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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan.	))))))	Case No. 12-1230-EL-SSO

DIRECT TESTIMONY
OF
VINCENT PARISI

ON BEHALF OF
INTERSTATE GAS SUPPLY, INC.

May 21, 2012

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. Please introduce yourself.

A. My name is Vincent Parisi. I am employed by Interstate Gas Supply, Inc. ("IGS") as its General Counsel and Regulatory Affairs Officer. My business address is 6100 Emerald Parkway, Dublin, Ohio 43016.

Q. What is the nature of IGS's business?

A. IGS is a supplier of natural gas and electric service and is an active participant in the competitive energy markets in Ohio and other states. IGS is certified to provide retail electric service in all of the Ohio competitive markets and is currently serving electric customers in the AEP Ohio, Duke Energy Ohio, and the Dayton Power and Light ("DP&L") service territories. IGS is also a certified competitive retail natural gas ("CRNG") service provider in Ohio, serving customers in the Duke, Vectren, Dominion East Ohio and Columbia service areas. IGS has over 22 years' experience serving customers in Ohio competitive markets and provides natural gas and electric service to nearly 1 million households and businesses in 11 states and over 30 utility programs.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor's degree in Economics from The Ohio State University in 1997. I received a Juris Doctorate, magna cum laude, from Capital University Law School in 2000 and an LLM in Business and Tax from Capital University in 2001. I am a member of the Ohio Bar and the Federal District Court for the Southern District of Ohio. I have worked on energy-related matters since 1999, initially with the law firm of Chester Willcox & Saxbe. While in private practice, I also focused on federal bankruptcy work for businesses, with an emphasis on bankruptcy proceedings on behalf of both debtors and creditors. I also worked on general corporate matters and business litigation. In 2003, I accepted the position of General Counsel and Credit Officer for IGS. From 2003 to 2011, my duties included overseeing the Credit, Collection and Risk department. In 2005, my title was revised to recognize my role as Regulatory Affairs Officer. As Regulatory Affairs Officer at IGS, I have participated in numerous utility commission proceedings throughout the United States. Thus, I have had the opportunity to observe the transition of a number of gas and electric utilities to competitive markets and am familiar with the processes and procedures that facilitate a successful transition.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to propose that, as a part of any ESP approved in this case, Ohio Edison Company, The Cleveland Electric Illuminating Company, and Toledo Edison Company (collectively, "FirstEnergy") be required to implement a purchase of receivables ("POR") program for competitive retail electric service ("CRES") suppliers to which they provide consolidated billing service. As demonstrated in my testimony, POR programs have significant benefits for customers, CRES providers, and the host utilities, and serve to promote and enhance retail competition, an outcome that is consistent with Ohio's stated energy policy. I also point out in my testimony that the Commission has recognized that POR programs are an important adjunct to consolidated billing by requiring all gas utilities with choice programs to purchase the receivables of competitive suppliers to which they provide billing service, and has specifically indicated that there is no reason that electric utilities should not be subject to a similar requirement. Finally, I explain that FirstEnergy does, in fact, offer what is essentially a POR program to CRES providers that supply governmental aggregations, and that its failure to offer a POR program to CRES supplier generally is discriminatory.

II. PURCHASE OF RECEIVABLES PROGRAM

Q. What are "receivables" from an accounting standpoint?

A. When a business bills a customer, the amount of the bill is added (credited) to the balance sheet under accounts receivable. When the bill is paid, the payment is debited from accounts receivable and credited to a cash account. Accounting rules generally do not allow an enterprise to record revenue until money is actually received. Thus, if a customer ultimately fails to pay all or part of the bill, the business incurs an expense for the uncollectible amount; *i.e.,* the difference between the billed amount and the amount, if any, the customer has paid.

Q. What is consolidated billing?

A. Gas and electric utilities with choice programs provide competitive suppliers the option of having the utility issue a single, consolidated monthly bill to the customer covering both the utility's charges for distribution service and competitive supplier's charges for the service it provides. Consolidated billing service provides significant benefits for both the end-user customers of the suppliers and the suppliers themselves. Customers benefit from, among other things, the convenience of receiving a single bill for both the distribution and supply components of their service, while suppliers avoid the metering cost and the administrative expense that would be associated with rendering their own separate monthly bills for commodity or generation service. Thus, although competitive supplier pays the utility for this service pursuant to the utility's supplier tariff, there is no question that the availability of consolidated billing service promotes retail competition, particularly in the residential market and small commercial markets where the cost to the competitive supplier of issuing its own bills would be a significant barrier to market entry.

Q. **How are "receivables" treated when the utility provides consolidated billing service to a competitive supplier?**

A. The accounting is essentially identical where the utility, rather than the competitive supplier, renders the bill. The competitive supplier credits its accounts receivable when it is notified that the utility has issued the bill, then debits accounts receivable and credits cash when it receives the customer's payment from the utility. When the utility determines that it is unable to collect all or part of the amount billed on behalf of the competitive supplier, it falls to the competitive supplier to attempt to collect the outstanding amount due from the delinquent customer. When the competitive supplier ultimately determines that further collection efforts will not be successful, the supplier then treats the amount in question as uncollectible expense.

Q. **What is a POR program?**

In a POR program, the billing utility purchases the competitive supplier's accounts receivable. The practical effect is that the supplier gets paid up front and, in addition to performing the billing, the utility assumes all the responsibility for collections. In a typical POR program, the utility purchases the receivables at the point in time when the supplier delivers gas or electricity into the utility's system. The utility then collects, and keeps, the portion of the customer payments that would otherwise be remitted to the supplier.

Q. **What types of customer receivables are usually included in a POR program?**

A. POR programs are usually limited to residential and small commercial customers. Not only would it be very expensive for the competitive supplier to bill these types of customers directly as previously mentioned, but these customer classes typically present the greatest collection risk. Unlike the utility, the competitive supplier does not have the ability to disconnect customers for non-payment. Thus, other than sending its own bills and letters to the delinquent customers requesting payment, the competitive suppliers only recourse is to initiate collection actions against defaulting customers, which, in many instances, will not be cost-effective. The competitive supplier has to factor in its bad debt risk in pricing its service, which leads to higher prices that would be the case under a POR program.

Q, But if the utility assumes all the risk of non-collection under a POR program, how is the utility compensated for this additional exposure?

A. Under a POR program, utilities typically recover the costs associated with the assumption of a supplier's collection risk through a discount rate applied to the purchase of receivables, an uncollectible expense rider, or a combination of the two. Under the discount rate approach, the utility pays something less than the face value of the receivables as compensation for assuming the risk of unpaid accounts and collection expense. With an uncollectible expense rider, the uncollectible expense is accounted for and charged to customers through a separate surcharge that is periodically reconciled to account for the difference between the estimated versus the actual uncollectible expense. However, under either method, the utility is ultimately made whole. Further, the overall cost associated with the risk of non-collection is reduced under a program in which the host utility is responsible for all collection activity.

