

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. 14-1297-EL-SSO

DIRECT TESTIMONY OF

BRADLEY A. MILLER

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

AUGUST 4, 2014

1 **INTRODUCTION AND EXPERIENCE**

2 **Q. PLEASE STATE YOUR NAME, POSITION, BUSINESS ADDRESS, AND FOR**
3 **WHOM YOU ARE TESTIFYING.**

4 A. My name is Bradley A. Miller. I am a Vice President at CRA International, Inc. d/b/a
5 Charles River Associates (“CRA”) and head of CRA’s Auctions & Competitive Bidding
6 consulting practice. Founded in 1965, CRA provides economic and financial expertise and
7 management consulting services to businesses, law firms, accounting firms, and
8 governments. My business address is John Hancock Tower, 200 Clarendon Street, Boston,
9 Massachusetts 02116. I am testifying on behalf of Ohio Edison Company, The Cleveland
10 Electric Illuminating Company, and The Toledo Edison Company (collectively “the
11 Companies”).

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
13 **PROFESSIONAL EXPERIENCE.**

14 A. I have been at CRA since receiving a Ph.D. in Economics from the University of California
15 at Berkeley in 1988. Since the mid-1990s, my work has focused on auctions and other
16 bidding mechanisms. For various industries (including electricity), we design and conduct
17 auctions and other bidding mechanisms, we act as independent monitors of bidding
18 mechanisms, and we provide support to bidders. In the course of that work, I have played
19 a leadership role in dozens of consulting engagements involving auctions and other
20 competitive bidding mechanisms in electricity. Among other engagements, I have acted
21 as the Request for Proposal (“RFP”) Manager or Auction Manager, or as the RFP/Auction
22 Monitor, in many U.S. jurisdictions as well as internationally. When not the RFP/Auction
23 Manager or RFP/Auction Monitor, I have advised bidders participating in electricity

1 competitive bidding processes. I have managed more than 200 auctions similar to the
2 competitive bidding processes we have designed and conducted in the electric utility
3 industry. My curriculum vitae is marked as Attachment BAM-1, listing my background
4 and experience in further detail.

5 **Q. HAVE YOU PREVIOUSLY WORKED ON MATTERS ON BEHALF OF THE**
6 **PUBLIC UTILITIES COMMISSION OF OHIO (THE “COMMISSION”)?**

7 A. Yes, I have. CRA was retained by the Commission to monitor the Companies’ 2004 and
8 2005-2006 competitive bidding processes (“CBPs”) to procure generation supply to serve
9 provider of last resort (“POLR”) customers in Ohio. CRA’s role was to compare the
10 auction results to the Companies’ rate stabilization plan and rate certainty plan previously
11 approved by the Commission. I acted as the Auction Monitor in that work, and provided
12 post-CBP assessments to the Commission. I also was retained by the Commission as the
13 Auction Monitor for Dominion East Ohio’s wholesale natural gas procurement auction in
14 2006.

15 **Q. WHAT MATTERS HAVE YOU BEEN INVOLVED WITH ON BEHALF OF THE**
16 **COMPANIES?**

17 A. In 2006, I provided expert testimony on behalf of the Companies in a Federal Energy
18 Regulatory Commission (“FERC”) proceeding concerning a sale of power between the
19 Companies and their affiliate FirstEnergy Solutions Corp. designed to support the rate
20 stabilization plan mentioned above. The purpose of my testimony in that proceeding was
21 to explain CRA’s role as a consultant for the Commission and to compare the price arising
22 from the competitive bidding process to the alternative price embodied in the rate
23 stabilization plan proposed by the Companies.

1 In late 2008, I led the CRA Auction Manager team on behalf of the Companies using an
2 RFP process to procure supply for the provision of Standard Service Offer (“SSO”) electric
3 generation service to the Companies’ retail electric customers who do not purchase electric
4 generation service from a Competitive Retail Electric Service (“CRES”) provider for the
5 delivery period of January 5, 2009 through March 31, 2009 — Case No. 09-21-EL-ATA.

6 On behalf of the Companies, I also led the CRA Auction Manager team in successfully
7 using a descending-price clock auction format in May 2009 to competitively procure SSO
8 supply for the delivery period June 1, 2009 through May 31, 2011 for the Companies’ first
9 electric security plan (“ESP I”) – Case No. 08-935-EL-SSO.

10 I also led the CRA Auction Manager team for the Companies’ ESP II, successfully using
11 a descending-price clock auction format over four auctions (October 2010, January 2011,
12 October 2011, January 2012) to competitively procure SSO supply for the delivery period
13 June 1, 2011 through May 31, 2014 – Case No. 10-388-EL-SSO.

14 Currently, I lead the CRA Auction Manager team for the Companies’ ESP III, in which
15 we are using a descending-price clock auction format for six auctions (October 2012,
16 January 2013, October 2013, January 2014, October 2014, January 2015) to
17 competitively procure SSO supply for the delivery period June 1, 2013 through May 31,
18 2016 – Case No. 12-1230-EL-SSO.

19 **Q. HAVE YOU WORKED ON OTHER MATTERS BEFORE THE COMMISSION?**

20 A. Yes, I have assisted CRA’s Auction Manager team in support of CBP procurements
21 pursuant to Commission-approved ESPs for Duke Energy Ohio (“DEO”) and Dayton
22 Power and Light Company (“DP&L”).

1 **Q. AS PART OF THE AUCTION MANAGER TEAM FOR COMPETITIVE BIDDING**
2 **PROCESSES, HAVE YOU HAD OCCASION TO INTERACT WITH THE PUBLIC**
3 **UTILITIES COMMISSION OF OHIO?**

4 A. Yes, as stated previously, I have worked with the Commission in monitoring,
5 administering, and conducting competitive bidding processes for the Companies,
6 Dominion East Ohio, DEO, and DP&L. This interaction has included, but has not been
7 limited to, elements of the design of the CBP plan, product definition, bidding format, and
8 indications of interest from prospective bidders.

9 **Q. DURING THESE INTERACTIONS WITH THE COMMISSION, DID THE**
10 **COMMISSION EVER EXPRESS CONCERN AS TO CRA'S INDEPENDENT**
11 **ROLE IN THE COMPETITIVE BIDDING PROCESSES?**

12 A. No. CRA has managed several SSO CBPs for electric distribution utilities ("EDUs") in
13 Ohio. In all cases, the results have been accepted by the Commission based on
14 recommendations of both CRA acting as the independent Auction Manager and the
15 Commission's consultant. The Commission has found CRA to be an active, fair, and
16 impartial participant in these processes. The Commission, either directly or through its
17 consultant, has had ready insight into the auction process and I am confident that CRA
18 would not have served, and would not continue to serve, in its capacity as an Auction
19 Manager if there were any question about its unbiased and independent role.

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

21 A. Similar to our engagements for the Companies starting in 2008, CRA has been retained by
22 the Companies to serve as the independent Auction Manager to design and implement a
23 competitive bidding process to procure SSO supply for the delivery period beginning

June 1, 2016. My testimony describes how the proposed CBP solicitations will work, what alternative CBP designs were considered, and how the proposed CBP supports the establishment of the Companies' fourth electric security plan entitled Powering Ohio's Progress (also referred to as "ESP IV") under Section 4928.143 of the Ohio Revised Code.

Q. WHAT ARE THE ATTACHMENTS AND SCHEDULES FOR WHICH YOU ARE RESPONSIBLE?

A. I am sponsoring all or part of the following items:

- Attachment BAM-1 – Curriculum vitae;
- Attachment BAM-2 – Part 1 Application document;
- Attachment BAM-3 – Part 2 Application document;
- Attachment BAM-4 – Bidding Rules;
- Attachment BAM-5 – Communications Protocols;
- Attachment BAM-6 – Pre-Bid Letter of Credit; and
- Attachment BAM-7 – Glossary.

DESCRIPTION OF THE CBP SOLICITATIONS

Q. WHAT CRITERIA INFLUENCED THE DEVELOPMENT OF THE CBP PLAN UNDER THE COMPANIES' PROPOSED ESP IV?

A. The CBP plan presented here is supported and guided by the relevant statutory and Commission rule requirements applicable to a CBP plan under Ohio Revised Code Section 4928.143. The CBP plan proposed in these proceedings is nearly identical in structure to the CBP plan approved by the Commission as part of the Companies' current ESP III.

1 **Q. PLEASE DESCRIBE THE PROPOSED CBP PLAN.**

2 A. The CBP plan is designed to promote open, fair, and transparent competitive solicitations
3 with clear product definitions, standardized bid evaluation criteria, oversight by an
4 independent third party, and the evaluation of the submitted bids prior to the selection of
5 the least-cost bid winners.

6 As stated in the Communications Protocols, there are at least four objectives in
7 implementing a CBP. These are:

- 8 • To establish a fair and equitable process for all Bidders by ensuring all
9 Bidders have equal access to the same information necessary to evaluate the
10 bidding opportunity and to prepare their bids in a timely manner;
- 11 • To take all reasonable precautions that any information generated by the
12 auction process that could harm the competitive position of Bidders or the
13 Companies, if released, is kept confidential;
- 14 • To take all reasonable precautions that confidential information is provided
15 only to those persons to whom it is deemed necessary for the conduct and
16 management of the auction process; and
- 17 • To ensure that information that, if released, could harm the competitiveness
18 of future competitive bidding processes is kept confidential from all entities
19 including Bidders.

20 The major elements of the CBP plan include the following:

- 21 • Developing products and contract terms, as formalized in the Master SSO
22 Supply Agreement (“MSA”) that encourage participation in the CBP;¹

¹ The MSA is presented and discussed in the testimony of Company witness Stein.

- Maintaining an Information Website that facilitates interest and participation by providing documents, announcements, a timeline (including deadlines for the CBP), load data, frequently asked questions (“FAQs”), and other information;
- Conducting bidder information sessions, educating bidders through informational materials, and training bidders through mock auctions, all to promote and encourage participation;
- Developing communications protocols to ensure parties have equal access to information;
- Administering the two-part bidder application process, including establishing financial and non-financial requirements to encourage participation by serious parties;
- Developing the auction design and bidding procedures to attract bidders and to promote competitive bidding;
- Customizing and testing the bidding platform (“Bidding Website”) and help desk facility;
- Providing starting prices for the CBP that are intended to attract bidder participation;
- Conducting each solicitation in accordance with the bidding rules and in a manner that promotes participation and allows for verification of procedures and results; and
- Submitting a post-auction report to the Commission that the Commission may rely on to select the least-cost bids and bidders in the CBP.

1 **Q. WHAT IS THE PRODUCT THAT WILL BE PROCURED IN THE WHOLESALE**
2 **ENERGY CBP AUCTIONS UNDER ESP IV?**

3 A. The product in the Companies' CBP auctions is an hourly, load-following full requirements
4 tranche of the Companies' entire SSO load. For purposes of this description, a tranche is
5 defined as one (1) percent, or a slice, of the Companies' total SSO load obligation for
6 energy, capacity, ancillary services, and certain other transmission services. The
7 Companies will include different products of varying contract durations necessary to meet
8 their entire SSO load via a competitive process. In an effort to better achieve fairly
9 consistent, price-smoothing benefits for customers, the Companies are planning to procure
10 a mix of varying term contracts, where possible, for the ESP IV period. Regardless of the
11 term length to which a supplier commits, each successful supplier will provide full
12 requirements SSO supply, including energy, capacity, ancillary services, and other services
13 as defined in the MSA.

14 **Q. HOW WILL THE PRODUCT DEFINITIONS AND CONTRACT TERMS**
15 **ENCOURAGE PARTICIPATION?**

16 A. The products and contract terms are familiar to market participants and prospective bidders.
17 They are standardized and yet provide flexibility through multiple solicitations and
18 staggered contract delivery periods that allow participants to bid their preferred supply
19 profile over time. The definition of the tranche size — where each tranche is a specified,
20 fixed percentage of SSO load — also encourages participation from a range of potential
21 bidders. Additionally, the contract term for MSA will be aligned with the PJM calendar
22 for the purpose of providing potential suppliers with better information as to the potential
23 cost of satisfying their SSO obligations.

