

Long Term Short Term Long Term Short Term Long Term Short Term

Aaa		AAA		AAA		Prime
Aa1		AA+	A-1+	AA+	A1+	
Aa2	P-1	AA		AA		High grade
Aa3		AA-		AA-		
A1		A+		A+		
A2		A	A-1	A	A1	Upper medium grade
A3		A-		A-		
Baa1	P-2	BBB+	A-2	BBB+	A2	
Baa2		BBB		BBB		Lower medium grade
Baa3	P-3	BBB-	A-3	BBB-	A3	
Ba1		BB+		BB+		
Ba2		BB		BB		Non Investment grade speculative
Ba3		BB-		BB-		
B1		B+	B	B+	B	
B2		B		B		Highly Speculative
B3		B-		B-		
Caa1		CCC-				Substantial risks
Caa2	Not Prime	CCC				Extremely speculative
Caa3		CCC-	C	CCC	C	In default with little prospect for recovery
Ca		CC				In default with little prospect for recovery
/				DDD		
/		D	/	DD	/	In default
/				D		

EXHIBIT MJS-2

BGS-FP SUPPLIER MASTER AGREEMENT

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BGS-FP SUPPLIER MASTER AGREEMENT

THIS BGS-FP SUPPLIER MASTER AGREEMENT, made and entered into this ____ day of _____, 2011, by and between _____ (the "Company"), a corporation and a public utility organized and existing under the laws of the State of New Jersey, on its own behalf and as agent as more fully set forth below, and each of the suppliers listed on Appendix A hereto, severally and not jointly (each a "BGS-FP Supplier" and, collectively, the "BGS-FP Suppliers"), the Company and each BGS-FP Supplier hereinafter sometimes referred to collectively as the "Parties", or individually as a "Party",

WITNESSETH:

WHEREAS, the Company is a public utility engaged, inter alia, in the transmission and distribution of electric Energy within its Service Territory located in the State of New Jersey; and

WHEREAS, pursuant to Section 9(c) of the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et. seq., the New Jersey Board of Public Utilities ("BPU") has been authorized to make available to any power supplier on a competitive basis the opportunity to provide Basic Generation Service ("BGS"); and

WHEREAS, in its Decision and Order dated _____, in Docket No. ER10040287 (the "____ Order"), the BPU found that for periods after May 31, 2011, it would serve the public interest for the Company to continue to secure BGS Supply through a bid process; and

WHEREAS, in the _____ Order, the BPU approved an auction design for bidding out two Basic Generation Service products, one a fixed priced product termed Basic Generation Service – Fixed Pricing (“BGS-FP”), and one a variable hourly priced product termed Basic Generation Service – Commercial and Industrial Energy Pricing (“BGS-CIEP”); and

WHEREAS, on _____, 2011 to _____, 2011, a successful auction for bidding out BGS-FP was held; and,

WHEREAS, each BGS-FP Supplier was one of the winning bidders in the auction for the provision of BGS-FP; and

WHEREAS, the _____ Order authorized the Company to contract with winning bidders, on behalf of the consumers of electricity located on the Company’s distribution system, for the provision of the share of BGS-FP Load covered by the winning bid; and

WHEREAS, pursuant to the auction procedures approved in the _____ Order, the Company and each of the BGS-FP Suppliers desire to enter into this BPU-approved BGS-FP Supplier Master Agreement (“Agreement”) setting forth their respective obligations concerning the provision of BGS-FP.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby covenant, promise and agree as follows:

statements that will be accepted.

6.3 Independent Credit Requirement

The Independent Credit Requirement per Tranche ("ICRT") that will be required of BGS-FP Suppliers under this Agreement shall initially be \$2.4 million per Tranche and shall decline in accordance with the schedule included as part of Appendix B throughout the term hereof. The ICR under this Agreement is the ICRT times the number of Tranches shown in Appendix A hereto.

6.4 Independent Credit Threshold

BGS-FP Suppliers that qualify under the following criteria will be granted an Independent Credit Threshold ("ICT"). The ICT will be used by the BGS-FP Supplier solely to partially or fully cover the aggregate ICR amounts under this Agreement and any other BGS Supply agreement(s) between it and the Company. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating discounted one notch) will be used.

(a) The following requirements shall apply to BGS-FP Suppliers or Guarantors of BGS-FP Suppliers that have been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia in order to be granted an ICT. For BGS-FP Suppliers who cannot meet the following requirements, the posting of cash or a letter of credit in an acceptable form as defined in Section 6.9(b) below (see standard format in Appendix C) for the entire aggregate ICR amounts under this Agreement and any other BGS Supply agreement(s) between it and the Company will be required at the time of or prior to the execution of this Agreement.

(i) The BGS-FP Supplier shall meet the following

requirements: (1) must be rated by at least two of the following rating agencies: Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch, Inc. ("Fitch") or A.M. Best Company ("A.M. Best"), and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) of at least "BBB-" from S&P, "Baa3" from Moody's, "BBB-" from Fitch, or "bbb" from A.M. Best (a "Minimum Rating"). If the BGS-FP Supplier is rated by only two rating agencies, and the ratings are split, the lower rating will be used. If the BGS-FP Supplier is rated by three or four rating agencies, and the ratings are split, the lower of the two highest ratings will be used; however, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the ICT will be determined based on the following table:

Supplier. The total MtM credit exposure will be equal to 1.1 times the sum of the MtM credit exposures for each Billing Month. The methodology for calculation of the MtM credit exposure is illustrated in the example (using hypothetical numbers) set forth in Appendix B hereto.

6.6 Credit Limit

The following criteria constitute the Company's creditworthiness requirements for the BGS-FP Suppliers to cover the Total Exposure Amount. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating discounted one notch) will be used.

(i) For a BGS-FP Supplier to be granted an unsecured line of credit, the BGS-FP Supplier shall meet the following requirements: (1) must be rated by at least two of the following rating agencies: S&P, Moody's, Fitch or A.M. Best, and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) equal to the Minimum Rating. If the BGS-FP Supplier is rated by only two rating agencies, and the ratings are split, the lowest rating will be used. If the BGS-FP Supplier is rated by three or four rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that in the event that the two highest ratings are common, such common rating will be used. The Maximum Credit Limit to cover the Total Exposure Amount will be determined based on the following table:

EXHIBIT MJS-3

Default Service

Supplier Master Agreement

Residential Customer Class Full Requirements

Metropolitan Edison Company

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DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

THIS DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

("Agreement"), made and entered into by and between Metropolitan Edison Company (the "Company" or "Met-Ed"), a public utility corporation organized and existing under the laws of the Commonwealth of Pennsylvania and between ("DS Supplier"). The Company and the DS Supplier hereinafter are sometimes referred to collectively as the "Parties", or individually as a "Party" and are further identified pursuant to Appendix A of this Agreement.