Q. Please explain.

A. A POR program reduces the overall cost of service for the utility's customers, regardless of whether they receive commodity or generation service under the utility's SSO rate or from a competitive supplier. The utility has the systems, personnel, and IT resources in place to manage all aspects of the billing and collections process. The utility is also familiar with the consumer protection protocols related to collections and disconnections for nonpayment. The costs of these systems and resources are paid for by customers through the utility's distribution rates. In the absence of a POR program, each competitive supplier has to provide these systems and resources on its own, which creates unnecessary duplication that is ultimately paid for by customers. All customers pay distribution rates regardless of whether they shop. To the extent distribution rates reflect the cost of the systems and resources necessary for collections, shopping customers will pay these costs *again* if the competitive supplier has to maintain its own systems and resources to perform the same function. Also, as I previously noted, the utility has the ability to terminate service for nonpayment while competitive suppliers do not, which means that the utility is far better-positioned to collect on delinquent accounts.

Q. You indicated at the outset of your testimony that a POR program provides significant benefits for customers, competitive suppliers, and the host utilities. How are POR programs beneficial to consumers?

A. In the absence of a POR program, when a shopping customer account becomes past due, the utility relinquishes all collection responsibility and it becomes the supplier's responsibility to collect the past due amount. The competitive supplier must send the customer a separate bill to collect on the delinquent account. If a customer is delinquent on the supplier charges, the customer is also usually delinquent on the utility charges. Thus, there is a substantial likelihood of confusion for customers when both the utility and the competitive supplier seek to collect different past due amounts displayed on the same bill. With a POR program, a customer only has to deal with one party (the utility) and will not face the additional stress and potential confusion of collection activity by multiple parties. In addition to simplifying collection efforts and the disconnection process, POR programs facilitate the offering of customer payment plans, assure the application of tariffed safeguards relating to the disconnection of service, and provide the customer with a single point of contact for resolving customer inquiries regarding the accuracy of meter readings and the like.

Q. Do POR programs broaden the potential customer base for competitive suppliers?

A. Yes. In a non-POR market, suppliers are forced to utilize credit standards that are often more stringent than those of the utility in view of the inability of competitive suppliers to terminate service for nonpayment. As a result, customers that qualify for service under the utility's credit standards may not meet a competitive supplier's standards. In a POR market, suppliers are able to offer products to the same customer base as the utility. And, because of the significant cost associated with locating, soliciting, acquiring, and maintaining a customer, broadening the base of eligible customers increases the number of customer enrollments, thereby decreasing enrollment costs on a per-customer basis. Decreasing the cost of customer acquisitions allows suppliers to offer lower prices to a greater number of potential customers.

Q. But the enrollment of customers who do not meet the competitive suppliers' credit requirements increase would increase the utility's collection risk, would it not?

A. No. Competitive suppliers can only serve customers that are distribution customers of the host utility. Whatever credit risk is associated with the customer is already being borne by the utility. Thus, the overall credit risk to the utility will not increase with a POR program. In fact, given the lower prices offered by the competitive suppliers, the uncollectible amount associated with a defaulting shopping customer would ultimately be lower than if the same customer had been receiving service under the utility's higher SSO rate.

Q. How do POR programs benefit the utility?

A. With consolidated billing, the competitive supplier's charges are included on the bill issued by the utility. If there is no POR program, once the utility determines that it is unable to collect on the outstanding charges owed to the competitive supplier, the utility turns the collection responsibility over to the supplier. This necessarily requires processes and procedures to track the utility's receivables and the competitive supplier's receivables. This also requires additional communication between the utility and the supplier with respect to what accounts are still outstanding and what accounts have received payment. A POR program greatly simplifies this process because it allows the utility to control the billing and collections process from beginning to end, thereby freeing the utility from the need for subsequent interfaces with the supplier with respect to collections matters and the complicated accounting that goes along with a bifurcated collections process. With a POR program, the utility simply treats all receivables the same, which would lessen the overall strain on the utility's resources.

Q. You also stated that POR programs serve to promote and enhance retail competition, which is consistent with Ohio's stated energy policy. Please elaborate on this observation.

A. As set forth in R.C. 4928.02(H), the state policy is to ensure "effective competition in the provision of retail electric service by avoiding anticompetitive subsidies." In addition, R.C. 4928.02(G) refers to the importance of recognizing "the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment." Finally, R.C. 4928.02(B) speaks to ensuring "the availability of *unbundled and comparable* retail electric service that provides consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs." (Emphasis added.) POR programs are clearly consistent with these pro-competitive policies and the Commission's stated goal of transitioning the utilities in Ohio to competitive markets.

Q. Has this Commission previously required distribution utilities that offer consolidated billing service to competitive suppliers to implement POR programs?

A. Yes. Although there is no Commission rule requiring that host distribution utilities that provide consolidated billing service to purchase the receivables of competitive suppliers that utilize the service, the Commission has long recognized that the purchase of receivables is an important adjunct to consolidated billing. In the case of natural gas utilities, the Commission has, on a company-by-company basis, issued orders requiring each local gas distribution utility that has a choice program to purchase the receivables of the CRNG suppliers to which they provided consolidated billing. The history of this issue on the electric side is somewhat more tangled, but the Commission has, in fact, affirmatively imposed such a requirement on one electric utility, Duke Energy Ohio.

Q. Do utilities that offer POR programs tend to attract greater supplier participation than utilities that do not?

A. Yes. Generally, when a utility offers a POR program in its service territory, more suppliers enter the market and the market becomes more competitive. All else being equal, competitive providers will choose to focus their efforts in POR markets rather than non-POR markets because their risks – and, therefore, their costs – are less. The Commission's electric Apples-to-Apples website shows that Duke Energy Ohio, the only electric utility with a POR program in Ohio, has the greatest level of CRES supplier participation of all the electric utilities in Ohio. As supplier participation increases, competition increases. And, as competition increases, prices decrease, and the introduction of new and innovative products is encouraged.

Q. Is there evidence that POR programs promote and enhance competition?

A. Yes. Gas and electric utilities throughout the country have successfully implemented POR programs. POR is part of customer choice in many states, including Ohio, Illinois, New York, Virginia, Pennsylvania, Indiana, Kentucky, Maryland, Indiana and Michigan. The evidence shows that utilities that offer POR programs consistently experience greater levels of customer migration than utilities that do not. Attached to my testimony as Exhibit 1 is a study published by the Pennsylvania Office of Consumer Advocate. In PECO, PPL, Duquesne Light and Penn Power (all POR utilities), over 20% of the residential customers have switched to a retail supplier. In Illinois, POR was recently implemented by Commonwealth Edison ("ComEd") and Ameren. ComEd, alone, has seen over 10% of residential customers switch to a retail supplier in the little over one year its POR program has been in place, whereas prior to the implementation of the POR program, there was virtually no switching. Attached as Exhibit 2 are the ComEd migration statistics published by the Office of Retail Market Development at the Illinois Commerce Commission ("ICC"). According to the Office of Retail Market Development website, there are over 25 suppliers certified to serve customers in ComEd and Ameren with over 65 different products listed on the ICC's product comparison website. As an additional example, Baltimore Gas & Electric in Maryland has seen a significant amount of customer migration since a POR program was implemented in its service territory.