1 **Q. HOW WILL PROSPECTIVE BIDDERS AND OTHER PARTICIPANTS BE KEPT**
2 **INFORMED DURING THE CBP?**

3 A. Documents, announcements, a timeline, load data, FAQs, and other information will be
4 readily available via the Information Website which will be hosted and updated regularly
5 by the Auction Manager. Interested parties can register at the Information Website to
6 receive, via email, updates and announcements about the CBP. Parties can submit
7 questions and comments to the Auction Manager directly via a link on the Information
8 Website or via email. Responses will be posted to the FAQ section of the Information
9 Website, and registered parties will receive email notifications of new information posted
10 to the Information Website. In addition to the Information Website, bidder information
11 sessions will be conducted with presentations about the CBP, with time allowed for
12 attendees to ask questions. In recent years, the bidder information sessions have been
13 conducted via Web conference to accommodate prospective bidders that may not be able
14 to attend such sessions in person. Web conferences provide the additional benefits that
15 participation is anonymous and low cost, and requires a limited time commitment from
16 interested parties. Although CRA would be willing to conduct open sessions to the extent
17 that the Commission or Commission Staff feel such sessions would be useful, it is my
18 recommendation that the Web-based format be retained for the proposed solicitations.
19 Bidders also will be encouraged to participate in mock auctions to familiarize themselves
20 with the bidding platform and procedures.

1 **Q. WHAT PRECAUTIONS AND PROCEDURES WILL BE TAKEN TO ENSURE**
2 **APPROPRIATE COMMUNICATIONS AND INFORMATION EXCHANGE?**

3 A. The Communications Protocols establish the general substance and form of
4 communications allowed among various parties including the Auction Manager, the
5 Companies, the Commission, any advisor the Commission may have retained, and
6 prospective bidders. The Communications Protocols are found in Attachment BAM--5.
7 The protocols are intended to protect confidential information and to establish a fair and
8 equitable process without providing an advantage or disadvantage to prospective bidders.
9 This is done by ensuring all bidders have equal access to the same information necessary
10 to evaluate the bidding opportunity and to prepare their bids in a timely manner.
11 The Auction Manager will provide the communications channel for interested parties. This
12 includes handling questions from parties about the CBP, providing information via the
13 Information Website, broadcasting email notifications to registered parties (using the BCC
14 email field), conducting bidder information sessions, managing the auctions,
15 communicating results, and submitting a post-auction report. Through this process, the
16 Auction Manager will distribute and disseminate information equally and fairly to all
17 prospective and actual bidders. All of this will facilitate equal access to the same
18 information at the same time for all bidders
19 Certain individuals from the Companies will be part of the information exchange. But this
20 will be limited and will only support the competitiveness and success of the CBP. The
21 roles of such persons primarily will be for: (1) development of data posted to the
22 Information Website; (2) assistance in responding to FAQs (they will not know the identity
23 of questioners); (3) assistance in reviewing certain information in the Part 1 Applications

(to determine creditworthiness and pre-bid security requirements); (4) confirming the pre-bid security posted as part of the Part 2 Applications; and (5) administering the MSA.

Q. PLEASE PROVIDE AN OVERVIEW OF THE BIDDER APPLICATION AND QUALIFICATION PROCESS.

A. To participate in the CBP, prospective bidders will need to satisfy financial and non-financial requirements through a two-part application process. Through the two-part application process, prospective bidders demonstrate their ability and commitment to meet the requirements for participation in the CBP and for acting as an SSO Supplier as set forth in the Master SSO Supply Agreement. The Part 1 Application and Part 2 Application forms are found in Attachment BAM-2 and Attachment BAM-3. As much as possible, the Part 1 and Part 2 Application process will be conducted electronically via CRA's on-line portal for the Part 1 Application and Part 2 Application process. This secure process is designed to make it easier and less time consuming for applicants to submit applications. The process further provides for: (1) the review and assessment of the applications; (2) feedback to applicants; (3) the ability for applicants to check on the status of their applications; (4) the opportunity for applicants to cure any deficiencies; and (5) the ability for applicants to submit electronic PDF versions of the supporting financial documents.

Q. PLEASE DESCRIBE THE PART 1 APPLICATION PROCESS.

A. In its Part 1 Application, a prospective bidder must satisfy the following requirements:

- Submit a completed application;
- Provide contact information for the applicant and for designated representatives of the applicant;

- Agree to comply with the provisions of the MSA and all the rules of the CBP including the Communications Protocols;
- Demonstrate PJM participant status, or certify that there are no impediments to establishing that status prior to the start of the relevant SSO supply period;
- Provide financial and credit information to be used in determining creditworthiness and credit requirements; and
- Make certifications regarding confidentiality and other matters.

Part 1 Applications are to be submitted to the Auction Manager by the Part 1 Application due date. The Auction Manager team will process and evaluate all Part 1 Applications to determine whether each applicant has satisfied the requirements of Part 1. Financial and credit information will be submitted, on a redacted basis when appropriate, to credit representatives of the Companies in order to conduct a creditworthiness assessment. If an applicant's Part 1 Application is incomplete or requires clarification, the Auction Manager will send a deficiency notice to the applicant, and the applicant will have until the end of the next business day or until the Part 1 Application due date – whichever is later – to respond.

Following the evaluation of Part 1 Applications, the Auction Manager will notify each Part 1 applicant whether they have successfully completed the Part 1 Application process to become a Qualified Bidder. The Auction Manager will send a Notification of Qualification to each Qualified Bidder that will include details about the pre-bid security the Qualified Bidder will be required to post as part of its Part 2 Application. The Auction Manager will send a list of the Qualified Bidders to each Qualified Bidder as well as to

1 other parties as necessary to oversee the proper conduct of the CBP including
2 representatives from the Companies, Commission Staff, and any advisor that Commission
3 Staff may have retained for this purpose. All parties, including Qualified Bidders, will
4 have undertaken to maintain the confidentiality of the list of Qualified Bidders, as further
5 explained in the Communications Protocols.

6 **Q. PLEASE DESCRIBE THE PART 2 APPLICATION PROCESS.**

7 A. To continue participation in the CBP, Qualified Bidders must submit a Part 2 Application.
8 In the Part 2 Application, the Qualified Bidder must make a number of certifications
9 regarding its associations with other Qualified Bidders. This ensures that each Qualified
10 Bidder participates independently of other Qualified Bidders. It also ensures the
11 confidentiality of information regarding the CBP. Also in the Part 2 Application, each
12 Qualified Bidder must submit an indicative offer that specifies the number of tranches that
13 it would be willing to serve at the minimum starting price and at the maximum starting
14 price for each product in the CBP auction.

15 Part 2 applicants also must post pre-bid security in the form of a pre-bid letter of credit or
16 cash (electronic wire transfer) sufficient to support their indicative offers. The pre-bid
17 letter of credit submitted to support the indicative offer must be in a form acceptable to the
18 Companies. A sample pre-bid letter of credit (Attachment BAM-6) will be posted to the
19 Information Website.

20 Part 2 Applications are to be submitted to the Auction Manager by the Part 2 Application
21 due date. The Auction Manager team will process and evaluate all Part 2 Applications to
22 determine whether each applicant has satisfied the requirements of the Part 2 Application.
23 A Part 2 Application will be acceptable if it satisfies the following:

- It is complete;
- It includes an indicative offer in the appropriate form;
- It meets the requirements provided to the Part 2 applicant resulting from the Part 1 Application process; and
- It includes the pre-bid security in a form acceptable to the Companies that is sufficient to cover the indicative offer submitted by the Part 2 applicant at the maximum starting prices.

If an applicant's Part 2 Application is incomplete or requires clarification, the Auction Manager will send a deficiency notice to the applicant, and the applicant will have until the end of the next business day or until the Part 2 Application due date — whichever is later — to respond.

Following the evaluation of Part 2 Applications, the Auction Manager will notify each Part 2 applicant whether it has successfully completed the Part 2 Application process to become a Registered Bidder. The Registered Bidder's pre-bid security establishes the Registered Bidder's initial eligibility, i.e., the maximum number of tranches the bidder will be allowed to bid in the auction. The Auction Manager will send a Notification of Registration to each Registered Bidder that will include the Registered Bidder's initial eligibility. The Auction Manager will send to each Registered Bidder, as well as to other parties as necessary to oversee the proper conduct of the CBP, a list of the Registered Bidders and the total initial eligibility across all Registered Bidders. All parties, including Registered Bidders, will have undertaken to maintain the confidentiality of this information provided to them.

1 **Q. WHAT PROCEDURES WILL BE FOLLOWED IF THERE ARE APPARENT**
2 **AFFILIATE RELATIONSHIPS OR OTHER ASSOCIATIONS AMONG**
3 **APPLICANTS?**

4 A. As outlined in the Bidding Rules (Attachment BAM-4), the competitiveness of an auction
5 may be compromised by coordinated or collusive behavior that bidding associations may
6 facilitate. CRA, the Companies, Commission Staff, and the Commission's consultant
7 previously worked together to develop a set of rules and protocols to address situations in
8 which bidders may be associated. These rules and protocols are included in the Bidding
9 Rules. Restrictions on participation may include, but may not be limited to, the following:

- 10 • Indicative offers may be restricted such that any applicable load cap or
11 credit based tranche cap may apply across the associated bidders (initial
12 eligibility is not allowed to exceed either cap);
- 13 • Pre-bid security or collateral requirements may be altered for the associated
14 bidders to ensure that associated bidders do not gain a competitive
15 advantage over other bidders; and
- 16 • In some cases, one or more associated bidders may not be allowed to
17 participate in the CBP auction.

18 **Q. WHAT BIDDING DESIGN WILL BE USED?**

19 A. A version of the simultaneous, multiple-round, descending-price clock auction format will
20 be used. A version of this format has been used in numerous electricity procurements
21 starting in Massachusetts in 1997 and then later in New Jersey, Ohio, Pennsylvania, Illinois,
22 and elsewhere. It has been used successfully to competitively procure the Companies' SSO
23 supply for their prior electric security plans (ESP I, ESP II, and ESP III). It also has been

1 used by other EDUs in Ohio to procure SSO supply. This bidding design also has been used
2 for buying and selling other energy products and has been used in other industries.

3 The bidding format is simultaneous; multiple products and/or multiple tranches are bid on
4 simultaneously. Bidding takes place online using Web-based software in a series of
5 bidding rounds, with pre-specified starting and ending times for each round. Prior to the
6 start of each round, the announced price for each product is disclosed to bidders. The
7 announced price is the same for each tranche for a product, but may differ across products.
8 The starting announced price for each product — i.e., the announced price in effect during
9 round 1 — is set so as to encourage bidding participation. At the end of each round, the
10 bidding software (with oversight by the Auction Manager team) determines which products
11 are over-subscribed and which products are under-subscribed. A product is over-
12 subscribed if more supply tranches were bid on it across all bidders than the number of
13 tranches needed of that product. Likewise, a product is under-subscribed if fewer tranches
14 were bid on it than needed. If a product is over-subscribed, the announced price for that
15 product will be reduced by a decrement for the next round. If a product is not over-
16 subscribed, its announced price will not change for the next round. The bidding process
17 continues in this manner, with prices tending to tick down like hands on a clock. As prices
18 change across the products, bidders are allowed to change the number of tranches they bid,
19 subject to certain restrictions. Subject to these restrictions, in each round, a bidder simply
20 specifies the number of tranches that it is willing and able to supply for each product given
21 the announced price for each product. There is no pre-determined number of rounds before
22 the auction closes. The auction closes after the first round in which no product is over-
23 subscribed and there is no excess supply. Winning bidders are those bidders who bid the

tranches that are winning tranches as of the close of the auction. The Bidding Rules provide a more detailed description of the bidding process.

Q. PLEASE DESCRIBE THE PROCESS FOLLOWING THE CLOSE OF THE AUCTION.

A. At the close of the auction, the Auction Manager will provide a report to the Commission, the Companies, and the Commission's consultant. The post-auction report will summarize the bidding process and results, and will provide a list of the least-cost bidders and the number of the least-cost tranches for each product for each such bidder. The Companies propose that the bids of the least-cost bidders be reviewed by the Commission within forty-eight (48) hours of the conclusion of the auction, with winning bids serving to determine the retail rates for SSO supply for the relevant period(s) of ESP IV.

After the last round of the auction, bidders that remained active in the auction will see preliminary auction results through the Bidding Website. These bidders will see the closing prices for the products and the number of tranches the bidder tentatively has won for each product. The Auction Manager also will provide to the Companies the identities of the winning bidders, the number of tranches each winning bidder has won for each product, and the product-specific closing prices. These preliminary results remain subject to the Commission's review.

Once the Commission selects the winning bidders, each winning bidder and the Companies will execute an MSA. Pre-bid security will be returned to winning bidders upon execution of the MSAs. Pre-bid security will be returned to non-winning bidders on or before the fifth calendar day after the close of the auction. Pre-bid security may be held back for any bidder that violated any of the rules or certifications of the CBP.

1 At its discretion, the Commission may release certain non-confidential information about
2 the CBP results including winning bidders, winning tranches, and closing prices.