WITNESSETH:

WHEREAS, the Company is an electric public utility engaged, inter alia, in providing retail electric service within its service territory located in the Commonwealth of Pennsylvania; and

WHEREAS, the Pennsylvania Public Utility Commission ("PaPUC" or "Commission") has found that, for periods further identified in Appendix A it would serve the public interest for the Company to secure Default Service Supply ("DS Supply") through a competitive procurement process ("DS Solicitation") and the PaPUC has approved such a process; and

WHEREAS, the Company has conducted and completed a successful DS Solicitation for the provision of DS Supply, and the DS Supplier was one of the winning bidders in the DS Solicitation; and

WHEREAS, pursuant to the competitive bidding procedures of the DS Solicitation, the Company and the DS Supplier desire to enter into this Agreement setting forth their respective rights and obligations concerning the provision of DS Supply.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby covenant, promise and agree as follows:

ARTICLE 1: DEFINITIONS

Any capitalized or abbreviated term not elsewhere defined in this Agreement shall have the definition set forth in this Article.

Alternative Energy Credit or "AEC" – shall have the meaning ascribed thereto in the AEPS Act.

AEPS Act – the Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8.

Alternative Energy Portfolio Standards or "AEPS" – Standards requiring that a certain amount of electric energy sold to retail electric customers in the Commonwealth of Pennsylvania be comprised of electricity generated from alternative energy sources, as measured by AECs, in accordance with the requirements of the AEPS Act and provisions of the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. §§ 2812-14, in effect on the Effective Date including, without limitation, any subsequent increases in Tier I requirements under 66 Pa. C.S. § 2814, *provided, however*, that standards under the AEPS Act requiring electric energy generated only from solar photovoltaic sources shall not apply to DS Supplier obligations under this Agreement during the period January 1, 2011 to May 31, 2013.

Ancillary Services – Shall have the meaning ascribed thereto in the PJM OATT.

Applicable Legal Authorities – Those federal and Pennsylvania statutes and administrative rules and regulations that govern the electric utility industry in Pennsylvania, as they may be amended from time to time.

Auction Revenue Rights or "ARR" – The current or any successor congestion management mechanism or mechanisms as may be employed by PJM (whether set forth in the PJM Agreements or elsewhere) for the purpose of allocating financial congestion hedges or financial transmission auction revenue rights. As currently defined by PJM, ARR's are entitlements allocated annually by PJM which entitle the holder to receive an allocation of the revenues from the annual auction of financial transmission rights conducted by PJM pursuant to the PJM OATT.

Bankruptcy Code – Those laws of the United States of America related to bankruptcy, codified and enacted as Title 11 of the United States Code, entitled "Bankruptcy" and found at 11 U.S.C. § 101 et seq., as such laws may be amended, modified, replaced or superseded from time to time.

determination made by the Company of its creditworthiness. The Company's credit re-evaluation shall be completed as soon as possible, but no longer than thirty (30) days after receiving a fully documented request. The Company shall provide the rationale for its determination of the credit limit and any resulting security requirement. The Company shall perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. The DS Supplier shall provide the Company, and its representatives, unrestricted access to the DS Supplier's audited financial statements for all credit re-evaluations and any resulting security calculations. However, if audited financial statements are not available, the Company may specify other types of financial statements that will be accepted.

6.3 Independent Credit Requirement ("ICR")

The Independent Credit Requirement per Tranche ("ICRT") that will be required of the DS Supplier under this Agreement shall initially be \$375,000 per Tranche for a 5-month product, \$750,000 per Tranche for a 12-month product and \$1,500,000 per Tranche for a 24-month product and shall decline in accordance with the schedule included as part of Appendix B throughout the term hereof. The ICR under this Agreement is the ICRT times the number of Tranches shown in Appendix B hereto.

6.4 Independent Credit Threshold

If the DS Supplier qualifies under the following criteria, it shall be granted an Independent Credit Threshold ("ICT"). The ICT will be used by the DS Supplier solely to partially or fully cover the aggregate ICR amounts under this Agreement and any other DS Supply agreement(s) between it and the Company. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer debt rating) shall be used.

(a) The following requirements shall apply to the DS Supplier or its Guarantor that have been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia in order to be granted an ICT. If the DS Supplier cannot meet the following requirements, the posting of cash or a letter of credit in an acceptable form as defined in Section 6.9(b) below (see standard format in Appendix C) for the entire aggregate ICR amounts under this Agreement and any other DS Supply agreement(s) between it and the Company shall be required at the time of or prior to the execution of this Agreement.

(i) The DS Supplier shall (1) be rated by at least two of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) of at least "BB-" from S&P, "Ba3" from Moody's, or "BB-" from Fitch (a "Minimum Rating"). If the DS Supplier is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the DS Supplier is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; however, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the ICT shall be determined based on the following table:

Credit Rating of the DS Supplier			Max. Independent Credit Threshold
S&P	Moody's	Fitch	
BBB+ and above	Baa1 and above	BBB+ and above	16% of TNW
BBB	Baa2	BBB	10% of TNW

BBB-	Baa3	BBB-	8% of TNW
BB+-	Ba1	BB+	4% of TNW
BB	Ba2	BB	3% of TNW
BB-	Ba3	BB-	2% of TNW
Below BB-	Below Ba3	Below BB-	0% of TNW

The DS Supplier shall be required to post cash or a letter of credit in an acceptable form as defined in Section 6.9(b) of this Agreement below (see standard format in Appendix C) for the aggregate ICR amounts under this Agreement and any other DS Supply agreement(s) between it and the Company, to the extent that the aggregate ICR exceeds the ICT at the time; or

(ii) If the DS Supplier has a Guarantor, the Guarantor shall (1) be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the Guarantor is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; however, in the event that the two highest ratings are common, then such common rating will be used. The maximum level of the ICT that could be provided through the Guaranty (see standard format in Appendix D) shall be determined based on the following table:

Credit Rating of the Guarantor			Max. Independent Credit Threshold
S&P	Moody's	Fitch	
BBB+ and above	Baa1 and above	BBB+ and above	16% of TNW
BBB	Baa2	BBB	10% of TNW
BBB-	Baa3	BBB-	8% of TNW
BB+-	Ba1	BB+	4% of TNW
BB	Ba2	BB	3% of TNW
BB-	Ba3	BB-	2% of TNW
Below BB-	Below Ba3	Below BB-	0% of TNW

The DS Supplier shall be granted an ICT of up to the amount of the Guaranty, provided that the amount of the Guaranty is below the maximum ICT shown in the table above; provided that if a Guaranty is provided for an unlimited amount, the DS Supplier will be granted an ICT of up to the maximum ICT shown in the table above. The Guaranty tendered by the DS Supplier to satisfy the ICT requirement arising under this Section 6.4 shall be a separate document from the Guaranty, if any, tendered by the DS Supplier to satisfy any requirement for a credit limit to cover the Total Exposure Amount arising under Section 6.6 of this Agreement; provided, however, that a single Guaranty may be provided if such Guaranty is for an unlimited amount. The DS Supplier shall post cash or a letter of credit in an acceptable form as defined in Section 6.9 of this Agreement for the aggregate ICR amounts under this Agreement and any other DS Supply agreement(s) between it and the Company, to the extent that the aggregate ICR

exceeds the ICT at the time of or prior to the execution of this Agreement.