Q. Does Ohio electric migration data suggest that a POR program leads to greater customer shopping?

A. Yes. A report on Ohio electric migration as of December 31, 2011 is attached to my testimony as Exhibit 3. As noted above, Duke Energy Ohio is the only electric utility in Ohio that offers a POR program. As the report shows, nearly 30% of Duke's residential electric customers are shopping. FirstEnergy, AEP Ohio, and DP&L do not offer POR programs, and the residential migration rates in AEP Ohio and DP&L service territories were below 10%, which is significantly less than the 30% shopping level for residential customers of Duke Energy Ohio. Further, while the data indicates that residential shopping is significantly greater in the FirstEnergy service territory, a majority of that shopping is due to governmental aggregation programs. As I previously mentioned, FirstEnergy makes available to aggregation suppliers a program which is functionally the same as a POR program. Although I recognize that many factors affect shopping, both reason and experience show that a POR program is an important supporting element of a successful shopping regime.

III. FIRSTENERGY

Q. You previously indicated that, although the Commission has long required all gas distribution utilities that provide consolidated billing service to offer POR programs, the only electric utility with a standardized POR program is Duke Energy Ohio. Does this mean that the Commission has determined that there should be a different policy for electric utilities?

A. No, absolutely not. In response to operational support concerns emanating from the ETP proceedings, the Commission initiated Case No. 00-813-EL-EDI (the "EDI Case") to develop electronic data exchange standards and uniform business practices governing the operating relationship between the electric utility and CRES suppliers. In its July 19, 2000 finding and order in that case, the Commission found (page 15) as follows:

> We see no reason why the purchase of supplier accounts receivable in the competitive electric industry should be treated differently than in the natural gas industry where the Commission has already established its policy. Therefore, an electric utility that is providing consolidated billing for a supplier should also provide the optional service of purchasing the supplier's accounts receivable at a negotiated discount.

Q. If the Commission ordered electric utilities to implement POR programs a dozen years ago, why does FirstEnergy not offer such a program to CRES providers generally?

A. The initial order in the EDI case gave the FirstEnergy until June 1, 2001 to implement a POR program. That date was subsequently extended to March 1, 2002 as a result of an application for rehearing by FirstEnergy. In the meantime, the Operational Support and

Planning for Ohio Taskforce ("OSPO") that grew out of the Commission's November 30, 1999 entry in Case No. 99-1141-EL-COI, had been working to develop guidelines for the purchase of CRES supplier receivables. On July 13, 2001, OSPO filed an unopposed stipulation in the EDI Case that was accompanied by what was, in effect, a model purchase of receivables agreement. The Commission approved the stipulation by entry of September 13, 2001, finding that the model agreement should be approved as a guideline for negotiating and resolving issues relating to POR agreements, and instructed the parties to negotiate in good faith to reach such agreements.

Q. What happened next?

A. On July 30, 2002, two CRES providers, WPS Energy Services ("WPS") and Green Mountain Energy Company ("Green Mountain"), which had been unable to negotiate acceptable POR agreements with FirstEnergy, filed a complaint with the Commission in Case No. 02-1944-EL-CSS. The complaint, among other things, sought a Commission order requiring FirstEnergy to purchase the complainant's accounts receivable on reasonable terms as required by the Commission's earlier entry in the EDI Case. The complaint case was ultimately resolved by a stipulation approved by the Commission by an opinion and order dated August 6, 2003.

Q. Did the stipulation in the WPS/Green Mountain complaint case address the POR requirement established in the EDI Case?

A. No, not directly. In lieu of enforcing the Commission's previous orders in the EDI Case regarding the purchase of CRES provider accounts receivable, the parties apparently agreed to a change in the posting priority for partial payments whereby partial payments would first be applied to the arrearages of shopping customers, a provision that was subsequently memorialized in the FirstEnergy supplier tariffs.

Q. Did this resolution provide a benefit to CRES suppliers?

A. Yes. The change in the payment posting priorities served to improve cash flow for CRES providers. However, this change did not address the fundamental issue, which is why FirstEnergy should be relieved from offering a POR program in view the Commission's prior pronouncements, the obvious benefits of such programs, and the positive impact such programs have on promoting and enhancing retail competition.

Q. You previously indicated that FirstEnergy does offer a POR program to CRES providers that supply governmental aggregations. Why is this of concern to IGS?

A. To understand why this is a concern, one must first look to state of the residential market in the FirstEnergy service territory. As of December 31, 2011, over 60% of the residential electric customers of the FirstEnergy utilities shopped. However, a majority of the residential migration in the FirstEnergy service territory is due to opt-out aggregation programs. The Northeast Ohio Public Energy Council ("NOPEC") aggregation website indicates that 600,000 FirstEnergy customers are served through that program. The Northeast Ohio Aggregation Coalition ("NOAC") is another major aggregation load in the FirstEnergy service territory that is responsible for a significant amount of residential migration. If it were not for the NOPEC and NOAC opt-out aggregations, the FirstEnergy migration statistics would be significantly lower.

Q. What supplier serves much of the aggregation load in the FirstEnergy service territories?

A. According to a press release on the FirstEnergy corporate website, FirstEnergy Solutions, an affiliated competitive supplier of FirstEnergy, serves approximately 600,000 aggregation customers in the FirstEnergy service territory. The press release is attached to my testimony as Exhibit 4. It is also my understanding that FirstEnergy Solutions serves both the NOAC and NOPEC aggregations. Further, according to the page on the NOPEC website attached to my testimony as Exhibit 5, in 2011 FirstEnergy Solutions entered into a 9-year agreement to supply NOPEC customers with electricity. Thus, it appears that, for the next decade FirstEnergy Solutions is positioned to serve a significant number of FirstEnergy customers through aggregation programs.

Q. Does FirstEnergy offer a program to alleviate the collection risk of government aggregation generation suppliers (GAGS)?

A. Yes. Section 4 of Attachment D ("Attachment D") of the stipulation approved by the Commission in the previous FirstEnergy ESP case, Case No. 10-388-EL-SSO, states that FirstEnergy is authorized to:

> to create regulatory assets and to charge, collect and receive from customers of the Companies the accrued GAGS Receivables that are to be paid to the GAGS subject to the provisions of R.C. § 4928.20(I). The Companies shall recover the accrued deferred cost amounts associated with such regulatory assets, including carrying charges at the rate of .7066 percent per month, through a Commission approved cost recovery rider. The cost recovery rider shall be nonbypassable for customers of the Companies subject to and consistent with the provisions of R.C. § 4928.20(I) and R.C. § 4928.144 and shall be reconciled on a quarterly basis.