3 **Q. HOW IS THE CBP DESIGNED TO ENCOURAGE PARTICIPATION IN EACH**
4 **WHOLESALE ENERGY AUCTION AND TO ENSURE THAT NO ONE BIDDER**
5 **IS ADVANTAGED?**

6 A. Any bidder that can acquire the necessary SSO requirements for delivery to the Companies'
7 service territory can participate in the CBP. Physical generation assets are not required to
8 participate in the CBP or to bid on and win tranches. Nothing in the CBP requires bidders
9 to own generation and nothing in the CBP provides preferential treatment to those that do
10 own generation. The descending-price clock auction format is nondiscriminatory because
11 anyone can participate as long as they satisfy the criteria used in the application process.
12 Moreover, the CBP is a structured process that levels the playing field for participants and
13 makes information available to ensure that no bidders are advantaged. All bidders are
14 bidding on standardized supply contracts and are subject to identical financial and credit
15 requirements and criteria. All bidders have equal access to information before bidding and
16 during the auction itself. Prior to the auction, the process to educate and train bidders on
17 the details of the CBP and the products is the same for all bidders. During the auction, all
18 bidders receive the same information about the status of the auction.

19 **Q. ARE THERE SPECIFIC DESIGN CONSIDERATIONS CHOSEN TO PROMOTE**
20 **COMPETITION IN THE AUCTION?**

21 A. There are several rules in place designed to promote competitive bidding. These include
22 the following:

- All bidders are subject to identical credit qualification procedures and criteria. Each bidder's credit-based tranche cap is a function of clearly defined, objective criteria. The criteria prevent any potential subjectivity or favoritism in the process;
- All bidders are bidding on standardized supply contracts. Contracts are not tailored to accommodate the needs or demands of any individual bidder;
- The bidder education and training process is designed to provide all bidders with equal access to information. The process includes bidder information sessions to educate all bidders on the CBP, the auction rules, and the products being offered. The FAQ process is designed to provide all bidders equal access to information related to the CBP;
- During the auction, all bidders receive the same information about the status of the auction, including prices and the supply and demand conditions; and
- The closing criteria of the auction are applied equally to all bidders. Bids are evaluated and winning bidders are determined based on price alone. Any bidder demonstrating it is willing and able to supply at the announced price remains active in the auction. Any bidder active on a product when the auction closes is guaranteed to win the rights to supply SSO load (subject to Commission review). Winning bidders win because non-winning bidders are not willing and able to supply tranches at prices as low as the prices at which winning bidders are willing and able to supply tranches. Any bidder willing and able to supply tranches at the lowest possible closing price will become a winning bidder.

1 **Q. DID YOU CONSIDER ALTERNATIVES TO THE PROPOSED CBP?**

2 A. Yes. In addition to a descending-price clock auction format, we considered a request for
3 proposal (“RFP”) process such as a one-shot sealed-bid format. Both formats —
4 descending-price clock auction and RFP — have been used for a number of years to
5 procure electricity and for other competitive bids in electricity and in other industries. A
6 one-shot sealed-bid format may be appropriate in some instances and offers the advantage
7 of a seemingly simple bidding process in some situations. One of the advantages of a
8 descending-price clock auction format is that it provides an effective price discovery
9 process. Only with an effective price discovery process, in which bidders submit and re-
10 submit bids as announced auction prices fall reflecting the level of bidding competition,
11 will bidders’ bids reflect their best bids in competition with other bidders. Also, bidders
12 are familiar with the clock auction format and its application has a proven record of success
13 in Ohio and elsewhere. For the types of products being procured here, there is little if any
14 advantage of a one-shot sealed-bid format by itself, while a descending-price clock auction
15 format offers several advantages. For ESP IV, we propose the same auction format as used
16 in Companies’ prior ESPs (ESP I, ESP II, and ESP III) and as used by DEO and DP&L for
17 their ESPs, i.e.: (a) for procurements with multiple products, we have selected a
18 descending-price clock format; (b) for single product procurements, we have selected a
19 descending-price clock format with a possible sealed-bid round. The advantages are
20 summarized below.

21 First, with multiple products, it is more difficult in a one-shot sealed-bid format for bidders
22 to specify their bids. The number of tranches they would be willing and able to supply
23 depends on price levels and relative prices for the different products. In principle, they

1 could submit contingent bids, specifying how many tranches for each product they would
2 supply for different combinations of prices, but specifying all the possible combinations of
3 prices would be challenging.

4 Second, there is a common value element to the CBP products. This means there is some
5 uncertainty in valuing the tranches and the uncertainty is correlated across bidders (for
6 example, forecasts of market prices in the future). This can give rise to the “winner’s
7 curse” problem in which the winning bidder wins because it has the lowest estimate of the
8 cost of supplying the tranches — thus, a bidder faces the risk that its bid is an outlier
9 compared to the bids of other market participants and wins at a price that is below
10 competitive market levels. Unless the winner’s curse risk is addressed through the
11 appropriate auction design, bidders will compensate for the risk by bidding conservatively,
12 leading to potentially higher closing prices for the procurement. In a one-shot sealed-bid
13 format, the winner’s curse can be addressed somewhat by using uniform pricing (all
14 winning bidders for a product get paid the same price for the product) rather than first-price
15 discriminatory bidding (each winning bidder gets paid the price it bid). However, the one-
16 shot sealed-bid format lacks an effective price discovery mechanism that also would
17 mitigate the winner’s curse. An effective price discovery mechanism benefits bidders who
18 gain confidence from price signals that reflect other bidders’ bids in the aggregate, thereby
19 encouraging bidders to bid more aggressively.

20 Third, with multiple products, the more the products are related in value (for example, they
21 are substitutes and/or complements), the more important it is that meaningful price signals
22 be provided so that bidders gain information about the value of the tranches. This reduces
23 risks for bidders and encourages them to bid lower prices. A one-shot sealed-bid auction

1 does not provide these price signals, thereby increasing risks faced by bidders and
2 discouraging them from bidding lower prices. In contrast to the one-shot sealed-bid format,
3 the descending-price clock format allows bidders to revise their bids in response to prices
4 that reflect aggregate bidder interest in the products. Because the auction proceeds in a
5 series of rounds with announced prices reflecting competitive bids, bidders do not need to
6 be concerned with specifying combinations of hypothetical prices. There is an effective
7 price discovery mechanism: prices decline in response to supply being bid, and bidders
8 can adjust their bids accordingly. The descending-price clock format provides the price
9 transparency that facilitates effective and efficient bidding among all bidders. The price
10 signals provided through the process enable bidders to bid confidently and aggressively
11 (i.e., at lower prices) without risking “under-bidding the market.” The descending-price
12 clock format also imposes uniform pricing which also reduces bidders’ risks. The bidding
13 mechanics for the descending-price clock format are straightforward. Even bidders
14 participating in this bidding format for the first time find the logic, interface, and
15 experience intuitive and efficient.

16 Fourth, in a simultaneous, multiple-round, descending-price clock procurement, bidders
17 can switch from one of the EDU’s products to another product in response to price
18 differences that they believe are not reflective of underlying supply cost differences. This
19 behavior leads to a potentially more efficient outcome and contributes to pricing that is
20 more consistent among the products. Similar products will have similar prices through this
21 process. This further simplifies administration and regulatory oversight.

22 Finally, the descending-price clock format has been used successfully for several CBPs in
23 Ohio, and is familiar to the Commission and the Companies. The format has performed

1 well and resulted in strong participation from suppliers reflecting the competitive nature of
2 the process. It is a format that participants are used to and are comfortable with.

3 **Q. WHAT OBSTACLES MIGHT CREATE DIFFICULTIES OR BARRIERS FOR**
4 **THE ADOPTION OF THE PROPOSED CBP?**

5 A. There should be no barriers or difficulties for bidders with respect to the proposed CBP.
6 As with any competitive procurement, a critical success factor is whether the products are
7 attractive to bidders and whether bidders have been provided sufficient time and
8 information to evaluate the opportunity to participate. As part of that, any uncertainties in
9 the process that bidders face should be addressed to the extent possible. The CBP products
10 are clearly defined and are designed to be attractive to prospective bidders. The proposed
11 CBP plan is designed to provide sufficient time and readily available information for
12 prospective bidders to participate confidently in the CBP.

13 **Q. WILL THERE BE LOAD CAPS FOR THE AUCTIONS?**

14 A. Yes. Although load caps may place upward pressure on the auction closing prices, supplier
15 diversity provides some risk mitigation benefits to the Companies and customers. As a
16 result, the Companies are proposing to adopt a load cap for the CBP auctions. The
17 proposed load cap will be 80 percent on an aggregated load basis across all auction products
18 for each auction date such that no bidder may bid on and win more tranches than the load
19 cap. The load cap will be implemented by ensuring that each bidder's initial eligibility
20 does not exceed the load cap in an auction. This is identical to the load cap in the
21 Companies' ESP III.

1 **Q. WHAT IS THE CONTINGENCY PLAN IF NOT ENOUGH TRANCHES ARE**
2 **SECURED THROUGH A CBP AUCTION?**

3 A. The contingency plan comprises a three-step process if fewer tranches than a product's
4 tranche target are procured in the auction. First, if the next scheduled CBP auction takes
5 place no later than 30 calendar days prior to the start of the delivery period for the unfilled
6 tranches, the unfilled tranches will be made available in that auction. Second, if there is
7 no such auction, or if there is such an auction but some of the unfilled tranches remain
8 unfilled after such an auction, then the remaining unfilled tranches will be procured by
9 offering them to current SSO Suppliers. Current SSO Suppliers will be assigned a random
10 number and each unfilled tranche will be offered to current SSO Suppliers in ascending
11 order of random number, subject to any credit-based tranche limits and any applicable load
12 caps for such suppliers. The tranches will be offered to current SSO Suppliers at the
13 clearing price, starting price, or reservation price, whichever is lowest, from the auction in
14 which the tranches were not procured. Finally, if, after the attempts above to procure
15 unfilled tranches there remain unfilled tranches, the necessary SSO supply requirements
16 associated with those unfilled tranches will be met through PJM-administered markets at
17 prevailing day-ahead zonal spot prices, and, unless instructed otherwise by the
18 Commission, the Companies will not enter into hedging transactions to attempt to mitigate
19 the associated price or volume risks to serve these tranches.

20 **Q. WHAT IS THE CONTINGENCY PLAN IF ONE OR MORE OF THE SSO**
21 **SUPPLIERS DEFAULT PRIOR TO OR DURING THE DELIVERY PERIOD?**

22 A. If a winning bidder defaults prior to or during the delivery of SSO load requirements, the
23 Companies' contingency plan to procure the open tranches will be to follow the same steps

1 as outlined above for unfilled tranches from a CBP auction. Additional costs incurred by
2 the Companies in implementing the contingency plan will be assessed first against the
3 defaulting supplier's credit security, to the extent of such security.

4 **Q. WERE ALL THE AUCTIONS CONDUCTED UNDER THE COMPANIES'**
5 **PREVIOUS ESPS COMPETITIVE?**

6 A. Yes. Participation in each of the CBP auctions conducted to date as part of the Companies'
7 ESP I, ESP II, and ESP III has been broad and competitive. And the results of every auction
8 in the ESPs above have been accepted by the Commission.

9 **CONCLUSION**

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes. I reserve the right to supplement my testimony.

Bradley A. Miller
Vice PresidentPhD, Economics
University of California at BerkeleyMS, Public Policy Analysis
University of RochesterBS, Physics and Computer Science
Purdue University

Dr. Miller is head of CRA's Auctions & Competitive Bidding Practice and has worked on various auction, competitive bidding, market design, electronic trading, energy, spectrum, international trade, antitrust, securities, environmental, and transfer pricing projects. He specializes in applied game theory, microeconomics, industrial organization, network industries, marketplace structure, public policy, and market restructuring. Dr. Miller has extensive experience in the design, implementation, administration, and monitoring of auctions, other competitive bids, transactions, and marketplaces, as well as extensive experience in bidding strategies and other support for bidders and market participants. He has been instrumental in successful projects in electricity, oil and gas, telecommunications, agricultural and food commodities, aerospace & defense, health care, transportation, intellectual property assets, and other industries in several countries, including the United States, Australia, Austria, Brazil, Canada, Germany, Mexico, New Zealand, Nigeria, The Netherlands, Sweden, Switzerland, and the United Kingdom. His project work includes the following examples.

Auctions, competitive bidding, and market mechanisms

Advising and assisting government agencies, industry clients, and participants in auctions, competitive bidding, market mechanisms, transactions, and electronic trading in various industries. This includes developing auction and market designs and rules, implementing the designs and rules, conducting oversight and monitoring, and advising bidders and market participants.