(b) The following standards shall apply to the DS Supplier or its Guarantor if they have not been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. If the DS Supplier cannot meet the following requirements, the posting of cash or a letter of credit in an acceptable form as defined in Section 6.9(b) of this Agreement (see standard format in Appendix C) for the entire aggregate ICR amounts under this Agreement and any other DS Supply agreement(s) between it and the Company shall be required at the time of or prior to the execution of this Agreement as set forth in Section 6.7 of this Agreement:

(i) The DS Supplier shall supply such evidence of creditworthiness so as to provide the Company with comparable assurances of creditworthiness as is applicable above if the DS Supplier had been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. The Company shall have full discretion, without liability or recourse to the DS Supplier, to evaluate the evidence of creditworthiness submitted by such DS Supplier; or

(ii) The Guarantor of the DS Supplier shall supply such evidence of creditworthiness so as to provide the Company with comparable assurances of creditworthiness as is applicable above if the Guarantor of the DS Supplier had been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. The Company shall have full discretion, without liability or recourse to the Guarantor or the DS Supplier, to evaluate the evidence of creditworthiness submitted by such Guarantor.

(c) If the DS Supplier or its Guarantor have not been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia

they shall, in addition to all documentation required in this Section 6.4, supply the following as a condition of being granted an ICT:

(i) For the DS Supplier: (1) a legal opinion acceptable to the Company of counsel qualified to practice in the foreign jurisdiction in which the DS Supplier is incorporated or otherwise formed that this Agreement is, or upon the completion of execution formalities will become, the binding obligation of the DS Supplier in the jurisdiction in which it has been incorporated or otherwise formed; (2) the sworn certificate of the corporate secretary (or similar officer) of such DS Supplier that the person executing this Agreement on behalf of the DS Supplier has the authority to execute the Agreement and that the governing board of such DS Supplier has approved the execution of this Agreement; and (3) the sworn certificate of the corporate secretary (or similar officer) of such DS Supplier that the DS Supplier has been authorized by its governing board to enter into agreements of the same type as this Agreement. The Company shall have full discretion, without liability or obligation to the DS Supplier, to evaluate the sufficiency of the documents submitted by the DS Supplier.

(ii) For the Guarantor of the DS Supplier: (1) a legal opinion acceptable to the Company of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that this Guaranty is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed; (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty; and (3) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized

by its governing board to enter into agreements of the same type as this Guaranty. The Company shall have full discretion, without liability or obligation to the Guarantor or the DS Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

6.5 Mark-to-Market Credit Exposure Methodology

To calculate the daily exposure for the DS Supplier the Mark-to-Market ("MtM") credit exposure methodology will be used. The "mark" for each Billing Month will be determined by the Company at the time the DS Solicitation is completed based on the available Forward Market Prices and for the remaining Billing Months will be derived based on historical data. At the time the DS Solicitation is completed, the MtM credit exposure for the DS Supplier shall be equal to zero. Subsequently, the differences between the available Forward Market Prices on the valuation date and the "mark" prices for the corresponding Billing Months will be used to calculate the daily exposures for the DS Supplier. The total MtM credit exposure will be limited to a rolling forward 24 month period starting from this Agreement's Effective Date as applicable. The methodology for calculation of the MtM credit exposure is illustrated in the example (using hypothetical numbers) set forth in Appendix B hereto.

6.6 Credit Limit

The following criteria constitute the Company's creditworthiness requirements for the DS Supplier to cover the Total Exposure Amount. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating) will be used.

(i) For the DS Supplier to be granted an unsecured line of credit by the Company, the DS Supplier shall: (1) be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the DS Supplier is rated by

only two rating agencies, and the ratings are split, the higher rating will be used. If the DS Supplier is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided, however, that in the event that the two highest ratings are common, such common rating will be used. The maximum level of the credit limit to cover the Total Exposure Amount will be determined based on the following table:

Credit Rating of the DS Supplier			Max. Credit Limit to be calculated as the lesser of the % of TNW and credit limit cap below	
S&P	Moody's	Fitch	%	Credit Limit Cap
BBB+	Baa1	BBB+	16% of TNW	\$75,000,000
BBB	Baa2	BBB	10% of TNW	\$50,000,000
BBB-	Baa3	BBB-	8% of TNW	\$25,000,000
BB+	Ba1	BB+	4% of TNW	\$15,000,000
BB	Ba2	BB	3% of TNW	\$10,000,000
BB-	Ba3	BB-	2% of TNW	\$5,000,000
Below BB-	Below Ba3	Below BB-	0% of TNW	\$0

The DS Supplier shall post cash or a letter of credit in an acceptable form as defined in Section 6.9 (b) of this Agreement (see standard format in Appendix C) for the Margin due the Company as set forth in Section 6.7 of this Agreement; or

(ii) If the DS Supplier has a Guarantor, the Guarantor (1) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the

Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the Guarantor is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that in the event that the two highest ratings are common, such common rating will be used. The maximum level of the credit limit to cover the Total Exposure Amount that could be provided through the Guaranty (see standard format in Appendix D) will be determined based on the following table:

Credit Rating of the Guarantor			Max. Credit Limit to be calculated as the lesser of the % of TNW and credit limit cap below	
S&P	Moody's	Fitch	%	Credit Limit Cap
BBB+	Baa1	BBB+	16% of TNW	\$75,000,000
BBB	Baa2	BBB	10% of TNW	\$50,000,000
BBB-	Baa3	BBB-	8% of TNW	\$25,000,000
BB+	Ba1	BB+	4% of TNW	\$15,000,000
BB	Ba2	BB	3% of TNW	\$10,000,000
BB-	Ba3	BB-	2% of TNW	\$5,000,000
Below BB-	Below Ba3	Below BB-	0% of TNW	\$0

The DS Supplier shall be granted a credit limit equal to the lesser of (i) the amount of the Guaranty as provided to the Company at the time this Agreement is executed, as such amount may be modified in any amended or substitute Guaranty provided to the Company during the term of this Agreement, or (ii) the DS Supplier's Maximum Credit Limit. The DS Supplier, however, may not increase or substitute its Guaranty for the purpose of increasing its applicable credit limit during the time period after the Company has made a Margin call but

before the DS Supplier has posted the required Margin. Notwithstanding anything herein to the contrary, the DS Supplier may increase the limit of its Guaranty after satisfying a Margin call from the Company and upon the Company's receipt of an amended or substitute Guaranty increasing the limit of the Guaranty, the DS Supplier may request a return of Margin in accordance with Section 6.7 of this Agreement. The DS Supplier shall post cash or a letter of credit in an acceptable form as defined in Section 6.9(b) of this Agreement (see standard format in Appendix C) for the Margin due the Company as set forth in Section 6.7 of this Agreement; or

(iii) The posting of cash or a letter of credit as defined in Section 6.9 (b) below for the entire Total Exposure Amount.