Further, Section 6 of Attachment D states:

> The Company(ies) must use commercially reasonable efforts to promptly enter into an agreement with the GAGS which will provide the GAGS with assurance of full recovery of all costs related to the GAGS' recovery of its GAGS Receivables.

From my reading of attachment D, FirstEnergy essentially offers a POR program available to aggregation suppliers, the cost of which is non-bypassable, meaning the program must be paid for by all customers.

Q. Is this program available to non-aggregating CRES suppliers?

A. No.

Q. Does offering a mechanism to relieve an aggregation supplier of its collection risk while not doing the same for CRES suppliers generally create an anti-competitive advantage for aggregation suppliers?

A. Yes. The cost of collections and uncollectable accounts is a significant cost to suppliers of electricity. However, CRES suppliers do not have the benefit of a program that reduces their cost of bad debt. Because CRES suppliers are either directly or indirectly competing with aggregation suppliers to serve the load of customers, there are anti-competitive effects of benefiting one set of suppliers over the other.

Q. Are there other advantages FirstEnergy offers GAGS and not CRES providers?

A. Yes. Section 1 of Attachment D offers GAGS a phase-in credit equal to the amount of phase-in credit approved for SSO customers during the ESP period. The phase-in credit established in Attachment D is not available to CRES suppliers.

Q. Are there concerns for the competitive markets when aggregation suppliers are favored over non-aggregation CRES suppliers?

A. I am concerned that when aggregation becomes the predominant form of customer switching from the utility default service load in a service territory, customers are exchanging one form of default service rate for another. One of the benefits of vibrant competitive markets is to engage customers and make them more aware of their energy choices and energy options. With opt-out aggregations, absent an affirmative action on the part of a consumer to opt out of the collective purchasing program, a customer is simply assigned a supplier chosen by a government entity, just as the non-shopping consumer is assigned to the default SSO rate. Although customers may choose to opt-out of these aggregations, it is my experience that most do not. The inherent passivity of a customer's assignment to an aggregation supplier significantly reduces a customer's awareness of and engagement in the competitive process. I want to be clear that I do not oppose governmental aggregation. Indeed, IGS has supplied aggregations for many years. However, a vibrant non-aggregation shopping environment must also be able to develop in order for customers to receive the full benefits of competition. By effectively favoring aggregation suppliers over non-aggregation CRES providers – particularly when its benefitted affiliate has locked in a sizeable portion of the non-regulated competitive market – FirstEnergy's failure to level the playing field by establishing a generally available POR program will stifle the growth of the non-aggregation markets to the detriment of customers, who will lose out on the benefits of competition.

Q. **Do you know why FirstEnergy has resisted offering a POR program to CRES suppliers generally despite the Commission's pronouncements in the EDI Case?**

A. Based on the WPS/Green Mountain complaint, I assume that FirstEnergy has found CRES providers to be unwilling to pay the discount rate for the purchase of receivables it believes it needs to protect it from the risk of non-collection. However, what I can say with certainty is that, in light of the fact that it is offering what is effectively a POR program to aggregation suppliers, its resistance cannot be based on logistical constraints.

IV. RECOMMENDATION

Q. Do you have a proposal that would make the FirstEnergy markets more competitive for all suppliers?

A. Yes. As a part of any ESP approved in this proceeding, FirstEnergy should be required to offer a purchase of receivables program to all CRES suppliers for which it performs consolidated billing service. A POR program, if done correctly, offers a multitude of benefits to customers, CRES suppliers, and the utility, and promotes competition in a manner consistent with Ohio's stated policy, all of which are considerations the Commission should take into account in evaluating the benefits of any ESP.

Q. Do you support allowing FirstEnergy to recover the full costs associated with a POR program?

A. Yes.

Q. What mechanism do you recommend that FirstEnergy employ to recover the cost of assuming the risk of non-collection that is now borne by the CRES supplier?

A. As noted above, the Commission's order in the EDI case contemplated that the electric utilities would be compensated for assuming this risk through a discount rate applied to the purchase price of the receivables. Although, in concept, this is a reasonable method, in practice, it has not worked because FirstEnergy and CRES providers have been unable to reach agreement as to a mutually acceptable discount rate. Thus, in my opinion, establishing a non-bypassable generation uncollectible expense rider applicable to all generation customers is a much cleaner and far superior approach.

Q. Are other Ohio utilities with POR programs compensated in this fashion?

A. Yes. As I previously indicated, all Ohio gas distribution utilities that offer choice programs are required to purchase the receivables of CRNG suppliers for which they provide consolidated billing service. Moreover, all these gas utilities purchase the receivables at no discount because they all have uncollectible expense riders in place. In addition, Duke Energy Ohio, the only Ohio electric utility with a tariffed POR program, was authorized to implement a generation-related uncollectible expense rider in the context of its last ESP proceeding, Case No. 11-3549-EL-SSO. This resulted in the elimination of the formula in the Duke Energy Ohio supplier tariff for calculating the POR discount rate, and replacing it with a provision whereby Duke Energy Ohio purchases the receivables of CRES providers at no discount. Like the Commission, I see no reason why its policy should be different for gas distribution utilities and electric distribution utilities when it comes to this subject. And, I see no reason why the Duke Energy Ohio model should not be adopted for FirstEnergy.

Q. Does FirstEnergy have an uncollectible expense rider?

A. FirstEnergy has a distribution uncollectible expense rider, but does not have a generation-related uncollectible expense rider. However, this was precisely the situation for Duke Energy Ohio prior to its latest ESP proceeding, so I see no barrier to establishing a generation-related uncollectible expense rider in this case. In addition, I would point out that it is somewhat anomalous to purport to segregate uncollectible expense between distribution service and generation service. Uncollectible expense is a function of the fact the electric utility issues bills for service and is not really tied to the nature of the service. Thus, I recommend that the Commission authorize FirstEnergy to establish a non-bypassable generation-related uncollectible expense rider and require FirstEnergy to purchase the receivables of CRES providers at no discount.

Q. **Do you have any recommendations in the event the Commission determines that FirstEnergy should be compensated for assuming the CRES supplier's risk of non-collection via a POR discount rate rather than through an uncollectible expense rider?**

A. Yes. What the Commission should *not* do is to leave the discount rate to negotiations between FirstEnergy and CRES providers. I do not mean in any way to cast aspersions on FirstEnergy, but I think it is obvious that leaving this to negotiations makes a mockery of a requirement that FirstEnergy offer to purchase a supplier's receivables, as evidenced by the WPS/Green Mountain complaint. The Commission should not create a situation where the CRES supplier's only recourse if agreement cannot be reached on the appropriate discount rate is to file a complaint. Further, the discount rate, whatever it may be, should be the same for all CRES suppliers. Otherwise, one supplier could gain an anti-competitive advantage. This is of particular concern because FirstEnergy's competitive supplier affiliate is in the mix.