Electricity

- For FirstEnergy's Pennsylvania electric utilities, designing and conducting auctions to procure full requirements generation service for customers participating in their Default Service Program.
- For FirstEnergy Solutions, designing and conducting auctions to sell SO₂ and NO_x emission allowances arising from the EPA's Cross-State Air Pollution Rule (CSAPR).
- For Duke Energy Ohio, designing and conducting a competitive bidding process using a series of auctions to procure wholesale generation and capacity for retail Standard Service Offer (SSO) for its customers beginning January 2012.
- For FirstEnergy Ohio Utilities (FEOU), designing and conducting a competitive bidding process using a series of auctions to procure wholesale generation and capacity for retail Standard Service Offer (SSO) load to be delivered June 2013 through May 2016 to customers of FEOU. This was for FEOU's Electric Security Plan ESP-III.

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- For FirstEnergy Ohio Utilities (FEOU), designing and conducting a competitive bidding process using a series of auctions to procure wholesale generation and capacity for retail Standard Service Offer (SSO) load to be delivered June 2011 through May 2014 to customers of FEOU. This was for FEOU's Electric Security Plan ESP-II.
 - For FirstEnergy Ohio Utilities (FEOU), designing and conducting a competitive bidding process using an auction format to procure wholesale generation and capacity for retail Standard Service Offer (SSO) load to be delivered June 2009 through May 2011 to customers of FEOU. This was for FEOU's Electric Security Plan ESP-I.
 - For FirstEnergy Ohio Utilities (FEOU), designing and conducting a competitive bidding process using an RFP format to procure wholesale generation and capacity for retail Standard Service Offer (SSO) load to be delivered January through March 2009 to customers of FEOU. Testimony filed before the Public Utilities Commission of Ohio (PUCO).
 - For a US electricity transmission company, designing and conducting an "open season" auction of transmission service rights.
 - For German utility RWE, designing and conducting quarterly auctions of electricity capacity and energy.
 - For GE Energy Financial Services, designing and implementing an "open season" auction of transmission scheduling rights (TSRs).
 - For a large Iberian utility, advising on virtual power plant (VPP) auctions and electricity supply procurement auctions.
 - For a large industrial European company, designing and conducting an electricity supply procurement auction.
 - On behalf of the FirstEnergy Ohio Operating Companies and the Public Utilities Commission of Ohio (PUCO), participating and providing testimony in a Federal Energy Regulatory Commission (FERC) proceeding related to FirstEnergy's Competitive Bid Process.
 - For German utility RWE, designing and conducting a virtual power plant (VPP) auction.
 - Advising a bidder preparing for the Illinois electricity procurement auctions.
 - For Associação Brasileira dos Produtores Independentes de Energia Elétrica (APINE, association of independent power producers in Brazil), analyzing "old energy" electricity auctions conducted by Brazil's Ministry of Mines and Energy (MME), including evaluating the auction design and rules used as well as the results of the auctions, and providing recommendations for improvements for future auctions.
 - Consulting to the Public Utilities Commission of Ohio (PUCO), including providing advice on product design and auction design proposals for FirstEnergy's Competitive Bid Processes (CBP) for Standard Service Offer as well as monitoring the CBP auction processes.
 - Advising The World Bank and Brazil's Ministry of Mines and Energy on electricity procurement auctions.

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- At the request of Exelon/ComEd and the Illinois Commerce Commission (ICC), educating Exelon/ComEd, ICC Commissioners and Staff, and stakeholders in Illinois on the planning and conduct of electricity procurement auctions, including the role of Auction Managers and Auction Monitors.
 - Advising Dutch electric utility Nuon on product design and auction design and implementation for a virtual power plant (VPP) capacity auction.
 - Assisting the Connecticut Department of Public Utility Control on multiple RFPs by the state electric distribution companies to procure electricity supply to meet Transitional Standard Offer Service load requirements.
 - Advising the New Jersey Board of Public Utilities regarding multiple auction processes and RFPs to procure electricity to meet Basic Generation Service load requirements.
 - Advising the Electricity Reform Implementation Unit, Western Australia's Office of Energy, on energy and capacity auctions and auctioning trading rights.
 - Advising and providing analysis to an investment banking firm on electricity markets, including the effects of auctions and other restructuring efforts on market structure, market performance, prices, and other economic indicators.
 - Assisting Arizona Public Service on competitive bidding processes for Standard Offer Service. This includes Standard Offer Service product definition as well as designing and implementing RFP and descending clock auction procurement processes.
 - Consulting to the Tennessee Valley Authority (TVA) on the design and implementation of alternative financing options for the restart of Browns Ferry Nuclear Unit 1.
 - Advising a large marketer and trader in California's electricity markets.
 - Advising a bidder in Alberta's auction of electricity contracts.
 - Consulting to the Alberta Department of Resource Development on designing and implementing the auction of Power Purchase Arrangements (PPAs).
 - Advising the Power Pool of Alberta on creating and auctioning financial instruments based on PPAs related to hydroelectric generating facilities.
 - Advising the Power Pool of Alberta on rules for bidding potentially unsold PPAs into the energy and ancillary services markets.
 - Advising the Oregon Public Utility Commission and supporting testifying witnesses on electric utility asset divestiture auction designs and on market power.
 - Advising the Independent System Operator of New England (ISO-NE) on market design issues in electricity restructuring.
 - Consulting to electric utility COM/Electric on the auction design and implementation for Standard Offer Service.
 - Consulting to a major electric utility on the auction design for electric power generating assets and the auction design of non-utility generating purchase power contracts.

- Consulting to a major electric utility on the auction design and implementation for standard offer service and implementing the auction.

Telecommunications, broadcast, and cable

- Consulting to Industry Canada on auction designs for 700 MHz and 2500 MHz spectrum licenses.
- Advising Shaw Communications in Industry Canada's spectrum auction of Advanced Wireless Services (AWS) licenses.
- Advising Comcast Corporation and its SpectrumCo bidding partners in the FCC's spectrum auction of Advanced Wireless Services licenses (AWS-1, Auction #66).
- Advising the New Zealand Ministry of Economic Development (MED) on alternative auction designs and rules for various spectrum bands, including 3.4 GHz, 3.5 GHz, 24.5 GHz, 900 MHz, and 1800 MHz spectrum.
- Advising a bidder bidding on soccer league broadcast and cable rights.
- Advising a bidder in the FCC's spectrum auction of Broadband PCS licenses (Auction #58).
- Advising the holder of personal communications services (PCS) licenses won at a previous auction on their market value based on results of a later auction.
- Consulting to New Zealand's Ministry of Economic Development (MED) on technical designs and auction methods for its spectrum auctions following New Zealand's auction of 2nd and 3rd generation licenses in the 2 GHz band.
- Advising a bidder in Canada's spectrum auction of PCS C and E block licenses.
- Advising a bidder in the FCC's spectrum auction of C and F Block Broadband PCS licenses (Auction #35).
- Advising a bidder in Australia's spectrum auction of 3.4 GHz licenses.
- Consulting to the Nigerian Communications Commission (NCC) on its 2G (2nd generation) spectrum auction.
- Advising a participant preparing for the FCC's spectrum auction of 700 MHz licenses.
- Advising Industry Canada on its auction policy and rules for its second spectrum auction (PCS C and E block licenses).
- Consulting to Switzerland's Federal Office for Communications (OFCOM) on designing and implementing its auction of IMT-2000/UMTS (3rd generation) spectrum licenses.
- Advising a bidder in the UK's spectrum auction of IMT-2000/UMTS (3rd generation) licenses.
- Assisting Industry Canada in running its first spectrum auction (24 GHz and 38 GHz bands).
- Developing for the Federal Communications Commission (FCC) prototype auction software for advanced, combinatorial auctions.
- Advising the FCC on improved designs for future spectrum auctions, including auctions with large numbers of licenses and combinatorial auctions.

- Consulting to the Mexican Comisión Federal de Telecomunicaciones (Cofetel), Secretaria de Comunicaciones y Transportes (SCT), on the design and implementation of spectrum auctions: paging, wireless access/PCS, MMDS (multi-channel, multi-point distribution services), and point-to-point microwave.
- Consulting to Industry Canada on auction design and implementation for spectrum auctions in Canada.
- Advising a participant preparing for the FCC's spectrum auction of Local Multipoint Distribution System licenses (LMDS, Auction #17).

Other industries

- Designing and managing the industry-recognized CranberryAuction trading platform for Ocean Spray Cranberries, Inc.
- Designing and managing the industry-recognized GlobalDairyTrade trading platform for Fonterra Dairy Co-Operative Group Limited (New Zealand), DairyAmerica, Murray Goulburn (Australia), Arla Foods (Europe), Amul (India), and Euroserum (Europe).
- For a large worldwide client, consulting on the design and implementation of a competitive bidding process to sell IP assets.
- For the Swedish National Audit Office (SNAO)—Riksrevisionen, assessing the government's sale of its eight percent share in telecommunications company Telia Sonera.
- Advising on auction and intellectual property issues for televised shopping channels in the UK.
- Monitoring and providing oversight support for the Public Utilities Commission of Ohio for Dominion East Ohio's wholesale natural gas procurement auction.
- For the Humana-CarePlus merger of Medicare organizations in Florida, analyzing the effects regarding the competitive bidding process required under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA, P.L.108 173).
- For the Port Authority of New York and New Jersey (PANYNJ), participating in simulation games hosted by NEXTOR and analyzing alternative airport congestion management mechanisms, including administrative measures, congestion pricing mechanisms, and a proposed auction.
- Assisting UK broadcasters ITV and ntl in providing recommendations to UK telecom regulator Ofcom and UK competition authority OFT on auctioning broadcast rights to FAPL (Football Association Premier League) matches.
- Conducting for the British Columbia Ministry of Transportation a fairness evaluation of the restructuring of the BC Rail Freight Division.
- Advising a private US defense contractor on the restructuring of its company, including the design and implementation of a competitive bidding sales process.
- Consulting to a major aerospace & defense company in its acquisition of another major aerospace & defense company, including valuations, competitor assessment, game theoretic bidding strategies, and antitrust and national defense issues.

- Advising a client in the electronics industry on designing and implementing electronic trading solutions, including auction and market designs and rules.

International trade

Providing litigation support (testimony, affidavits, other submissions, and preparation of witnesses) for parties in dumping, countervailing duty, and unfair trade proceedings before the US Department of Commerce, the US International Trade Commission, and foreign trade agencies.

- Proceedings before the US Department of Commerce and the US International Trade Commission.
 - Pencils, Cased from the People's Republic of China. Representing the domestic industry in an administrative review.
 - Manganese Metal from the People's Republic of China. Representing the domestic industry and testifying in antidumping proceedings; also subsequently representing the domestic industry in subsequent administrative reviews.
 - In the Matter of Certain Diltiazem Hydrochloride and Diltiazem Preparations. Representing a respondent in a Section 337 unfair trade competition proceeding involving a cardiovascular pharmaceutical, bulk diltiazem.
 - Nitromethane from the People's Republic of China. Representing respondents in the final determination stage of an antidumping proceeding.
 - Uranium from Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Ukraine, and Uzbekistan. Representing a respondent in a review of a Suspension Agreement from an antidumping proceeding.
 - Ferrosilicon from the People's Republic of China, Kazakhstan, Russia, and Ukraine. Representing the domestic industry in antidumping proceedings.
 - Gray Portland Cement and Clinker from Mexico. Representing a respondent and analyzing fictitious market allegations in an administrative review of an antidumping duty order.
 - Minivans from Japan. Representing a respondent in the final determination stage of an antidumping proceeding.
 - Potassium Hydroxide, Liquid and Dry, from Canada, Italy, and the United Kingdom. Representing a domestic producer in an antidumping proceeding involving caustic potash (potassium hydroxide).
 - Silicon Metal from Argentina, Brazil, and the People's Republic of China. Representing the domestic industry in antidumping and countervailing duty proceedings.
 - Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany. Representing a German manufacturer in responding to an administrative review of an antidumping order.

- Certain Catalyst Components and Catalysts for the Polymerization of Olefins. Representing the domestic industry in preparing for a Section 337 unfair trade competition proceeding involving polypropylene catalysts.
- Electrolytic Manganese Dioxide from Japan and Greece. Representing the domestic industry in an antidumping proceeding involving electrolytic manganese dioxide (EMD); also subsequently representing the domestic industry in changed circumstances reviews, administrative reviews, and sunset reviews.
- Providing strategy consulting to US and foreign companies in the context of potential trade disputes, optimal international operations, import and other duties, and other trade regulations.
 - Consulting to various domestic industries concerning filing antidumping and countervailing duty proceedings involving various metals.
 - Consulting to a foreign client on defensive antidumping business strategies.
 - Consulting to a domestic chemical producer concerning business strategies for reducing the risk of an antidumping proceeding filed against it by the European Community.
 - Consulting to a multi-international metals company to minimize the costs of international duties, taxes, and regulations.