6.7 Posting Margin and Return of Surplus Margin

(a) If at any time and from time to time during the term of this Agreement, the Total Exposure Amount exceeds the DS Supplier's or the Guarantor's credit limit, then the Company on any Business Day, may request that the DS Supplier provide cash or a letter of credit in an acceptable form as defined in Section 6.9(b) of this Agreement (see standard format in Appendix C), in an amount equal to the Margin (less any Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply).

If the DS Supplier receives written notice for Margin from the Company by 1:00 p.m. New York time on a Business Day, then the DS Supplier shall post Margin the next following Business Day, if posting cash, and by the second Business Day following the date of notice, if posting a letter of credit, unless the Company agrees in writing to extend the period to provide Margin. If the DS Supplier receives notice for Margin from the Company after 1:00 p.m. New York time on a Business Day, whether posting cash or a letter of credit, then the DS

EXHIBIT MJS-4

ATTACHMENT E
MASTER STANDARD SERVICE OFFER ("SSO")
SUPPLY AGREEMENT
BETWEEN
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY
OHIO EDISON COMPANY
AND
EACH SSO SUPPLIER SET FORTH ON APPENDIX A HERETO

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MASTER SSO SUPPLY AGREEMENT

THIS MASTER SSO SUPPLY AGREEMENT (this "Agreement") made and entered into this ____ day of _____, 20[] (the "Effective Date") by and between The Cleveland Electric Illuminating Company, The Toledo Edison Company and Ohio Edison Company (collectively, the "Companies"), each of which is a corporation organized and existing under the laws of the State of Ohio, and each of the suppliers listed on Appendix A severally, but not jointly (each an "SSO Supplier" and, collectively, the "SSO Suppliers"). The Companies and each SSO Supplier are hereinafter sometimes referred to collectively as the "Parties," or individually as a "Party."

WITNESSETH:

WHEREAS, each of the Companies is an Ohio public utility engaged, inter alia, in providing SSO Service within its service territory; and

WHEREAS, the PUCO found that, commencing on and after June 1, 2011, it would serve the public interest for the Companies to secure SSO Supply through a competitive bidding process; and

WHEREAS, on _____, 20[], the Companies conducted and completed a successful Solicitation for SSO Supply; and

WHEREAS, each SSO Supplier was one of the winning bidders in the Solicitation for the provision of SSO Supply; and

WHEREAS, the PUCO has authorized the Companies to contract with winning bidders for the provision of SSO Supply to serve SSO Load in accordance with the terms of this Agreement; and

WHEREAS, as authorized pursuant to FERC's approval of the FirstEnergy

application, as issued on December 17, 2009 and clarified on March 10, 2010, the ATSI Utilities' FRR plans for the 2011/2012 and 2012/2013 delivery years were established through the execution of two integration auctions and the ATSI Load Zone became integrated into the PJM Control Area effective as of June 1, 2011; and

WHEREAS, pursuant to the FRR Integration Plan, the Companies procured Capacity to fulfill the Forecast Pool Requirement for the ATSI Load Zone during the Transitional Period through capacity auctions which were administered by PJM in March 2010; and

WHEREAS, pursuant to the FRR Integration Plan, the LSEs operating in the ATSI Load Zone will purchase such Capacity from the Companies in satisfaction of their respective Capacity obligations under the PJM Agreements; and

WHEREAS, during the Transitional Period, each SSO Supplier, as an LSE in the ATSI Load Zone, will satisfy its Capacity obligations under the PJM Agreements associated with its respective SSO Supplier Responsibility Share through the purchase of Capacity from the Companies in accordance with the FRR Integration Plan; and

WHEREAS, following the termination of the Transitional Period, each SSO Supplier will satisfy its Capacity obligations under the PJM Agreements associated with its respective SSO Supplier Responsibility Share in accordance with the terms and provisions of the PJM Agreements, including through participation in the base residual auction and incremental auctions administered by PJM; and

WHEREAS, the Companies and the SSO Suppliers desire to enter into this Agreement setting forth their respective obligations concerning the provision of SSO Supply.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby covenant, promise and agree as follows:

ARTICLE 1: DEFINITIONS

Any capitalized or abbreviated term not elsewhere defined in this Agreement will have the definition set forth in this Article.

Ancillary Services has the meaning set forth in the PJM Agreements.

Affiliate means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

Applicable Legal Authorities means, generally, those federal and Ohio statutes and administrative rules and regulations that govern the electric utility industry in Ohio.

ATSI Load Zone means that set of electrical locations determined pursuant to the applicable PJM Tariff, rules, agreements and procedures, representing the aggregate area of consumption for the Companies within PJM and used for the purposes of scheduling, reporting withdrawal volumes, and settling Energy transactions at aggregated load levels, to facilitate Energy market transactions.

Bankrupt means, with respect to any entity, that such entity (i) voluntarily files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it by its creditors and such petition is not dismissed within sixty (60) calendar days of the filing or commencement; (ii) makes an assignment or any general arrangement for the benefit of its creditors; (iii) otherwise becomes insolvent, however evidenced; (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they become due.

Bankruptcy Code means those laws of the United States of America related to bankruptcy, codified and enacted as Title 11 of the United States Code, entitled "Bankruptcy" and found at 11 U.S.C. § 101 et seq.

rationale for their determination of the credit limit and any resulting security requirement and such determination shall be deemed final and conclusive. The Companies shall perform their credit re-evaluation and associated security calculation in a non-discriminatory manner. Each SSO Supplier or its Guarantor shall provide unrestricted access to its audited financial statements; however, if audited financial statements are not available, the Companies may specify other types of financial statements that will be accepted. If the Companies determine in their sole discretion that they are unable to adequately assess an SSO Supplier's or Guarantor's creditworthiness or the credit rating of an SSO Supplier or its Guarantor is insufficient, such SSO Supplier shall be required to post ICR Collateral in accordance with Section 6.4 and Margin Collateral in accordance with Section 6.7.