Q. **If the Commission agrees that FirstEnergy should be required to offer a POR program as a part of any ESP approved in this case, should there be an opportunity for stakeholder input with respect to the details of the program?**

A. Although, in my experience, stakeholder collaboratives are often formed to work out the details of a POR program, I do not believe such a measure is necessary in this instance, particularly if the Commission finds that FirstEnergy should be compensated for the risk of non-collection through an uncollectible expense rider. In that event, the time-tested

POR provisions of the supplier tariffs of the gas distribution utilities and Duke Energy Ohio would serve as appropriate models for a FirstEnergy POR program. On the other hand, if the Commission were to find that FirstEnergy should be made whole through a discount rate on the price paid to purchase the receivables, a collaborative process might be useful in developing a formula for calculating a uniform discount rate. In so stating, I recognize that the Commission has already been down the collaborative road before through the creation of OSPO, and I am reluctant to suggest that the OSPO efforts be repeated. However, if the Commission believes that a stakeholder collaborative would be helpful in coming to an agreement with respect to a POR discount rate formula, IGS will be more than willing to participate.

Q. Please summarize your testimony.

A. The evidence is overwhelming that a POR program contributes to increased customer access to the benefits of and participation in the competitive market. The most active and competitive choice markets, for both gas and electric, are those that have POR programs in place. The implementation of POR program would be a significant step towards achieving a competitive and robust electric market in the FirstEnergy service territory.

Q. Does this conclude your testimony?

A. Yes it does.

EXHIBIT 1

Pennsylvania Electric Shopping Statistics January 1, 2012

PA Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048 Telephone
(800) 684-6560 (PA Consumers Toll-Free)
consumer@paoca.org ◦ www.oca.state.pa.us
Sonny Popowsky, Consumer Advocate

Number of Customers Served By An Alternative Supplier As Of 1/1/2012				
	Residential	Commercial	Industrial	Total
Duquesne Light	173,450	20,567	686	194,703
MetEd ***	41,027	15,648	759	57,434
PECO Energy *	317,433	61,647	2,687	381,767
Penelec ***	71,544	23,314	728	95,586
Penn Power	32,210	5,952	125	38,287
PPL *	495,539	91,888	1,112	588,539
UGI	2	446	62	510
West Penn Power **	94,582	21,373	117	116,072
Total	**1,225,787**	**240,835**	**6,276**	**1,472,898**

* PPL's and PECO's statistics include active and pending shopping customers.

** Formerly known as Allegheny Power.

*** Statistics were previously reported as Met Ed/Penelec.

Pennsylvania Office of Consumer Advocate

1-1-2012

Percentage of Customers Served By An Alternative Supplier As Of 1/1/2012				
	Residential	**Commercial**	**Industrial**	**Total**
Duquesne Light	33.0	33.9	59.5	33.1
MetEd ***	8.4	24.3	87.5	10.0
PECO Energy *	22.4	41.5	85.5	24.4
Penelec ***	14.2	28.1	88.2	16.0
Penn Power	22.9	30.1	83.3	24.0
PPL *	40.5	52.1	87.3	42.0
UGI	0.0	5.4	32.5	0.8
West Penn Power **	15.4	22.4	90.7	16.4

Totals may differ due to rounding.

* PPL's and PECO's statistics include active and pending shopping customers.

** Formerly known as Allegheny Power.

*** Statistics were previously reported as Met Ed/Penelec.

Pennsylvania Office of Consumer Advocate

1-1-2012

Customers Load (MW) Served By An Alternative Supplier As Of 1/1/2012				
	Residential	Commercial	Industrial	Total
Duquesne Light	396.3	1,474.3	846.2	2,716.8
MetEd ***	64.0	278.0	563.0	905.0
PECO Energy	803.0	1,284.0	2,392.0	4,479.0
Penelec ***	95.0	376.0	607.0	1,078.0
Penn Power	51.0	200.0	149.0	400.0
PPL *	1,597.0	1,924.0	1,810.0	5,331.0
UGI	0.0	24.1	13.5	37.6
West Penn Power **	227.7	668.8	624.7	1,521.2
Total	**3,234.00**	**6,229.20**	**7,005.40**	**16,468.60**

Totals may differ due to rounding.

* PPL's and PECO's statistics include active and pending shopping customers.

** Formerly known as Allegheny Power.

*** Statistics were previously reported as Met Ed/Penelec.

Pennsylvania Office of Consumer Advocate
1-1-2012

Percentage of Customers Load Served By An Alternative Supplier As Of 1/1/2012				
	Residential	**Commercial**	**Industrial**	**Total**
Duquesne Light	32.3	67.1	93.2	62.7
MetEd ***	9.8	57.0	95.0	52.3
PECO Energy *	23.9	59.4	94.5	55.7
Penelec ***	16.0	58.0	97.0	58.0
Penn Power	22.0	63.0	98.0	57.0
PPL *	46.3	90.4	96.6	71.5
UGI	0.0	31.0	76.7	17.8
West Penn Power **	17.4	66.8	93.9	51.2

Totals may differ due to rounding.

* PPL's and PECO's statistics include active and pending shopping customers.

** Formerly known as Allegheny Power.

*** Statistics were previously reported as Met Ed/Penelec.

Pennsylvania Office of Consumer Advocate
1-1-2012

EXHIBIT 2

Switching Report

Supply Options Chosen by Customers of Commonwealth Edison Company

March 2012

Delivery Service Class:	Total Residential	Watt-Hour	Small	Medium	Large	Very Large	Extra Large	High Voltage	Railroad	Lighting/Other	tal Non - Residen	Grand Total
Generally Defined as:			(0 - 100 kW)	(100 - 400 kW)	(400 - 1,000 kW	1,000 - 10,000 kW	(>10,000 kW)					
Total Number of Customers	3,425,906	92,394	246,446	17,608	4,213	1,894	52	76	14	8,584	371,281	3,797,187
Taking Hourly Price Service from ComEd	10,201	0	1,905	4,502	477	96	0	36	0	1,463	8,479	18,680
Taking Fixed Price Supply Service From ComEd	3,071,488	75,646	169,266	707	21	3	0	0	0	6,574	252,217	3,323,705
Taking Supply Service From a Retail Electric Supplier (RES)	344,217	16,748	75,275	12,399	3,715	1,795	52	40	14	547	110,585	454,802
Percentage of Customers Receiving RES Service	10.05%	18.13%	30.54%	70.42%	88.18%	94.77%	100.00%	52.63%	100.00%	6.37%	29.78%	11.98%
Monthly kWh	1,945,408,052	38,371,315	906,698,675	841,152,740	760,155,260	1,434,749,267	311,672,690	439,013,221	53,321,280	72,079,213	4,857,213,661	6,802,621,713
Of Hourly Price Service Customers	8,702,082	0	28,713,784	197,059,634	79,033,536	52,549,692	0	9,921,294	0	21,271,994	388,549,934	397,252,016
Of ComEd Fixed Price Supply Service Customers	1,724,847,784	30,259,148	436,655,983	19,683,849	2,980,421	716,134	0	0	0	14,299,869	504,595,404	2,229,443,188
Of RES Customers	211,858,186	8,112,167	441,328,908	624,409,257	678,141,303	1,381,483,441	311,672,690	429,091,927	53,321,280	36,507,350	3,964,068,323	4,175,926,509
Percentage of Monthly kWh Taking RES Supply Service	10.89%	21.14%	48.67%	74.23%	89.21%	96.29%	100.00%	97.74%	100.00%	50.65%	81.61%	61.39%