Antitrust

Providing litigation support (testimony, affidavits, and preparation of witnesses) for parties in antitrust cases and mergers and acquisition matters.

- Testimony for the plaintiff in a Robinson-Patman predatory pricing and price discrimination case (*Liggett Group, Inc. v. Brown & Williams on Tobacco Corporation*).
- Litigation and pre-litigation analysis of antitrust issues in various industries, including:
 - Electricity
 - Credit card, bank ATM (automated teller machine), and POS (point of sale) networks
 - Airline
 - Petroleum
 - Retail apparel
 - Tobacco
 - Lead pigments
 - Video game
- Analysis of mergers and acquisitions in various industries, including:
 - Aerospace & defense
 - Paper
 - Beverage

- Ready-to-eat cereal
- Alumina
- Polypropylene

Securities

Providing litigation, pre-litigation, litigation-avoidance, and policy analysis support for clients in various matters.

- Government security auctions and markets
- Rule 10b-5 matters, including damage calculations
- Section 11 and Section 12 matters, including damage calculations

Energy and environmental

Analyzing US and world energy industries, particularly with respect to electricity, petroleum, and natural gas markets and the effects of government policies and regulation. This includes development of models quantifying, and applying game theory to, energy market interactions and externalities, costs of supply disruptions, and the effects of various government regulations, policies, and taxes.

- Analyses of California, New England, and Alberta electricity markets
- Analysis of OPEC pricing and output behavior and the effects of regulations in the oil industry
- Analysis of trading in the North Sea oil market
- Analysis of carbon-based, BTU-based, and other energy related taxes
- Analysis of automobile fuel efficiency standards and alternative conservation policies
- Evaluation of the effects of ethanol subsidies
- Evaluation of oil refinery linear programming models
- Analysis of financial and contract evaluation models for an oil and natural gas company
- Analysis of stockpiles and emergency sharing agreements in world oil markets
- Clients include industry, institutional (trade associations), and government (US Department of Energy)

Transfer pricing

Providing litigation and tax compliance support in Section 482 and related matters.

- Transfer price issues involving a major oil company
- Transfer price analyses for a toy and video game developer, manufacturer, and distributor

Testimony, affidavits, and hearings

PUCO Case No. 09-906-EL-SSO. Testimony on behalf of the FirstEnergy Ohio Utilities (FEOU) related to FEOU's application for approval of a Market Rate Offer to conduct a competitive bidding process for Standard Service Offer electric generation supply.

PUCO Case Nos. 09-21-EL-ATA, 09-21-EL-AEM 09-21-EL-AAM. On behalf of the FirstEnergy Ohio Utilities (FEOU), written testimony in a matter before the Public Utilities Commission of Ohio (PUCO) related to FEOU's competitive bidding process using an RFP bidding format in 2008 for which I acted as RFP Manager.

FERC Docket No. ER06-117-000. On behalf of the FirstEnergy Ohio Operating Companies and the Public Utilities Commission of Ohio (PUCO), written testimony in a Federal Energy Regulatory Commission proceeding related to FirstEnergy's Competitive Bid Process in 2004.

Appearance before and submissions to the Dutch competition authority, the NMa, regarding product design and auction design and implementation for a virtual power plant (VPP) capacity auction.

Establishment of the Process for the Procurement of Transitional Standard Offer Power, Docket No. 03-07-18. Two affidavits on behalf of the Connecticut Department of Public Utility Control (DPUC), one for The Connecticut Light and Power Company's Transitional Standard Offer procurement and one for The United Illuminating Company's Transitional Standard Offer procurement.

In the Matter of the Generic Proceeding Concerning Electric Restructuring Issues, Docket No. E-00000A-02-0051. Affidavit on behalf of Arizona Public Service before the Arizona Corporation Commission regarding APS' Track B competitive procurement RFP solicitation.

Appearances before the New Jersey Board of Public Utilities regarding Basic Generation Service procurement processes.

Filene's Basement, Inc. v. Corporate Property Investors. Affidavit on behalf of Corporate Property Investors.

In the Matter of Manganese Metal from the People's Republic of China. Affidavits and testimony on behalf of Petitioners Kerr-McGee Chemical Corporation and Elkem Metals Company in connection with an antidumping proceeding.

In the Matter of Electrolytic Manganese Dioxide from Greece and Japan. Affidavit on behalf of Petitioners Kerr-McGee Chemical Corporation and Chemetals, Inc., in connection with an antidumping proceeding.

Liggett Group, Inc. v. Brown & Williamson Tobacco Corporation. Testimony on behalf of Liggett Group, Inc., in a Robinson-Patman predatory pricing and price discrimination case.

Experience prior to Charles River Associates

Independent Consultant (January 1983–June 1988). As such he had contracts with Applied Decision Analysis, Inc., Lawrence Berkeley Laboratory, and the US Department of Energy. His accomplishments include the following:

- Research and development of a regional and dynamic simulation model of the natural gas industry. The model implements a fixed-point algorithm by integrating two nonlinear programming submodels.
- Development of a linear programming model to simulate optimal behavior by a natural gas pipeline company.
- Development of a model of alternative rate designs for natural gas pipeline companies.
- Development of a model of natural gas supply and demand used to evaluate alternative natural gas price and quantity regulations.
- Development of a stochastic dynamic programming model of the US Strategic Petroleum Reserve that implements a game-theoretic approach to private- and public-sector stockpiling interactions.

Graduate Research Assistant, Department of Economics and Boalt School of Law, University of California at Berkeley (August 1985–June 1988). Research included econometric analysis of the demand for local public goods and services with Professor Daniel L. Rubinfeld.

Regulatory Impact Analyst, Office of Economic Analysis, US Department of Energy (August 1983–August 1984). Responsibilities and accomplishments involved research and analysis of policies affecting oil and natural gas markets, including:

- Analysis, research, and writing chapters for the congressionally mandated report on natural gas markets
- Representing the Department of Energy's Office of Policy, Planning and Analysis in the DIREX-B simulation exercise of a major world oil supply disruption
- Research with Dr. George Horwich and the development of a model to analyze the effects of oil import quotas during world oil supply disruptions. Resulted in a conference paper and a book chapter.

Graduate Research Resident, Argonne National Laboratory Program for US Department of Energy's Office of Policy, Planning and Analysis (summers 1982 and 1983).

- Research and analysis of natural gas policy issues and energy models and development of an econometric model of natural gas demand
- Extension and improvement of a dynamic programming model of the US Strategic Petroleum Reserve

Visiting Graduate Research Fellow, The Lunar and Planetary Institute, affiliated with NASA, (summers 1980 and 1981).

- Development of a simulation model used for analyzing meteorite impacts on planets
- Research with computer simulations of impact cratering phenomena that resulted in conference paper with adviser

Teaching

Graduate Student Instructor for intermediate microeconomics course, Department of Economics, University of California at Berkeley (fall 1986)

Instructor for graduate course in mathematical modeling, Department of Political Science, University of Rochester (fall 1982)

Undergraduate Teaching Assistant for intermediate physics course, Department of Physics, Purdue University (1980–1981 academic year)

Professional associations

- American Economic Association (AEA)
- International Association of Energy Economics (IAEE)
- Institute for Operations Research and the Management Sciences (INFORMS)

Honors and awards

- Listed in Marquis' Who's Who in the World, Who's Who in America, Who's Who in the East, Who's Who in Finance and Industry, Who's Who in Science and Engineering, Who's Who in Emerging Leaders in America, and Who's Who Among Young Professionals
- Listed in National Register's Who's Who in Executives and Professionals
- Listed in Strathmore's Who's Who
- Listed in Directory of International Biography
- Flood Fellowship, Department of Economics, University of California, 1984–1985 academic year
- Graduate Student Fellowship, University of Rochester, 1982–1983 academic year
- Public Service Fellowship, US Department of Education, 1981–1982 academic year
- Distinguished Student Status, Purdue University
- Sigma Pi Sigma Physics National Honor Society, Purdue University

Selected publications and presentations

"Creating an Efficient Marketplace that Works for Physical Transactions in Agricultural Commodities: Enabling Reliable, Credible Price Discovery in a Win-Win Process for Sellers & Buyers," presented at 2013 Employee Conference, Federal Milk Order Northeast Marketing Area, Boston, MA, August 27, 2013.

"Energy Auctions," presented at the North American Power Credit Organization (NAPCO) May 2013 Meeting, Austin, TX, May 2-3, 2013.

“Developing Agricultural Commodity Markets Through a Better Trading Platform,” presented at 13th Annual Farmer Cooperatives Conference, “Cooperatives: Looking Forward,” hosted by University of Wisconsin Center for Cooperatives, Denver, Colorado, December 6–7, 2010.

“The Art and Science of Auctions: How Does Auction Design Work in Practice?,” presented at Von Zufällen, Spielern und Agenten: Mathematik an der Schnittstelle zwischen Wirtschaft und Wissenschaft (Of Coincidence, Players and Agents: The Role of Mathematics at the Interface Between Business and Research), conference at Berlin-Brandenburgische Akademie der Wissenschaften (Berlin-Brandenburg Academy of Sciences and Humanities), Leibniz-Saal, Germany, December 4, 2008.

“Treasury’s Reverse Auctions: Much is at Stake,” *CRA Insights: Credit Crisis*, October 2008.

“An Auction Primer in the Context of the Credit Crisis,” CRA White Paper, October 2008.

“Buying and Selling Strategies Under Alternative Bidding Mechanisms,” presented at Infocast Workshop, “Practical Tools and Approaches for Planning and Executing Power Asset Transactions,” New York City, September 25, 2006.

“Energy Auctions,” presented to The World Bank and Public-Private Infrastructure Advisory Facility, Washington, DC, October 7, 2004.

“The BGS Auction and its Impact on C&I Customers,” presented at Amerada Hess Electricity Seminar on New Jersey’s Basic Generation Service Auction, Iselin, NJ, February 24, 2003.

“Review of 2 GHz Spectrum Auction,” presented at a workshop, “2 GHz Auction: Where Do We Go from Here in Running Auctions?,” sponsored by the New Zealand Ministry of Economic Development, September 18, 2001.

“Creative Use of the Internet: Alberta’s Auction of Power Purchase Arrangements,” presented at The Energy Daily’s Conference, “B2B & E-Commerce in the Energy Industry: Capitalizing on the Internet,” Washington, DC, June 8–9, 2000.

“Auction Designs, Rules, and Marketing for Power Purchase Arrangements,” presented at Independent Power Producers’ Society of Alberta (IPPSA) 6th Annual Conference, Banff, Alberta, March 19–21, 2000.

“Optimal Auction Design for Generation Assets Under Restructuring: Power Purchase Arrangements,” presented at Institute for International Research (IIR) Conference, “Competitive Strategies for Buying and Selling Utility Generation Assets,” Atlanta, September 30–October 1, 1999.

“Auction Design and Implementation for Power Purchase Arrangements,” presented to *Electric Utilities Act* Advisory Committee, Calgary, Alberta, September 15, 1999.

“Auction Design for Power Purchase Arrangements,” presented at Independent Power Producers’ Society of Alberta (IPPSA) 5th Annual Conference, “Let the Bidding Begin,” Banff, Alberta, March 21–23, 1999.

“PPA Auction Design,” presented at Independent Assessment Team’s Consultations in Calgary, Alberta, January 12–15, 1999.

"Using State-of-the-Art Auction Design to Optimize Generation Asset Sales," presented at Infocast Conference, "Buying & Selling Utility Generation Assets," Boston, November 4–6, 1998.

"Using Auctions to Divest Generation Assets," presented at "Buying & Selling Generation Assets Workshop" of International Business Communications Conference, "Developing & Financing Merchant Power Plants in the New US Market," New York City, June 3–5, 1998.

Issues in Economics: The Use of the CADIC Model in ITC Proceedings. With J. Burrows. Boston: Charles River Associates, February 1991.

"The Dynamic and Regional Effects of Wellhead Price Regulation in the US Natural Gas Industry." PhD dissertation, Department of Economics, University of California at Berkeley, 1988.

"Oil Import Quotas in the Context of the International Energy Agency." With G. Horwich. Chapter 4 in G. Horwich and D. Weimer (eds.), *Responding to International Oil Crises*. Washington, DC: American Enterprise Institute for Public Policy Research, November 1987.

"Comments of the United States Department of Energy on the Federal Energy Regulatory Commission's Notice of Proposed Rulemaking (May 30, 1985) on the Regulation of Natural Gas Pipelines after Partial Wellhead Decontrol, FERC Docket No. RM85-1-000 (Parts A-D)." Washington, DC: US Department of Energy, July 15, 1985.