6.3 Independent Credit Requirement

The Independent Credit Requirement ("ICR") per Tranche ("ICRT") that will be required of each SSO Supplier under this Agreement will initially be \$[]¹ million per Tranche and will decline throughout the Term in accordance with the schedule set forth on Appendix C-1. The ICR under this Agreement for each SSO Supplier is the ICRT times the number of Tranches shown in Appendix A.

6.4 Independent Credit Threshold

Each SSO Supplier that qualifies under the following criteria will be granted an Independent Credit Threshold.

¹ \$1.0 for 12 Month Procurement; \$1.5 for 24 Month Procurement; and \$2.5 for 36 Month Procurement.

(a) For an SSO Supplier or its Guarantor that has been organized under the laws of the United States, the following requirements must be satisfied in order for such SSO Supplier to be granted an ICT:

(i) the SSO Supplier must (1) be rated by at least one of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch"), and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) of at least "BB-" from S&P, "Ba3" from Moody's or "BB-" from Fitch (a "Minimum Rating"). If the SSO Supplier is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the SSO Supplier is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the ICT will be determined based on the following table:

Credit Rating of the SSO Supplier			Maximum Independent Credit Threshold
S&P	Moody's	Fitch	Percentage of INW
BBB+ and above	Baa1 and above	BBB+ and above	16%
BBB	Baa2	BBB	10%
BBB-	Baa3	BBB-	8%
BB+	Ba1	BB+	2%
BB	Ba2	BB	1%
BB-	Ba3	BB-	0.5%
Below BB-	Below Ba3	Below BB-	0%

(ii) for SSO Suppliers having a Guarantor, the Guarantor must (1) be rated by at least one of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating)

equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the Guarantor is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the ICT that can be granted based on an ICT Guaranty will be determined based on the following table:

Credit Rating of the Guarantor			Maximum Independent Credit Threshold
S&P	Moody's	Fitch	
BBB+ and above	Baa1 and above	BBB+ and above	16%
BBB	Baa2	BBB	10%
BBB-	Baa3	BBB-	8%
BB+	Ba1	BB+	2%
BB	Ba2	BB	1%
BB-	Ba3	BB-	0.5%
Below BB-	Below Ba3	Below BB-	0%

The SSO Supplier will be granted an ICT up to the amount of the ICT Guaranty but not exceeding the maximum ICT shown in the table above. If an ICT Guaranty is provided for an unlimited amount, the SSO Supplier will be granted an ICT up to the maximum ICT shown in the table above. The ICT Guaranty tendered by the SSO Supplier to satisfy the ICT requirement arising under this Section 6.4 shall be a separate guaranty from the Total Exposure Amount Guaranty, if any, tendered by the SSO Supplier to satisfy any requirement for a Credit Limit to cover the Total Exposure Amount arising under Section 6.6; provided, however, that a single Guaranty may be provided if such Guaranty is for an unlimited amount.

(b) For an SSO Supplier or its Guarantor that has not been organized under the laws of the United States, the following requirements must be satisfied in order for such SSO Supplier to be granted an ICT:

(i) the SSO Supplier must supply such evidence of creditworthiness as to provide the Companies with comparable assurances of creditworthiness as applicable above for SSO Suppliers that have been organized under the laws of the United States; or

(ii) the Guarantor of an SSO Supplier must supply such evidence of creditworthiness as to provide the Companies with comparable assurances of creditworthiness as applicable above for Guarantors of SSO Suppliers that have been organized under the laws of the United States. The Companies may reject such Guarantors that do not meet the creditworthiness requirements.

(c) All SSO Suppliers or Guarantors of SSO Suppliers that have not been organized under the laws of the United States must, in addition to all documentation required elsewhere in this Section 6.4, supply the following to the Companies as a condition of being granted an ICT:

(i) for an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is organized that (A) the SSO Supplier is duly incorporated and existing in such foreign jurisdiction; (B) this Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly

completed, necessary for the enforcement and validity of the Agreement and the performance by the SSO Supplier of its obligations hereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the Person executing the Agreement on behalf of the SSO Supplier has the authority to execute the Agreement and that the governing board of such SSO Supplier has approved the execution of the Agreement. The Companies will have full discretion, without liability or recourse to the SSO Supplier, to evaluate the sufficiency of the documents submitted by the SSO Supplier; or

(ii) for the Guarantor of an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is organized that (A) the Guarantor is duly incorporated and existing in such foreign jurisdiction; (B) the Guaranty is the binding and enforceable obligation of the Guarantor in such foreign jurisdiction and does not violate any local law or the Guarantor's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Guaranty and the performance by the Guarantor of its obligations thereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty.

The Companies will have full discretion, without liability or recourse to the Guarantor or the SSO Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

(d) SSO Suppliers who do not qualify for an ICT or whose ICT plus the amount of any cash or Letter of Credit already posted in accordance with Section 6.9 to satisfy its aggregate ICR under this Agreement and any Other SSO Supply Agreement (the "ICR Collateral") does not meet its aggregate ICR under this Agreement and any Other SSO Supply Agreement, must post ICR Collateral at the time of or prior to the Effective Date to the extent its aggregate ICR under this Agreement and any Other SSO Supply Agreement exceeds its ICT.

6.5 Mark-to-Market Credit Exposure Methodology

To calculate the Mark-to-Market Exposure Amount for each SSO Supplier, the following mark-to-market credit exposure methodology will be used. The "mark" for each Billing Month will be determined at the time the Solicitation is completed based on the then prevailing Forward Market Prices. At the time the Solicitation is completed, the Mark-to-Market Exposure Amount for each SSO Supplier shall be equal to zero. Subsequently, the differences between the prevailing Forward Market Prices on a valuation date and the "mark" prices will be used to calculate the Mark-to-Market Exposure Amounts for each SSO Supplier. The total Mark-to-Market Exposure Amount will be equal to the sum of the Mark-to-Market Exposure Amounts for each Billing Month during the Original Delivery Period limited to a rolling forward 24 month period starting from this Agreement's Effective Date, as applicable. Forward Market Prices will be determined by publicly available market quotations obtained by the Companies;

provided, however, if such quotations are not publicly available, Forward Market Prices will be determined by the Companies using any method which the Companies deem appropriate and which reasonably reflects forward market pricing conditions in PJM. The methodology for calculation of the Mark-to-Market Exposure Amount is illustrated in the example (using hypothetical numbers) in Appendix C-2, including, but without limiting the preceding sentence, a methodology the Companies expect to use to derive off-peak Forward Market Prices.