EXHIBIT 3

Summary of Switch Rates from EDUs to CRES Providers in Terms of Customers
For the Month Ending December 31, 2011

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Cleveland Electric Illuminating Company	CEI	31-Dec	2011	168797	18457	192	187845
CRES Providers	CEI	31-Dec	2011	493446	65114	464	559036
Total Customers	CEI	31-Dec	2011	662243	83571	656	746881
EDU Share	CEI	31-Dec	2011	25.49%	22.09%	29.27%	25.15%
Electric Choice Customer Switch Rates	**CEI**	**31-Dec**	**2011**	**74.51%**	**77.91%**	**70.73%**	**74.85%**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Duke Energy Ohio	DUKE	31-Dec	2011	424422	37654	828	464999
CRES Providers	DUKE	31-Dec	2011	189452	29814	1387	224585
Total Customers	DUKE	31-Dec	2011	613874	67468	2215	689584
EDU Share	DUKE	31-Dec	2011	69.14%	55.81%	37.38%	67.43%
Electric Choice Customer Switch Rates	**DUKE**	**31-Dec**	**2011**	**30.86%**	**44.19%**	**62.62%**	**32.57%**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Columbus Southern Power Company	CSP	31-Dec	2011	639541	61998	2444	704268
CRES Providers	CSP	31-Dec	2011	29529	17164	835	47553
Total Customers	CSP	31-Dec	2011	669070	79162	3279	751821
EDU Share	CSP	31-Dec	2011	95.59%	78.32%	74.53%	93.67%
Electric Choice Customer Switch Rates	**CSP**	**31-Dec**	**2011**	**4.41%**	**21.68%**	**25.47%**	**6.33%**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
The Dayton Power and Light Company	DPL	31-Dec	2011	411122	33932	813	448902
CRES Providers	DPL	31-Dec	2011	43575	16191	944	64479
Total Customers	DPL	31-Dec	2011	454697	50123	1757	513381
EDU Share	DPL	31-Dec	2011	90.42%	67.70%	46.27%	87.44%
Electric Choice Customer Switch Rates	**DPL**	**31-Dec**	**2011**	**9.58%**	**32.30%**	**53.73%**	**12.56%**

Source: PUCO, Division of Market Monitoring & Assessment.

Note1: Total customers includes residential, commercial, industrial and other customers.
Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio.
Appropriate calculations made for other purposes may be based on different data, and may yield different results.
Note3: "Total Customers" include "Other Customers" (e.g. street lighting).

*******Preliminary Data**

Summary of Switch Rates from EDUs to CRES Providers in Terms of Customers
For the Month Ending December 31, 2011

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Ohio Edison Company	OEC	31-Dec	2011	329680	29795	414	361847
CRES Providers	OEC	31-Dec	2011	589636	79863	1000	670590
Total Customers	OEC	31-Dec	2011	919316	109658	1414	1032437
EDU Share	OEC	31-Dec	2011	35.86%	27.17%	29.28%	35.05%
Electric Choice Customer Switch Rates	**OEC**	**31-Dec**	**2011**	**64.14%**	**72.83%**	**70.72%**	**64.95%**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Ohio Power Company	OP	31-Dec	2011	586328	87566	6476	682542
CRES Providers	OP	31-Dec	2011	18655	6244	548	25772
Total Customers	OP	31-Dec	2011	604983	93810	7024	708314
EDU Share	OP	31-Dec	2011	96.92%	93.34%	92.20%	96.36%
Electric Choice Customer Switch Rates	**OP**	**31-Dec**	**2011**	**3.08%**	**6.66%**	**7.80%**	**3.64%**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Toledo Edison Company	TE	31-Dec	2011	101073	9605	96	111720
CRES Providers	TE	31-Dec	2011	171324	25067	370	196844
Total Customers	TE	31-Dec	2011	272397	34672	466	308564
EDU Share	TE	31-Dec	2011	37.11%	27.70%	20.60%	36.21%
Electric Choice Customer Switch Rates	**TE**	**31-Dec**	**2011**	**62.89%**	**72.30%**	**79.40%**	**63.79%**

Source: PUCO, Division of Market Monitoring & Assessment.
Note1: Total customers includes residential, commercial, industrial and other customers.
Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio. Appropriate calculations made for other purposes may be based on different data, and may yield different results.
Note3: "Total Customers" include "Other Customers" (e.g. street lighting).

*******Preliminary Data**

EXHIBIT 4

News Release

FirstEnergy Solutions Wins NOAC Contract 1 Nine Northwest Ohio Communities

AKRON, Ohio, June 1 /PRNewswire-FirstCall/ -- FirstEnergy Solutions (FES) has won generation service to the Northwest Ohio Aggregation Coalition (NOAC), a governmen communities and approximately 200,000 residential and small business customers. FE (NYSE: FE).

The new NOAC agreement, which goes through May 2011, offers an attractive fixed g residential customers and, for small commercial customers, a 4-percent discount off th bills. NOAC member communities include the cities of Maumee, Northwood, Oregon, F Holland, the unincorporated townships of Lucas County and Lake and Perrysburg town communities must still approve individual contracts.

"We are pleased to work with the NOAC member communities to offer discounts on ge businesses," said Arthur Yuan, vice president of Sales and Marketing for FES. "We co communities and aggregation groups."

With the NOAC agreement, FES will serve approximately 600,000 residential and com aggregation communities and groups in Ohio.

FES provides competitive electric generation supply and other energy-related products Pennsylvania, New Jersey, Maryland, Michigan and Illinois. To learn more about FES' officials can call the Government Aggregation Program Manager Brenda Fargo at (33C

FirstEnergy is a diversified energy company headquartered in Akron, Ohio. Its subsidia transmission and distribution of electricity, as well as energy management and other e or control more than 14,000 megawatts of generating capacity.