"Increasing Competition in the Natural Gas Market: The Second Report Required by Section 123 of the Natural Gas Policy Act of 1978." Washington, DC: US Department of Energy, January 1985. DOE/PE-0069.

"The Impact of Oil Import Quotas on Oil Imports and Prices in the International Oil Market." With G. Horwich. Paper presented at the Second IMACS Symposium on Energy Modeling and Simulation Models in the Decision-making Process: Planning Under Uncertainty, Brookhaven National Laboratory, Upton, New York, August 26–28, 1984.

"Modeling the Strategic Petroleum Reserve: The Effects of Private Stockpiling Behavior and Price Controls." With T. Lyon and S. Minihan. Paper presented at the Second IMACS Symposium on Energy Modeling and Simulation Models in the Decision-making Process: Planning under Uncertainty, Brookhaven National Laboratory, Upton, New York, August 26–28, 1984.

"A New Model of Domestic Natural Gas Supply." With T. Bolema and G. Sweetnam. Paper presented at the Second IMACS Symposium on Energy Modeling and Simulation Models in the Decision-making Process: Planning under Uncertainty, Brookhaven National Laboratory, Upton, New York, August 26–28, 1984.

"The First Report Required by Section 123 of the Natural Gas Policy Act of 1978." Washington, DC: US Department of Energy, July 1984. DOE/PE-0054.

"Modeling the Natural Gas Market." Paper presented at the TIMS/ORSA Joint National Meeting, San Francisco, May 14–16, 1984.

"Multi-Ring Basin Formation: Possible Clues from Impact Cratering Calculations." With P. Schultz, W. Borden, and S. Larson. *Proceedings of the Lunar and Planetary Conference on Multi-Ring Basins*, Houston, 1980.

Press citations

Interviewed by and quoted in *The Economist*, Technology Quarterly Q3 2011 issue, September 3, 2011. Article on applications of game-theoretic models in business: "Modelling Behavior: Game Theory in Practice—Computing: Software that Models Human Behavior Can Make Forecasts, Outfox Rivals and Transform Negotiations."

Interviewed by and quoted in *Cooperative Business Journal*, May/June 2010. Article on the benefits of auctions-type markets in the beverage industry as a way to lower transaction costs and better manage resources: "Recovering Together."

Interviewed by and quoted in *Manawatu Standard*, September 8, 2009. Article discussing GlobalDairyTrade, an Internet-based sales platform designed and implemented by CRA for Fonterra, and the effect of the trading events on buyers, sellers, and dairy prices: "Fonterra Sticking to Auction System."

Interviewed by and quoted in *The Independent*, July 9, 2009. Article about CRA's role designing and managing online trading platforms for Ocean Spray's cranberry concentrate and Fonterra: "Ocean Spray follows Fonterra's lead with its own online trading platform."

Interviewed by and quoted in *Platts Megawatt Daily*, April 24, 2009. Article about an auction designed and conducted for GE by CRA in which rights for electricity transmission from New Jersey to New York City were auctioned: "PJM-to-New York capacity upgrade advances."

Interviewed by and quoted in *Marketwatch.com*, January 2, 2009. Press release issued by FirstEnergy Corp. of Ohio about the completion of a successful competitive bidding process to supply electricity: "FirstEnergy Ohio Utilities Secure Supply of Power."

Interviewed by and quoted in *The Financial Times*, March 26, 2002. Article on applications of game theory in business: "Inside Track: Games or Serious Business?"

Part 1 Application

FirstEnergy Ohio Utilities' CBP Auctions

|

Name of Applicant

PART 1 APPLICATION

FirstEnergy Ohio Utilities' CBP Auctions

INSTRUCTIONS

There are two parts to the application process.

- **Part 1 Application:** Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Competitive Bidding Process ("CBP").
- **Part 2 Application:** Qualified Bidders for the CBP submit the Part 2 Application, in which they will agree to comply with the Bidding Rules and Communications Protocols, accept the terms of the FirstEnergy Ohio Utilities' Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"), make certifications regarding associations and handling of Confidential Information, submit Indicative Offers, and post Pre-Bid Security to become Registered Bidders.

This document is the Part 1 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in either the Glossary or the Master SSO Supply Agreement.

PART 1 APPLICATION SUBMISSION

To become a Qualified Bidder for the CBP, Applicants must submit the following to the ~~CBP Auction~~ Manager electronically through the Secure Application Process ~~and in hardcopy format to the address below~~ by the Part 1 Application deadline:

- **Electronic Application Form:** Completed Part 1 Application;
- **HardcopyPDF Application Form:** One (1) ~~printed~~scanned copy of the completed Part 1 Application with original signatures and the name of the Applicant on every page of the Application;
- **Supporting Documentation:** One (1) copy of required financial statements, and other requested documents supporting the Application as specified in Appendix ~~A~~; and

Name of Applicant _____

- **Changes to Credit Documents (Optional):** One (1) copy of any proposed changes to the ~~templates for Pre-Bid Security~~ Letter of Credit, ~~Letter and/or the Form of Intent to Provide a Guaranty, SSO Supplier~~ Letter of ~~Reference, Credit, and one (1) copy of any proposed~~ alternate ~~form of~~ guaranty ~~and other credit support documents~~ (“Credit Documents”). Any suggested modifications to the ~~templates for the Pre-Bid Security Letter of Credit Documents or the Form of SSO Supplier Letter of Credit~~ must be provided to the CBPAuction Manager in an electronic, red-lined version. Any proposed alternate form of guaranty must be provided to the Auction Manager in an electronic form. Section 1.10 and Appendix B describe the process for submitting an alternate form of guaranty. Appendix C describes the process for submitting proposed changes to the Pre-Bid Security Letter of Credit.

Modifications to the Credit Documents and any other inquiries may be directed to the CBPAuction Manager by email at ebpmanager@crai.com; FEOUAuctionManager@crai.com. Inquiries also can be made through the Information Website.

Photocopies and facsimiles of completed forms will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the CBP.

The completed Part 1 Application and modificationsproposed changes to the Credit Documents MUST be received by the CBPAuction Manager no later than 12:00 p.m.- noon prevailing Eastern Time on the Part 1 Application Due Date as posted in the timeline on the Information Website.

Send hardcopies to:

CBP Manager
c/o Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-32
Boston, MA 02116-5092

Phone: 617-425-3384

| _____
Name of Applicant

CONFIDENTIALITY OF PART 1 APPLICATION SUBMISSIONS

All Applicants are required to comply with the Communications Protocols.

Confidentiality requirements specific to the Part 1 Application are reiterated below.

CONFIDENTIALITY OF CREDIT INFORMATION

| Any information and materials that you submit in this Part 1 Application may be provided on a confidential basis to the CBPAuction Manager Team and the Public Utilities Commission of Ohio ("PUCO" or "Commission") and their representatives. Information that you provide in this Part 1 Application, except for information regarding bidding agreements provided in Section 1.11, may be provided on a confidential basis to representatives of the FirstEnergy Ohio Utilities for a creditworthiness assessment.

CONFIDENTIALITY OF QUALIFIED BIDDERS

| Upon completion of the Part 1 Application process, the names of Qualified Bidders will be provided to other Qualified Bidders on a confidential basis. As part of this Part 1 Application, you are required to certify that you agree to release your name to other Qualified Bidders and that you will keep confidential the list of Qualified Bidders that is provided to you.

Name of Applicant

PART 1 APPLICATION FirstEnergy Ohio Utilities' CBP Auctions

This Part 1 Application ~~is includes~~ the ~~application-formforms~~ to become a Qualified Bidder in the FirstEnergy Ohio Utilities' Competitive Bidding Process (CBP).

I. Background Information

Before completing this ~~form~~application, please review the Bidding Rules document for this CBP ("Bidding Rules"), the Master SSO Supply Agreement, the Communications Protocols, and other documents posted on the Information Website so that you understand the conditions under which the CBP will be conducted.

II. Confirmation of Receipt

Online delivery: If your Part 1 Application is submitted online through the Secure Application Process, an email will be sent to the Authorized Representative and Delegate to confirm receipt ~~of the completed online application.~~ You will still be required to submit athrough the online Secure Application Process or via email a scanned copy of the Part 1 Application with original signatures ~~via post or hand delivery.~~

~~**Delivery by Post or Hand Delivery:** If your Part 1 Application is received only by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.~~

III. Incomplete Applications

If your Part 1 Application is incomplete or requires clarification, the CBPAuction Manager will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 1 Application may be rejected and you may be unable to participate in the CBP. All corrections to remedy deficiencies within an Applicant's Part 1 Application must be submitted online. The Authorized Representative needs to sign and date next to the correction(s) to the Part 1 Application and send to the

Name of Applicant

~~CBPAuction~~ Manager by email to ~~ebpmanager@crai.com~~, followed by hardcopy to ~~FEOUAuctionManager@crai.com~~ or through the ~~CBP Manager~~ online Secure Application Process.

IV. Late Applications

Part 1 Applications received after the stated deadline will NOT be accepted under any circumstances.

~~V. Rejection of Applications~~

~~If your application is rejected, your Part 1 Application and all supporting documents will be returned to you.~~

~~VI.V.~~ Notification to Qualified Bidders

If you become a Qualified Bidder for the CBP, the ~~CBPAuction~~ Manager will send a Notification of Qualification to your Authorized Representative by email after the Part 1 Application Due Date. ~~The Notification of Qualification will also be sent to your Authorized Representative by courier.~~

Name of Applicant

PART 1 APPLICATION FORMS

1.1 Applicant Basic Information

Name of Applicant (Company Name)

Legal Name of Applicant (if different from above)

Place of Incorporation, if
applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the
Applicant is a corporation,
partnership, etc

Years in Business

URL for Applicant's Website

Has the Applicant participated in a
prior FirstEnergy Ohio ~~Utilities'~~ Utilities
SSO auction?

If yes, indicate the most
recent auction date
(month, year):

Name of Applicant

1.2 Authorized Representative

The Authorized Representative is authorized to represent the Applicant in the CBP. The Authorized Representative will receive all documentation related to the CBP if and when the Applicant becomes a Registered Bidder, including any CBP procedures and Confidential Information required for the submission of bids in any trial auction and in the actual auction. The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the CBP. The Authorized Representative is the only person authorized to distribute CBP procedures and Confidential Information and should do so in accordance with the Communications Protocols. The integrity of the CBP depends upon each Authorized Representative safeguarding Confidential Information and passwords used in the CBP. ~~The CBP Manager will communicate exclusively with the Authorized Representative or, if instructed by the Authorized Representative, with a Delegate, as designated in this Part 1 Application.~~

The person designated below is the Applicant's Authorized Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Communications with the Authorized Representative for purposes of the Part 1 Application are typically done via email and courier.

Name of Applicant

The Applicant hereby acknowledges that any notification or other communication given by the CBPAuction Manager to the Applicant with respect to the Part 1 Application shall be delivered by courier to the address provided above or emailed to the email address above and shall be deemed received by the Applicant at the time of delivery, provided that where delivery occurs after 5:00 p.m. prevailing Eastern Time on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 8:00 a.m. prevailing Eastern Time on the following Business Day.

This certification must be signed by the Authorized Representative and the signature must be notarized.

I hereby certify that I am authorized by the Applicant to serve as Authorized Representative, to represent the Applicant both (i) in the CBP, and (ii) to represent the Applicant for purposes of this Part 1 Application. I further certify that I will be responsible for all Confidential Information regarding the CBP and I will distribute Confidential Information only to other individuals who are authorized to act on behalf of the Applicant according to the Communications Protocols.

Signature of Authorized Representative

Date

Signature and Seal from Notary Public

Date

Name of Applicant

The person designated in this section by the Applicant is the Delegate. ~~The CBP Manager will communicate with the Delegate if instructed to do so by the Authorized Representative.~~ The Delegate serves as a secondary point person for communications with the Auction Manager.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Company Name

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Name of Applicant

1.3 Designation of the Applicant's Authorized Representative and Delegate for the CBP

This certification should be signed by an officer or director of the Applicant and should either be notarized or attested with the corporate seal. The person making this certification cannot be either the Authorized Representative or the Delegate.

I certify that I am an officer or director of the Applicant, empowered to undertake contracts and bind the Applicant. I have read and accept the Bidding Rules, the provisions contained in the Master SSO Supply Agreement, and the provisions of the Communications Protocols pertaining to bidders in the CBP.

All the information contained in this Application is true and correct to the best of my knowledge. If there are material changes to the Applicant's information provided in this Part 1 Application, I agree to notify the CBPAuction Manager. I designate _____ to act as the Authorized Representative of the Applicant in the CBP and _____ to act as Delegate for the Authorized Representative. I am not designating myself as Authorized Representative or Delegate.