6.6 Credit Limit

The following criteria constitute the Companies' creditworthiness requirements for the SSO Suppliers to cover the Total Exposure Amount:

(a) for SSO Suppliers to be granted a Credit Limit without delivering a Total Exposure Amount Guaranty or other performance assurances acceptable to the Companies, in the case of an SSO Supplier organized under the laws of the United States, the SSO Supplier must (1) be rated by at least one of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the SSO Supplier is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the SSO Supplier is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the Credit Limit to cover the Total Exposure Amount will be determined based on the following table:

Credit Rating of the SSO Supplier	Maximum Credit Limit (calculated as the lesser of the percentage of
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			TNW and the Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	
BBB+ and above	Baa1 and above	BBB+ and above	16%	\$75,000,000
BBB	Baa2	BBB	10%	\$50,000,000
BBB-	Baa3	BBB-	8%	\$25,000,000
BB+	Ba1	BB+	2%	\$10,000,000
BB	Ba2	BB	1%	\$5,000,000
BB-	Ba3	BB-	0.5%	\$5,000,000
Below BB-	Below Ba3	Below BB-	0%	\$0

The SSO Supplier will be required to post cash, letter of credit in an acceptable form as defined in Section 6.9 (b) below (see standard format in Appendix D), or First Mortgage Bonds delivered or pledged as provided for in Section 6.9(c) below for the Margin due the Company as set forth in Section 6.7 of this Agreement; or

(b) for SSO Suppliers delivering a Total Exposure Amount Guaranty, in the case of a Guarantor organized under the laws of the United States, the Guarantor providing the Total Exposure Amount Guaranty must (1) be rated by at least one of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the Guarantor is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the Credit Limit to cover the Total Exposure Amount that could be granted based on the Total Exposure Amount Guaranty will be determined based on the following table:

Credit Rating of the Guarantor			Maximum Credit Limit (calculated as the lesser of the percentage of TNW and the Credit Limit Cap below)	
S&P	Moody's	Percentage of TNW		
BBB+ and above	Baa1 and above	BBB+ and above	16%	\$75,000,000
BBB	Baa2	BBB	10%	\$50,000,000
BBB-	Baa3	BBB-	8%	\$25,000,000
BB+	Ba1	BB+	2%	\$10,000,000
BB	Ba2	BB	1%	\$5,000,000
BB-	Ba3	BB-	0.5%	\$5,000,000
Below BB-	Below Ba3	Below BB-	0%	\$0

(c) For an SSO Supplier or Guarantor, if applicable, that has not been organized under the laws of the United States, the following standards will apply:

(i) the SSO Supplier must supply such evidence of creditworthiness as to provide the Companies with comparable assurances of creditworthiness as applicable above for SSO Suppliers that have been organized under the laws of the United States; or

(ii) if the SSO Supplier is providing a Total Exposure Amount Guaranty, the Guarantor of an SSO Supplier must supply such evidence of creditworthiness as to provide the Companies with comparable assurances of creditworthiness as applicable above for Guarantors of SSO Suppliers that have been organized under the laws of the United States. The Companies may reject Total Exposure Amount Guaranties from Guarantors that do not meet the creditworthiness requirements.

(d) All SSO Suppliers or Guarantors of SSO Suppliers, if applicable, that have not been organized under the laws of the United States must, in addition to all

documentation required elsewhere in this Section 6.6, supply the following to the Companies:

(i) for an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is organized that (A) the SSO Supplier is duly incorporated and existing in such foreign jurisdiction; (B) this Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Agreement and the performance by the SSO Supplier of its obligations hereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the Person executing the Agreement on behalf of the SSO Supplier has the authority to execute the Agreement and that the governing board of such SSO Supplier has approved the execution of the Agreement. The Companies will have full discretion, without liability or recourse to the SSO Supplier, to evaluate the sufficiency of the documents submitted by the SSO Supplier; or

(ii) for the Guarantor of an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is organized that (A) the Guarantor is duly incorporated and existing in such foreign jurisdiction; (B) the Guaranty is the binding and enforceable obligation of the Guarantor in such foreign jurisdiction and does not violate any local law or the Guarantor's

organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Guaranty and the performance by the Guarantor of its obligations thereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty. The Companies will have full discretion, without liability or recourse to the Guarantor or the SSO Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

For an SSO Supplier with a Total Exposure Amount Guaranty, the SSO Supplier will be granted a Credit Limit up to the amount of the Total Exposure Amount Guaranty, but not exceeding the Credit Limit shown in the table above. The Total Exposure Amount Guaranty shall be provided to the Companies on or prior to the Effective Date, but may be modified in any amended or substitute Total Exposure Amount Guaranty provided to the Companies during the Term. The SSO Supplier, however, may not increase or substitute its Total Exposure Amount Guaranty for the purpose of increasing its applicable Credit Limit during the time period after the Companies have made a demand of the SSO Supplier to cover Margin (a "Margin Call") but before the SSO Supplier has provided the Companies with cash credited to a deposit account of the Companies or a Letter of Credit in accordance with Section 6.9, in each case in an amount equal to the Margin (the "Margin Collateral"). Notwithstanding anything herein

to contrary, the SSO Supplier may increase the limit of its Total Exposure Amount Guaranty after satisfying a Margin Call. Upon the Companies' receipt of an amended or substitute Total Exposure Amount Guaranty increasing the limit of the Total Exposure Amount Guaranty, the SSO Supplier may request a return of Margin Collateral in accordance with Section 6.7. The SSO Suppliers will be required to post cash, letter of credit in an acceptable form as defined in Section 6.9 (b) below (see standard format in Appendix D), or First Mortgage Bonds delivered or pledged as provided for in Section 6.9(c) below for the Margin due the Companies as set forth in Section 6.7 of this Agreement; or

(e) Under no circumstances shall the Credit Limit plus any other credit limit granted to the SSO Supplier under any Other SSO Supply Agreement exceed the Credit Limit hereunder.

6.7 Posting Margin Collateral and Return of Excess Collateral

(a) If at any time and from time to time during the Delivery Period, Margin exists with respect to an SSO Supplier, then the Companies on any Business Day may make a Margin Call of such SSO Supplier; provided however that the Companies may not make a Margin Call unless the Margin exceeds the Minimum Margin Threshold. Upon receipt of a Margin Call, the applicable SSO Supplier shall provide to the Companies Margin Collateral, which shall comprise of cash, a Letter of Credit, or First Mortgage Bonds delivered or pledged as provided for in Section 6.9(c) below. The Margin Collateral shall be in an amount equal to the Margin less the amount of any Margin Collateral already posted by the SSO Supplier in which the Companies have a first priority, perfected security interest to secure the obligations of the SSO Supplier

EXHIBIT MJS-5

DEFAULT SUPPLY MASTER AGREEMENT
Medium C & I Service

by and between

DUQUESNE LIGHT COMPANY

and

FIRST ENERGY SOLUTIONS CORP.