Forward-Looking Statements: This news release includes forward-looking statements l management. Such statements are subject to certain risks and uncertainties. These st management's intents, beliefs and current expectations. These statements typically co "potential," "expect," "believe," "estimate" and similar words. Forward-looking statemer unknown risks, uncertainties and other factors that may cause actual results, performa any future results, performance or achievements expressed or implied by such forwarc materially due to the speed and nature of increased competition in the electric utility in affecting how generation rates will be determined following the expiration of existing ra regulatory process on the Ohio Companies associated with the distribution rate case, t procurement process in Ohio, economic or weather conditions affecting future sales ar services, changing energy and commodity market prices and availability, replacement inadequately hedged, the continued ability of FirstEnergy's regulated utilities to collect increased transmission costs, maintenance costs being higher than anticipated, other l

environmental requirements, including possible greenhouse gas emission regulations,
July 11, 2008 decision requiring revisions to the CAIR rules and the scope of any laws
place, the uncertainty of the timing and amounts of the capital expenditures needed to,
(including that such amounts could be higher than anticipated or that certain generatin
emission reductions related to the Consent Decree resolving the NSR litigation or othe
or legal decisions and outcomes (including, but not limited to, the revocation of necess
the NRC (including, but not limited to, the Demand for Information issued to FENOC o
transmission service charge filings with the PPUC, the continuing availability of genera
capacity, the ability to comply with applicable state and federal reliability standards, th
benefits from strategic goals (including employee workforce initiatives), the ability to im
experience growth in the distribution business, the changing market conditions that co
nuclear decommissioning trusts, pension trusts and other trust funds, and cause it to m
amount that is larger than currently anticipated, the ability to access the public securiti
accordance with FirstEnergy's financing plan and the cost of such capital, changes in
company, the state of the capital and credit markets affecting the company, interest ra
that could negatively affect FirstEnergy's access to financing or its costs and increase
support outstanding commodity positions, letters of credit and other financial guarante
regional economy and its impact on FirstEnergy's major industrial and commercial cus
financial institutions and counterparties with which FirstEnergy does business, and the
in its SEC filings, and other similar factors. The foregoing review of factors should not
from time to time, and it is not possible for management to predict all such factors, nor
business or the extent to which any factor, or combination of factors, may cause result
forward-looking statements. FirstEnergy expressly disclaims any current intention to u
herein as a result of new information, future events, or otherwise.

SOURCE FirstEnergy Corp.

CONTACT: Chris Eck of FirstEnergy, +1-330-384-7939

Web Site: http://www.firstenergysolutions.com
(FE)

EXHIBIT 5

NOPEC

Northeast Ohio Public Energy Council

- About
- Electricity
- Natural Gas
- Member Communities
- Leadership
- FAQ
- Press Room
- POC Grant Guidelines
- Contact

FirstEnergy Solutions and NOPEC Enter into Nine-Year Agreement

Northeast Ohio residents and businesses to save an estimated $170 million on electric generation costs

Akron, Ohio - FirstEnergy Solutions Corp. (FES), a subsidiary of FirstEnergy Corp. (NYSE: FE), and the Northeast Ohio Public Energy Council (NOPEC) have entered into an agreement making FES the generation supplier for customers in the 126 Northeast Ohio communities served by NOPEC. The agreement extends from January 1, 2011, through December 31, 2019. In addition, FES and Gexa Energy - NOPEC's current generation supplier - have signed a letter of intent that is expected to make FES the supplier for NOPEC communities in 2010.

Through its innovative *Powering Our Communities* program, FES will make a onetime grant of $12 million, which will be administered by NOPEC for energy-related programs throughout its communities. The program will also provide residents and small businesses of those communities with guaranteed long-term electric generation savings that are expected to total an estimated $19 million a year, based on current generation prices. In addition to these savings, NOPEC will use funds it has available to offer its communities additional discounts.

"We are pleased to have the opportunity to supply electric generation to the approximately 500,000 electric customers in NOPEC's communities," said FirstEnergy President and Chief Executive Officer Anthony J. Alexander. "Our *Powering Our Communities* program has been instrumental in bringing customers guaranteed, long-term savings on their electric bills - as well as much-needed funding for the communities where they live. This agreement will benefit Northeast Ohio for many years to come."

NEWS

NOPEC: Powering Our Community (Slide Show)

NOPEC Annual Report 2009 (PDF)

NOPEC Annual Report 2008 (PDF)

January 31, 2012

Mayor Gillock Appointed to NOPEC Board of Directors

January 31, 2012
Back to Top Duncan appointed to ... ard

February 17, 2010
NOPEC to Provide Nearly $16 Million in Energy Grants to Qualified N.E. Ohio Communities

December 2, 2009
FirstEnergy Solutions and NOPEC Enter into Nine-Year Agreement

June 10, 2009
Electric Rate Savings on the Way for Nopec Customers in Northeast Ohio

April 6, 2009
NOPEC Formalizes Green Deal That Could Save Northeast Ohio Tens of Millions In Electric Costs

NOPEC's board chairman Joe Migliorini said, "We've once again been able to leverage our group buying power to obtain the most advantageous deal for our customers and member communities. As a result of our partnership with FirstEnergy Solutions, our electric consumers will save money every month on their electric bills. In addition, our communities will have access to a substantial pool of grant money designated for energy conservation; renewable energy and energy education projects; economic development grants for advanced energy projects that will create jobs in our communities; and general fund purposes for communities in dire need."

The community grant available through *Powering Our Communities* will be paid to NOPEC on or before January 31, 2010, and funds will be disbursed to the NOPEC communities through a grant application program administered through an independent committee. The level of funding is based on the number of customers in each community who participate in the program.

The *Powering Our Communities* program also locks in long-term discounted generation prices to residential and small commercial customers in these communities. The discounts will be based on the Price to Compare (PTC), or the generation price customers would have been charged if they purchased electric generation service from their local electric utility. Beginning January 2011, eligible residential customers will receive 6 percent off the PTC and small businesses will get a 4 percent discount off the PTC through the end of 2019. In addition, residential customers who receive special generation credits from the electric utility for having electric space heating, water heating and/or load management equipment will receive a 4 percent discount off the PTC from January 1, 2010, through May 31, 2012. The discount for these customers increases to 6 percent off the PTC from June 1, 2012, to the end of 2019.

FES provides competitive electric generation supply and other energy-related products and services, and is a licensed supplier in Ohio, Pennsylvania, New Jersey, Maryland, Michigan and Illinois. To learn more about FirstEnergy Solutions' governmental aggregation programs and specifically *Powering Our Communities*, community officials can visit www.fes.com.

FirstEnergy is a diversified energy company headquartered in Akron, Ohio. Its subsidiaries and affiliates are involved in the generation, transmission and distribution of electricity, as well as energy management and other energy-related services. Its generation subsidiaries control more than 14,000 megawatts of capacity.

NOPEC is a non-profit energy aggregator representing residents and small business customers in Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Summit and Trumbull counties. NOPEC is the largest such public energy aggregation in the United States. For more information, go to www.nopecinfo.org.