Signature of Officer or Director of the Applicant

Date

Printed Name

Title

Signature and Seal from Notary Public

Date

Name of Applicant

1.4 Applicant's Legal Representative in Ohio

Please check here ☐ if the Applicant's Authorized Representative is also the Applicant's Legal Representative.

The Applicant's Legal Representative in Ohio must:

- be a legal counsel ~~or a representative agent;~~
- have an address in Ohio; and
- be authorized and agree to accept service of process on the Applicant's behalf.

The person designated below is the Applicant's Legal Representative ~~or Representative Agent.~~

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Company Name

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

This certification must be signed by the Legal Representative and the signature must be notarized.

I agree to serve as Legal Representative of the Applicant. I am authorized and I agree to receive service of process on the Applicant's behalf.

Signature of Legal Representative

Date

Signature and Seal from Notary Public

Date

| _____
Name of Applicant

1.5 Applicant's Credit Representative

The Applicant's Credit Representative is the Applicant's in-house Credit Representative who can answer questions or provide information about the Applicant's credit with respect to the requirements for the CBP.

The person designated below is the Applicant's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Name of Applicant

1.6 General Requirements to Participate in the CBP

1. If the Applicant already is a ~~Transmission Customer~~transmission customer of PJM who has executed the applicable PJM Agreements as that term is defined in the Master SSO Supply Agreement, please check ☐ and please provide a copy of the signature page of the PJM Agreements.

Otherwise, please certify that there exist no known impediments for the Applicant to execute the applicable PJM Agreements prior to the start of the supply period.

Signature of Authorized Representative

Date

2. If the Applicant already has PJM E-Accounts necessary to provide SSO Supply, please check ☐ and please provide documentation from PJM that the Applicant has a PJM E-Account.

Otherwise, please certify that there exist no known impediments for the Applicant to establish any PJM E-Accounts necessary to provide SSO Supply and execute the PJM E-Account contract(s) for the supply period by the start of the supply period.

Signature of Authorized Representative

Date

3. If the Applicant already is a PJM ~~Market Participant~~market participant and a Load Serving Entity in PJM, please check ☐ and please provide documentation from PJM that the Applicant is a Market Participant.

Otherwise, please certify that there exist no known impediments for the Applicant to become a PJM ~~Market Participant~~market participant and a Load Serving Entity in PJM by the start of the supply period.

Signature of Authorized Representative

Date

Name of Applicant

4. Further, please certify that:

- a) The Applicant and its corporate officers have no indictments or pending criminal litigation in any federal, state or local jurisdiction relating to the Applicant;
- b) The Applicant and its corporate officers have no criminal convictions;
- c) The Applicant has no civil penalties, judgments, sanctions or consent decrees arising out of the violation of any law, rule, regulation or ordinance in connection with its business activities;
- d) The Applicant has not had any permit or authority to do business in any jurisdiction revoked or suspended;~~and~~
- e) The Applicant has never been barred from public bidding or sanctioned for unauthorized disclosure of confidential information~~;~~ and
- f) The Applicant is unaware of any pending criminal investigation in which the Applicant is a possible target.

Signature of Authorized Representative

Date

If you are unable to make these certifications in Section 1.6, subsections (1) to (4), please state which certifications you are unable to make and explain all reasons in the space given below.

Name of Applicant

1.7 Financial and Credit Information for the Applicant

Please provide the following information for the Applicant:

- a) If the Applicant is not an SEC registrant, provide the most recent Annual Report;
- ~~b) If the Applicant is an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);~~
- ~~e)b) If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement);~~
- e)c) If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e)d) The following financial information along with page references to the relevant financial filings submitted;

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

Name of Applicant _____

f)e) Applicant's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant;

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

g)f) If the Applicant has not been incorporated or otherwise formed under the laws of the United States, the Applicant is asked to provide in addition to a)-f) above:

- i. A legal opinion acceptable to the FirstEnergy Ohio Utilities of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the Master SSO Supply Agreement will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed.
- ii. Any additional information that the Applicant wishes to give that could provide comparable credit assurances to those that are provided by other Applicants that have been incorporated or otherwise formed under the laws of the United States.

An Applicant that has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any

Name of Applicant _____

information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if such Applicants become SSO Suppliers, they will be required to submit additional documents as detailed in Article 6 of the Master SSO Supply Agreement, including:

- A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is incorporated or otherwise formed that this Agreement is, or upon the completion of execution formalities will become, the binding obligation of the SSO Supplier in the jurisdiction in which it has been incorporated or otherwise formed;
- 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; and
- The sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the SSO Supplier has been authorized by its governing board to enter into agreements of the same type as the Master SSO Supply Agreement.

Is the Applicant and/or its parent:

	Applicant		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Applicant's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

| _____
Name of Applicant

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status.

--

Name of Applicant

1.8 Guarantor Information

The Guarantor information is required only if the Applicant expects to have a third party act as a Guarantor should the Applicant become an SSO Supplier.

Please check here ☐ and proceed to the next section if this section does not apply to you because you will not have a third party act as a Guarantor.

Basic Information for the Guarantor

Name of Guarantor

Legal Name of Guarantor (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the Guarantor is a corporation, partnership, etc.

Years in Business

Guarantor's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

| _____
Name of Applicant

The Guarantor's Credit Representative

The Guarantor's in-house Credit Representative is the individual who can answer questions or provide information about the Guarantor's credit with respect to the requirements for the CBP.

The person designated below is the Guarantor's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Name of Applicant _____

Please provide the following information for the Guarantor:

- a) If the Guarantor is not an SEC registrant, provide the most recent Annual Report;
- ~~b) If the Guarantor is an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);~~
- ~~e)b) If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement);~~
- e)c) If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e)d) The following financial information along with page references to the relevant financial filings submitted;

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

Name of Applicant

f)e) Guarantor's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor;

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

g)f) If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, the Guarantor is asked to provide in addition to a)-f) above:

- i. A legal opinion acceptable to FirstEnergy Ohio Utilities of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed.
- ii. Any additional information that the Guarantor wishes to give that could provide comparable credit assurances to those that are provided by other Guarantors that have been incorporated or otherwise formed under the laws of the United States.

Name of Applicant _____

An Applicant whose Guarantor has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if an Applicant with such a Guarantor becomes an SSO Supplier, the Guarantor will be required to submit additional documents as detailed in Article 6 of the Master SSO Supply Agreement, including:

- A legal opinion 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;
- 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
- 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 the Guaranty.

Is the Guarantor and/or its parent (if applicable):

	Guarantor		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Guarantor's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

| _____
Name of Applicant

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status of the Guarantor.

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| _____
Name of Applicant

1.9 Additional Certifications

The CBP Bidding Rules, the Master SSO Supply Agreement, the Communications Protocols, and the Information Website include important information that an Applicant should understand prior to participating in the CBP.

- a) Please certify that you have read the CBP Bidding Rules and that you will comply with these rules.

Signature of Authorized Representative

Date

- b) Please certify that you have read the Master SSO Supply Agreement and that you accept its terms. Please also certify that if you become a winning Bidder, you will execute the Master SSO Supply Agreement within three (3) Business Days following the close of the auction:

Signature of Authorized Representative

Date

Name of Applicant

- c) Please certify that if you qualify to participate in the CBP, you will not disclose at any time information regarding the list of Qualified Bidders in the CBP, including but not limited to the number of Qualified Bidders, the identity of any one of the Qualified Bidders (including yourself), or the fact that an entity has not qualified for participation in the CBP. Further, please certify that you will destroy any document distributed by the CBPAuction Manager that lists the Qualified Bidders within five (5) days of the close of the bidding, or earlier if so instructed by the CBPAuction Manager.

Signature of Authorized Representative

Date

- d) No Qualified Bidder in the CBP shall substitute another party, transfer its rights to another party, or otherwise assign its status as a Qualified Bidder to another party. Any such substitutions, transfers, or assignments shall be null and void and will result in the exclusion of the Qualified Bidder from the CBP. Please certify that you agree to the limitation set forth in this paragraph.

Signature of Authorized Representative

Date

The Bidding Rules and Communications Protocols include restrictions on the disclosure of Confidential Information. For purposes of the following certifications, the definition of Confidential Information relative to bidding strategy is defined according to Section 12.2 of the Bidding Rules:

- e) Please certify that you agree not to disclose any Confidential Information relative to bidding strategy to any party that may have an effect on the participation of another bidder, prospective bidder, or on any of the bids that another bidder would be willing to submit.

Signature of Authorized Representative

Date

Name of Applicant

- f) Please certify that, to the extent Confidential Information relative to bidding strategy is disclosed within your organization or to a third party, you will ensure that sufficient precautions are taken to ensure that such Confidential Information is not made public or made available to another Bidder. Such precautions include, but are not limited to confidentiality agreements, non-disclosure agreements, firewalls, and other contractual or structural protections that would maintain the confidential nature of a Bidder's bidding strategy.

Signature of Authorized Representative

Date

- g) Please certify that you are unaware of any pending criminal investigation in which the Guarantor is a possible target.

Signature of Authorized Representative

Date

If unable to make the certifications requested above please identify the nature of your need to disclose Confidential Information without sufficient precautions to ensure that such Confidential Information is not made public or made available to another bidder.

Name of Applicant

1.10 Alternate ~~Form of~~ Guaranty ~~Forms~~

A prospective SSO Supplier that wishes to rely on a Guarantor can use the standard ~~form~~Form of ~~guaranty~~Guaranty (Appendix ~~E~~ to the Master SSO Supply Agreement) and be assured that the standard ~~form~~Form of ~~guaranty~~Guaranty is acceptable to the FirstEnergy Ohio Utilities. Alternatively, the FirstEnergy Ohio Utilities will consider an alternate ~~forms~~form of guaranty if ~~they are it is~~ submitted with this Part 1 Application. Also, you may submit an alternate form of guaranty that was previously approved.

The ~~Alternate Guaranty Form~~alternate form of guaranty must be a financial guaranty for unlimited liability. Additional requirements are specified in Appendix ~~B~~.

Please check here ☐ and proceed to the next section if this section does not apply to you because you are not submitting an alternate form of guaranty. Otherwise please read Appendix ~~B~~ and complete this section.

The Authorized Representative acknowledges by signing below that he/she has read the requirements of Appendix ~~B~~ and that he/she believes that the proposed ~~Alternate Guaranty Form~~alternate form of guaranty complies with these requirements:

Signature of Authorized Representative

Date

Please check below to show that you are including all required documents.

- ☐ The proposed ~~form of~~ alternate form of guaranty;
- ☐ Certification that the alternate form of guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months;
- ☐ An enforceability opinion with respect to the alternate form of guaranty from counsel; and
- ☐ Previously approved alternate form of guaranty.

Name of Applicant

1.11 Bidding Agreements

Please note that the FirstEnergy Ohio Utilities will not review information provided in this section.

Please check here ☐ and proceed to the next section if you will be bidding independently and not as a party to any bidding agreement with another party or through any other arrangement involving joint or coordinated bidding with any other party.

Otherwise, please indicate below whether you are a party to or a part of a bidding agreement, a joint venture, a bidding consortium, or other arrangements for purposes of participating in the CBP or pertaining to bidding in the CBP. Please also provide the names of the other parties to the bidding agreement or other arrangement.

Other parties to the arrangement:

☐ Bidding Agreement

☐ Bidding Consortium

☐ Joint Venture

☐ Other (define) _____

If you are part of a bidding agreement, bidding consortium or joint venture, you must nominate a single party to the bidding agreement, bidding consortium or joint venture to fulfill the creditworthiness requirements. This party may have a Guarantor. Please indicate below which party from the bidding agreement, bidding consortium, or joint venture will be fulfilling the creditworthiness requirements:

Name of the single Party fulfilling the creditworthiness requirements:

The Authorized Representative of the party named above must sign here to acknowledge the fact that this party has agreed to fulfill the creditworthiness requirements:

Signature of Authorized Representative

Date

| _____
Name of Applicant

1.12 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 1 Application, please justify fully any omissions in the space provided below.

Name of Applicant

Appendix A – Enclosures to the Part 1 Application

This is a checklist of documents to be enclosed with this Part 1 Application. Please submit only one copy of required supporting documents to the application unless noted otherwise.