Dated as of July 26, 2010

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- Exhibit A - Transaction Confirmation
- Exhibit B - Alternative Energy Portfolio Standards Obligation
- Exhibit C - Performance Assurance Letter of Credit
- Exhibit D - Sample PJM Invoice
- Exhibit E - Methodology of Mark to Market (MTM) Exposure
- Exhibit F - Form of Guaranty
- Exhibit G - Form of Notice
- Exhibit H - PJM Declaration of Authority

DEFAULT SUPPLY MASTER AGREEMENT

THIS DEFAULT SUPPLY MASTER AGREEMENT ("Agreement" or "DSMA"), is made and entered into as of July 26, 2010 by and between First Energy Solutions Corp., an Ohio corporation, hereinafter referred to as "Seller" and Duquesne Light Company, a Pennsylvania corporation, hereinafter referred to as "Buyer" or "Company") (each hereinafter referred to individually as "Party" and collectively as "Parties").

WITNESSETH:

WHEREAS, Buyer has an obligation as the provider of last resort (the "POLR") to provide default service (Energy, Capacity and related incidences as defined below) for its retail customers;

WHEREAS, Buyer has solicited offers for serving Medium C & I Customers with respect to POLR pursuant to a Request for Proposal (all as defined below) and the Seller is a winning bidder in that solicitation; and

WHEREAS, Seller desires to sell Full Requirements Service (as defined below) and Buyer desires to purchase such Full Requirements Service to supply a Specified Percentage (as defined below) of the default service requirements of Buyer's retail Medium C & I customers for a certain period of time, as provided herein, on a firm and continuous basis;

NOW, THEREFORE, and in consideration of the foregoing, and of the mutual promises, covenants, and conditions set forth herein, and other good and valuable consideration, the Parties hereto, intending to be legally bound by the terms and conditions set forth in this Agreement, hereby agree as follows:

ARTICLE I DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply hereunder:

"AEP" Dayton Hub means the aggregated Locational Marginal Price ("LMP") nodes defined by PJM.

"Affiliate" means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

"Aggregate Buyer's Exposure" means all Buyer's Exposure for Aggregate Transactions.

In the event that Seller fails to provide Performance Assurance or Buyer fails to return Performance Assurance pursuant to the terms of this Article 14 (Performance Assurance/Accelerated Payments) within the applicable timeframes, then an Event of Default pursuant to Section 12.1(i) (Events of Default) shall be deemed to have occurred with respect to the non-performing Party and the other Party will be entitled to the remedies set forth therein.

In instances caused by the timing of the requests for both the return of Performance Assurance and placement of Performance Assurance, a situation may arise where the Parties are both sending and receiving transactions on the same day. In these instances, the Parties may net the requested amounts and proceed with only one transaction. Netting is only permitted for Performance Assurance purposes if it is mutually agreed to by both Parties in advance and confirmed in advance.

- 14.3 Unsecured Credit. During the term of this Agreement, Buyer shall extend, solely with respect to the Performance Assurance set forth in Section 14.1 (Requirement for Performance Assurance), Unsecured Credit to Seller in an amount initially determined on the Effective Date and re-determined each Business Day thereafter pursuant to this Section 14.3.

The relevant Unsecured Credit Limit shall be the Unsecured Credit Limit listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's. The relevant TNW Amount shall be calculated using the TNW Percentage listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's.

<u>Credit Rating</u>				
<u>S&P</u>	<u>Fitch</u>	<u>Moody's</u>	<u>TNW Percentage</u>	<u>Unsecured Credit Limit</u>
A- or above	A-or above	A3 or above	16%	\$60,000,000
BBB+	BBB+	Baa1	10%	\$40,000,000
BBB	BBB	Baa2	8%	\$30,000,000
BBB-	BBB-	Baa3	6%	\$20,000,000
BB+	BB+	Below Ba1	4%	\$15,000,000
BB	BB	Ba2	2%	\$10,000,000
BB- or below	BB- or below	Ba3 or below	0%	0

- 14.4 Credit Rating. If during the term of the Agreement, Seller's or Seller's Guarantor's Credit Rating changes, by either being upgraded or downgraded by any of the rating agencies referenced in Section 14.3 (Unsecured Credit) of the Agreement, the Seller shall be required to provide written notice to Buyer of such Credit Rating change no later than two (2) Business Days after the date of such change.
- 14.5 Tangible Net Worth. During the term of the Agreement, Seller, or Seller's Guarantor shall be required to provide Buyer written financial information to determine the Seller's, or Seller's Guarantor's Tangible Net Worth. Financial information shall include an audited "Annual Report", containing, but not limited to, a balance sheet prepared in accordance with generally accepted accounting principles, a schedule of long term debt including maturity dates, and all notes to the financial statement that apply to long term debt, short term borrowing, and liquidity and capital resources. The Seller, or Seller's Guarantor, shall also provide the Buyer written financial information on a quarterly basis containing a balance sheet prepared in accordance with generally accepted accounting principles. However, if Seller's, or Seller's Guarantor's equity is publicly traded on the New York Stock Exchange, NASDAQ National Market, or American Stock Exchange, the Buyer will waive the requirement to provide written financial information.
- 14.6 Foreign Entities. The following standards shall apply to Seller, or Seller's Guarantor, that have not been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia and whose financial data is not denominated in United States currency and does not conform to generally accepted accounting principles (GAAP) in the United States. For Sellers who cannot meet the following requirements, the posting of cash or letter of credit in an acceptable form (see standard format in Exhibit C) for the Aggregate Buyer's Exposure shall be required.
- (a) The Seller shall supply such evidence of creditworthiness so as to provide Buyer with comparable assurances of creditworthiness as is applicable above for Sellers that have been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. The Buyer shall have full discretion, without liability or recourse to the Seller, to evaluate the evidence of creditworthiness submitted by such Seller; or
 - (b) The Guarantor of a Seller shall supply such evidence of creditworthiness so as to provide Buyer with comparable assurances of creditworthiness as is applicable above for Guarantors of Sellers that have been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. Buyer shall have full discretion, without liability or recourse to the Guarantor or the Seller, to evaluate the evidence of creditworthiness submitted by such Guarantor.