Forward-Looking Statements: This news release includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ materially due to the speed and nature of increased competition in the electric utility industry and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Pennsylvania, the impact of the Public Utilities Commission of Ohio's regulatory process on the Ohio Companies associated with the distribution rate case, economic or weather conditions affecting future sales and margins, changes in markets for energy services, changing energy and commodity market prices and availability, replacement power costs being higher than anticipated or inadequately hedged, the ability to successfully amend various purchase power contracts, the continued ability of FirstEnergy's regulated utilities to collect transition and other charges or to recover increased transmission costs, operating and maintenance costs being higher than anticipated, other legislative and regulatory changes, revised environmental requirements, including possible greenhouse gas emission regulations, the potential impacts of the U.S. Court of Appeals' July 11, 2008 decision requiring revisions to the Clean Air Interstate Rules and the scope of any laws, rules or regulations that may ultimately take their place, the uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the Air Quality Compliance Plan (including that such amounts could be higher than anticipated or that certain generating units may need to be shut down) or levels of emission reductions related to the Consent Decree resolving the New Source Review litigation or other similar potential regulatory initiatives or actions, adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight) by the Nuclear Regulatory Commission, Metropolitan Edison Company's and Pennsylvania Electric Company's transmission service charge filings with the Pennsylvania Public Utility Commission, the continuing availability of generating units and their ability to operate at or near full capacity, the ability to comply with applicable state and federal reliability standards, the ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives), the ability to improve electric commodity margins and to experience growth in the distribution business, the changing market conditions that could affect the value of assets held in FirstEnergy's nuclear decommissioning trusts, pension trusts and other trust funds, and cause it to make additional contributions sooner, or in an amount that is larger than currently anticipated, the ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan and the cost of such capital, changes in general economic conditions affecting the company, the state of the capital and credit markets affecting the company, interest rates and any actions taken by credit rating agencies that could negatively affect FirstEnergy's access to financing or its costs or increase its requirements to post additional collateral to support outstanding commodity positions, letters of credit and other financial guarantees, the continuing decline of the national and regional economy and its impact on the company's major industrial and commercial customers, issues concerning the soundness of financial institutions and counterparties with which FirstEnergy does business, and the risks and other factors discussed from time to time in its Securities and Exchange Commission filings, and other similar factors. The foregoing review of factors should not be construed as exhaustive.

New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. FirstEnergy expressly disclaims any current intention to update any forward-looking statements contained herein as a result of new information, future events, or otherwise. (120209)

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by electronic mail this 21st day of May 2012.

Barth E. Royer

Arthur E. Korkosz
James W. Burk
FirstEnergy Service Company
76 South Main Street
Akron, Ohio 44308
korkosza@firstenergycorp.com
burkj@firstenergycorp.com

James F. Lang
Laura C. McBride
Calfee, Halter & Griswold LLP
1400 KeyBank Center
800 Superior Ave
Cleveland, OH 44114
jlang@calfee.com
lmcbride@.calfee.com

David A. Kutik
Jones Day
901 Lakeside Avenue
Cleveland, Ohio 44114
dakutik@jonesday.com

Larry S. Sauer
Terry L. Etter
Melissa R. Yost
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
sauer@occ.state.oh.us
etter@occ.state. oh. us
yost@occ.state.oh.us

Samuel Randazzo
McNees Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215-4228
sam@mwncmh.com

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202
dboehm@bkllawfirm.com
mkurtz@bkllawfirm.com

Joseph M. Clark
6641 North High Street, Suite 200
Worthington, Ohio 43805
jmclark@vectren.com

Duane W. Luckey
Thomas McNamee
William L. Wright
Attorney General's Office
Public Utilities Section
180 East Broad Street, 9th Floor
Columbus, Ohio 43215
thomas.mcnamee@puc.state.oh.us
duane.luckey@puc.state.oh.us
william.wright@puc.state.oh.us

Thomas J. O'Brien
Matthew W. Warnock
Lisa McAlister
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
tobrien@bricker.com
mwamock@bricker.com
lmcalister@bricker.com

Matthew J. Satterwhite
Steven T. Nourse
American Electric Power Service Corporation
1 Riverside Plaza, 29th Floor
Columbus, OH 43215
mjsatterwhite@aep.com
stnourse@aep.com

Christopher J. Allwein
Williams, Allwein and Moser, LLC
1373 Grandview Ave., Suite 212
Columbus, OH 43212
callwein@wamenergylaw.com

M. Howard Petricoff
Lija Kaleps-Clark
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street
Columbus, Ohio 43215
mhpetricoff@vorys.com
lkalepsclark@vorys.com

Cynthia Fonner Brady
David Fein
550 W. Washington Street, Suite 300
Chicago, Il 60661
cynthia.a.fonner@Constellation.com
david.fein@constellation.com

Morgan Parke
FirstEnergy Solutions
76 South Main Street
Akron, Ohio 44308
parkem@firstenergycorp.com

Joseph P. Meissner, Esq.
The Legal Aid Society of Cleveland
1223 W. 6th Street
Cleveland, Ohio 44113
jpmeissner@lasclev.org

Trent A, Dougherty
1207 Grandview Ave. Suite 201
Columbus, Ohio 43115
trent@theoec,org

Robert Kelter
35 East Wacker Drive #1600
Chicago, Illinois 60601
rkelter@elpc.org

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, OH 45839-1793
cmoonev2@columbus.rr.com

Glenn S. Krassen
BRICKER & ECKLER LLP
1375 East Ninth Street
Suite 1500
Cleveland, Ohio 44114
gkrassen@bricker.com

Stephen Bennett
Exelon Generation Company, LLC
300 Exelon Way
Kennett Square, PA 19348
stephen.bennett@exeloncorp.com

Sandy I-ru Grace
Exelon Business Services Company
101 Constitution Avenue N.W.,
Suite 400 East
Washington, DC 20001
sandy.grace@exeloncorp.com

Christopher L, Miller
Gregory H. Dunn
Asim Z. Haque
Ice Miller
250 West Broad Street
Columbus, Ohio 43215
christopher.miller@icemiller.com
gregory.dunn@icemiller.com
asim.haque@icemiller.com

Leslie A. Kovacik
City of Toledo
420 Madison Ave. Suite 100
Toledo, Ohio 43604
leslie.kovacik@toledo.oh.gov

Thomas R. Hays
Lucas County Prosecutors Office
700 Adams St., Suite 251
Toledo, Ohio 43604
trhays@gmail.com

Judi L. Sobecki
Randall V. Griffin
Dayton Power & Light Company
1065 Woodman Drive
Dayton, Ohio 45432
judi.sobecki@DPLINC.com
randall.griffin@DPLINC.com

Mark S. Yurick
Taft Stettinius & Hollister LLP
65 East State Street
Suite 1000
Columbus, Ohio 43215
myurick@taft1aw.com

Michael K. Lavanga
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, N.W.
8th Floor, West Tower
Washington, D.C, 20007
mkl@bbrslaw.com

Amy B. Spiller
Dorothy K. Corbett
Duke Energy Retail Services
139 East Fourth Street
1303-Main
Cincinnati, OH 45202
amy.spiller@duke-energy.com
dorothy.corbett@duke-energy.com

Craig L Smith
15700 Van Aken Blvd., #26
Shaker Heights, Ohio 44120
wttpmlc@aol.com

Jeanne W. Kingery
Duke Energy Commercial Asset Mgmt.
139 East Fourth Street
1303-Main
Cincinnati, OH 45202
jeanne.kingery@duke-energy.com