EXHIBIT MJS-6

**PROVIDER OF LAST RESORT
SUPPLY MASTER AGREEMENT**

BETWEEN

WEST PENN POWER COMPANY, DBA ALLEGHENY POWER

AND

FIRSTENERGY SOLUTIONS CORPORATION

DATED

JANUARY 20, 2010

PROVIDER OF LAST RESORT SUPPLY MASTER AGREEMENT

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PROVIDER OF LAST RESORT SUPPLY MASTER AGREEMENT

THIS PROVIDER OF LAST RESORT SUPPLY MASTER AGREEMENT ("Agreement" or "POLR SMA"), is made and entered into as of January 20, 2010, ("Effective Date"), by and between FirstEnergy Solutions Corporation, hereinafter referred to as "Seller" and West Penn Power Company, dba Allegheny Power, hereinafter referred to as "Buyer" (each hereinafter referred to individually as "Party" and collectively as "Parties").

WITNESSETH:

WHEREAS, the Pennsylvania Public Utility Commission ("PUC") Orders issued pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, direct Buyer to supply electric service to Provider of Last Resort Service Load ("POLR Load") within Buyer's Pennsylvania franchise service territory; and

WHEREAS, the Pennsylvania legislature has enacted a law establishing an Alternative Energy Portfolio Standard ("AEPS") applicable to retail electricity suppliers serving customers in the Commonwealth of Pennsylvania; and

WHEREAS, Buyer has solicited offers for obtaining all or a portion of the supply it requires to serve its POLR Load pursuant to a Request for Proposal ("RFP") and the Seller is a winning bidder in that solicitation; and

WHEREAS, Seller desires to sell Full Requirements Service and Buyer desires to purchase such Full Requirements Service to supply a Specified Percentage in Buyer's Pennsylvania franchised service territory on a firm and continuous basis; and

NOW, THEREFORE, and in consideration of the foregoing, and of the mutual promises, covenants, and conditions set forth herein, and other good and valuable consideration, the Parties hereto, intending to be legally bound by the terms and conditions set forth in this Agreement, hereby agree as follows:

ARTICLE 1 DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply hereunder:

"Affiliate" means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

"Aggregate Buyer's Exposure" means all Buyer's Exposure for Aggregate Transactions.

posting a Letter of Credit or other security as acceptable to Buyer as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance Letter of Credit or other security on the third Business Day following the date of such request. Telephone, facsimile, or other communication means mutually acceptable by the Parties, are suitable means for the Buyer to make requests for Performance Assurance. If Seller provides its Performance Assurance collateral in cash, in whole or in part, Seller will also simultaneously grant Buyer a first-priority security interest in that cash, in a form mutually acceptable to Buyer and Seller. Buyer shall not be entitled to hold Performance Assurance in the form of cash; rather, Performance Assurance in the form of cash shall be held in any major U.S. commercial bank, or a foreign bank with a U. S. branch office, (which is not the Buyer or an affiliate of the Buyer), and has assets of at least \$10 billion and a credit rating of at least "A" by Standard and Poor's, or "A2" by Moody's Investor Services ("Qualified Institution"). The Buyer will pay to Seller on the first Business Day of each calendar quarter the amount of interest it receives based upon the applicable overnight repurchase interest rate from the Qualified Institution on any Performance Assurance in the form of cash posted by Seller. The interest amount or portion thereof not returned to Seller pursuant to this Section 14.2 (Performance Assurance Transfers/Returns) will constitute Performance Assurance and will be subject to the provisions of Article 14 (Performance Assurance) of this Agreement.

On any Business Day (but no more frequently than weekly with respect to Letters of Credit or other security acceptable to Buyer, and daily with respect to cash), Seller, at its sole cost, may request that the Performance Assurance be reduced correspondingly to reflect the decrease in Buyer Exposure or an increase in Seller's Unsecured Credit, if any (rounding upwards for any fractional amount to the nearest \$100,000). Buyer shall be required to return the amount of Performance Assurance due in accordance with the timeframes set forth in the preceding paragraph. Telephone, facsimile, or other communication means mutually acceptable by the Parties, are suitable means for the Seller to make requests for return of Performance Assurance.

In the event that Seller fails to provide Performance Assurance or Buyer fails to return Performance Assurance pursuant to the terms of this Article 14 (Performance Assurance/Accelerated Payments) within the applicable timeframes, then an Event of Default pursuant to Section 12.1(i) (Events of Default) shall be deemed to have occurred with respect to the non-performing Party and the other Party will be entitled to the remedies set forth therein.

In instances caused by the timing of the requests for both the return of Performance Assurance and placement of Performance Assurance, a situation may arise where the Parties are both sending and receiving transactions on the same day. In these instances, the Parties may net the requested amounts and proceed with only one transaction. Netting is only permitted for Performance Assurance purposes if it is mutually agreed to by both Parties in advance and confirmed in advance.

14.3 Unsecured Credit. During the term of this Agreement, Buyer shall extend, solely with respect to the Performance Assurance set forth in Section 14.1 (Requirement for Performance Assurance), Unsecured Credit to Seller in an amount initially determined on the Effective Date and redetermined each Business Day thereafter pursuant to this

The relevant Unsecured Credit Limit shall be the Unsecured Credit Limit listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's. The relevant TNW Amount shall be calculated using the TNW Percentage listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's.

<u>Credit Rating</u>				
<u>S&P</u>	<u>Fitch</u>	<u>Moody's</u>	<u>TNW Percentage</u>	<u>Unsecured Credit Cap</u>
A or above	A or above	A2 or above	15%	\$125,000,000
A-	A-	A3	10%	\$100,000,000
BBB+	BBB+	Baa1	8%	\$75,000,000
BBB	BBB	Baa2	6%	\$50,000,000
BBB-	BBB-	Baa3	4%	\$25,000,000
BB+	BB+	Ba1	2%	\$15,000,000
BB	BB	Ba2	1%	\$10,000,000
BB-	BB-	Ba3	0.5%	\$5,000,000
Below BB-	Below BB-	Below Ba3	0%	\$0.00

14.4 Credit Rating. If during the term of the Agreement, Seller's or Seller's Guarantor's Credit Rating changes, by either being upgraded or downgraded by any of the rating agencies referenced in Section 14.3 (Unsecured Credit) of the Agreement, the Seller shall be required to provide written notice to Buyer of such Credit Rating change no later than two (2) Business Days after the date of such change. However, if Seller's, or Seller's Guarantor's equity is publicly traded on the "New York Stock Exchange", "NASDAQ National Market", or "American Stock Exchange", the Buyer will waive the requirement to provide written notice.

14.5 Tangible Net Worth. During the term of the Agreement, Seller, or Seller's Guarantor shall be required to provide Buyer written financial information to determine the Seller's, or Seller's Guarantor's Tangible Net Worth. Financial information shall include an audited "Annual Report", containing, but not limited to, a balance sheet prepared in accordance with generally accepted accounting principles, a schedule of long term debt including maturity dates, and all notes to the financial statement that apply to long term debt, short term borrowing, and liquidity and capital resources. The Seller, or Seller's Guarantor, shall also provide the Buyer written financial information on a quarterly basis