- ☐ A copy of the completed Part 1 Application with original signatures and original notarized signatures of Sections 1.2, 1.3 and 1.4 [Instructions Part 1]

For the Applicant:

- ☐ A copy of the signature page of the applicable PJM Agreements as that term is defined in the Master SSO Supply Agreement [Section 1.6]
- ☐ If the Applicant is not an SEC registrant, provide the most recent Annual Report [Section-1.7]
- ☐ If the Applicant is an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently ~~filed~~ with the SEC. If unavailable, please provide the most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement) [Section-1.7]
- ☐ ~~If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]~~
- ☐ If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.7]
- ☐ Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section-1.7]
- ☐ If the Applicant has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to FirstEnergy Ohio Utilities of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the Master SSO Supply Agreement will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Applicant wishes to give that could provide comparable credit

| _____
Name of Applicant

| assurances to those that are provided by other Applicants that have at least
two credit ratings from accepted credit ratings agencies. [Section- 1.7]

Name of Applicant

For the Guarantor:

- ☐ If the Guarantor is not an SEC registrant, provide the most recent Annual Report [Section-1.8]
- ☐ If the Guarantor is an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently ~~filed~~ with the SEC. If unavailable, please provide the most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- ☐ ~~If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]~~
- ☐ If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section-1.8]
- ☐ Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.8]
- ☐ If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to FirstEnergy Ohio Utilities of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Guarantor wishes to give about the Guarantor's financial standing that could provide comparable credit assurances to those that are provided by other Guarantors that have at least two credit ratings from accepted credit rating agencies. [Section 1.8]

If the Applicant is proposing an ~~Alternate Guaranty Form~~ alternate form of guaranty:

- ☐ Proposed ~~form of~~ alternate form of guaranty [Section 1.10]
- ☐ Certification that the alternate form of guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months [Section-1.10]
- ☐ An enforceability opinion with respect to the alternate form of guaranty from counsel [Section-1.10]

| _____
Name of Applicant

☐ Previously approved alternate form of guaranty [Section 1.10]

Name of Applicant

Appendix B – Alternate Form of Guaranty-Forms (Optional)

The criteria used to review the alternate form of guaranty are as follows:

1. The alternate form of guaranty must be a financial guaranty; performance guarantees are not acceptable.
2. The FirstEnergy Ohio Utilities will consider an alternate formsform of guaranty only if the guaranty is for unlimited liability.
3. The alternate form guaranty must be an unconditional guaranty of payment of all amounts due by the SSO Supplier to the FirstEnergy Ohio Utilities under the Master SSO Supply Agreement. The Master SSO Supply Agreement must be expressly identified and the satisfaction of obligations through performance may not be authorized.
4. The alternate form of guaranty may be terminated upon not less than thirty (30) days advance written notice to the FirstEnergy Ohio Utilities and termination shall not discharge liabilities and obligations of the Guarantor that have been incurred before the effective date of the termination.
5. The alternate form of guaranty must not be subject to any monetary limit.
6. The alternate form of guaranty must be accompanied by a certification that this alternate form of guaranty, subject to changes needed to conform withto the specific requirements of the FirstEnergy Ohio Utilities, has been in general use by the submitting party in its ordinary course of business over the past twelve months.
7. The alternate form of guaranty must be a guaranty of payment and not of collection.
8. Assignment of the alternate form of guaranty shall not be permitted except with the prior written consent of the FirstEnergy Ohio Utilities.
9. The Applicant must provide an enforceability opinion with respect to the alternate form of guaranty from its counsel. The accompanying enforceability opinion must be from a law firm of national (i.e., United States) standing, must not be weaker than would be industry norm and must contain only those qualifications that would be typical. The opinion shall name the FirstEnergy Ohio Utilities and explicitly state that the FirstEnergy Ohio Utilities are entitled to rely on the opinion.

The alternate forms of guaranty will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the CBPAuction Manager will redact the proposed alternate form of guaranty to remove any information identifying the

Name of Applicant

Applicant. The CBPAuction Manager will then forward the redacted version to a credit and legal representative of the FirstEnergy Ohio Utilities.

- The credit and legal representative will determine whether the alternate form of guaranty provides sufficient assurances of payment, taking into account the following considerations:
 - (i) whether the alternate form of guaranty conforms with the specific requirements identified by the FirstEnergy Ohio Utilities (listed above);
 - (ii) whether the alternate form of guaranty provides substantially similar credit protections to the credit protections provided to FirstEnergy Ohio Utilities by the standard formForm of guarantyGuaranty; and
 - (iii) whether the alternate form of guaranty includes defenses in favor of the Guarantor not found in the standard formForm of guarantyGuaranty. The FirstEnergy Ohio Utilities representative may also identify specific changes that would permit the alternate form of guaranty to be acceptable, if such changes are of a limited nature.
- The credit and legal representative shall inform the CBPAuction Manager of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of the FirstEnergy Ohio Utilities' decision, the CBPAuction Manager will notify the Applicant of the FirstEnergy Ohio Utilities' decision. The FirstEnergy Ohio Utilities' decision will either state:
 - (i) The proposed alternate form of guaranty is acceptable to the FirstEnergy Ohio Utilities in the form in which it was submitted.
 - (ii) The proposed alternate form of guaranty is not acceptable to the FirstEnergy Ohio Utilities in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the CBPAuction Manager will set forth the required changes.
 - (iii) The proposed alternate form of guaranty is not acceptable to the FirstEnergy Ohio Utilities.
- If specific changes are required to the proposed alternate form of guaranty, the Applicant will be required to resubmit the alternate form of guaranty form with changes identified by the FirstEnergy Ohio Utilities on the Business Day following the Business Day during which the CBPAuction Manager notified the Applicant of the FirstEnergy Ohio Utilities' decision. No later than three (3) Business Days after the Applicant's resubmission, the CBPAuction Manager will notify the Applicant of the FirstEnergy Ohio Utilities' final decision.

Name of Applicant

A potential bidder that had secured approval for an alternate form of guaranty from any previous FirstEnergy Ohio Utilities' CBP and wishes to use the same alternate form of guaranty can renew this approval for any CBP conducted pursuant to the ESP in Case No. 12-1230-EL-SSO (the "ESP CBP"), by submitting:

1. The alternate form of guaranty from any previous FirstEnergy Ohio Utilities' CBP;
2. The enforceability opinion from any previous FirstEnergy Ohio Utilities' CBP;
3. A certification that the text of the alternate form of guaranty for the ESP CBP is exactly the same as the alternate form of guaranty that had been previously approved from any previous FirstEnergy Ohio Utilities' CBP;
4. A certification that the text of the enforceability opinion for the ESP CBP is exactly the same as the enforceability opinion that had been previously approved from any previous FirstEnergy Ohio Utilities' CBP.

If a potential bidder submits the materials as specified above, the alternate form of guaranty will be approved for the ESP CBP without further re-evaluation. If a potential bidder had secured approval for an alternate form of guaranty from any previous FirstEnergy Ohio Utilities' CBP but is unable to provide the materials as specified above, the potential bidder must resubmit the alternate form of guaranty and all supporting documentation as specified ~~in the Minimum Requirements for the Alternate Form of Guaranty section~~ above and these materials will be re-evaluated according to the criteria set forth in this document.

All proposing parties that become Qualified Bidders under the Part 1 Application process, but whose alternate form of guaranty are rejected by the FirstEnergy Ohio Utilities, are required to submit with their Part 2 Application a supplemental certification that the Applicant unconditionally accepts all terms and conditions of the Master SSO Supply Agreement.

Name of Applicant

Appendix C – ~~Draft Letter of Credit for~~Proposing Changes to the Pre-Bid Security ~~(Optional)~~Letter of Credit

The standard form of the Pre-Bid Security Letter of Credit presented in this section is in a form acceptable to the FirstEnergy Ohio Utilities and will be posted to the Information Website. However, an Applicant has the option to ~~submit a draft~~propose changes to the Pre-Bid Security Letter of Credit clearly identifying the proposed changes in an electronic, redlined version by email with their Part 1 Application to ~~ebpmanager@crai.com.~~ FEOUAuctionManager@crai.com.

The FirstEnergy Ohio Utilities will assess, in its sole and exclusive discretion, whether such modifications are acceptable. The Qualified Bidder, in its Part 2 Application, must provide the required executed Pre-Bid Security Letter of Credit that either uses the standard form or incorporates only those modifications to the standard form accepted by the FirstEnergy Ohio Utilities upon review of the Part 1 Application. ~~The draft~~The proposed changes to the Pre-Bid Security Letter of Credit will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the CBPAuction Manager will redact the ~~draft~~modified Pre-Bid Security Letter of Credit to remove any information identifying the Applicant. The CBPAuction Manager will then forward the redacted version to a credit and legal representative of the FirstEnergy Ohio Utilities.
- The credit and legal representative will determine whether such modifications are acceptable. The credit and legal representative shall inform the CBPAuction Manager of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of the FirstEnergy Ohio Utilities' decision, the CBPAuction Manager will notify the Applicant of the FirstEnergy Ohio Utilities' decision. The FirstEnergy Ohio Utilities' decision will either state:
 - (i) The ~~draft~~proposed changes to the Pre-Bid Security Letter of Credit ~~is~~are acceptable to the FirstEnergy Ohio Utilities in the form in which ~~it was~~they were submitted.
 - (ii) The ~~draft of~~proposed changes to the Pre-Bid Security Letter of Credit ~~is~~are not acceptable to the FirstEnergy Ohio Utilities in the form in which ~~it was~~they were submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the CBPAuction Manager will set forth the required changes.
 - (iii) The ~~draft~~proposed changes to the Pre-Bid Security Letter of Credit ~~is~~are not acceptable to the FirstEnergy Ohio Utilities.

Name of Applicant

- If specific changes are required ~~to the draft Letter of Credit~~pursuant to (ii) above, the Applicant will be required to resubmit the ~~draft~~Pre-Bid Letter of Credit with the changes identified by the FirstEnergy Ohio Utilities on the Business Day following the Business Day during which the ~~CBP~~Auction Manager notified the Applicant of the FirstEnergy Ohio Utilities' decision. No later than three (3) Business Days after the Applicant's resubmission, the ~~CBP~~Auction Manager will notify the Applicant of the FirstEnergy Ohio Utilities' final decision.

End of Part 1 Application

Part 2 Application

FirstEnergy Ohio Utilities' CBP Auctions

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Name of Applicant

PART 2 APPLICATION

FirstEnergy Ohio Utilities' CBP Auctions

INSTRUCTIONS

There are two parts to the application process.

- **Part 1 Application:** Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Competitive Bidding Process ("CBP").
- **Part 2 Application:** Qualified Bidders for the CBP submit the Part 2 Application, in which they will agree to comply with the Bidding Rules and Communications Protocols, accept the terms of the FirstEnergy Ohio Utilities' Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"), make certifications regarding associations and handling of Confidential Information, submit Indicative Offers, and post Pre-Bid Security to become Registered Bidders.

This document is the Part 2 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in either the Glossary or the Master SSO Supply Agreement.

PART 2 APPLICATION SUBMISSION

To become a Registered Bidder for the CBP, Applicants must submit the following to the [CBPAuction](#) Manager electronically through the Secure Application Process ~~and in hardcopy format to the address below~~ by the Part 2 Application deadline:

- **Electronic Application Form:** Completed Part 2 Application;
- **HardcopyPDF Application Form:** One (1) ~~printed~~scanned copy of the completed Part 2 Application with original signatures and the name of the Applicant on every page of the Part 2 Application;

Name of Applicant

In addition to the completed Part 2 Application Forms, each Qualified Bidder must:

- Submit an Indicative Offer for the CBP;
- Submit a Pre-Bid Security Letter of Credit, ~~cash~~, and/or ~~any additional Pre-Bid Security~~ cash to support the Indicative Offer, as necessary; and
- Make required certifications on Applicant Associations and Confidential Information and, if unable to do so, make required information disclosures.

Photocopies and facsimiles of completed forms will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the CBP.

**The completed Part 2 Application and the ~~supporting Credit Documents—Pre-~~
~~Bid Security~~ MUST be received by the ~~CBP~~Auction Manager no later than
12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date as
posted in the timeline on the Information Website.**

~~Send hardcopies to:~~

~~CBP Manager
c/o Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-32
Boston, MA 02116-5092~~

~~Phone: 617-425-3384~~

Name of Applicant

CONFIDENTIALITY OF PART 2 APPLICATION SUBMISSIONS

All Applicants are required to comply with the Communications Protocols.

Confidentiality requirements specific to the Part 2 Application are reiterated below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 2 Application may be provided on a confidential basis to the [CBPAuction](#) Manager Team and the Public Utilities Commission of Ohio ("PUCO" or "Commission") and their representatives. Representatives from the FirstEnergy Ohio Utilities will decide whether the form of Pre-Bid Security submitted is acceptable; Pre-Bid Security documents will be redacted prior to the closing of the bidding process so as not to reveal an Applicant's identity or the amount of the Applicant's Indicative Offer.

CONFIDENTIALITY OF REGISTERED BIDDERS AND INITIAL ELIGIBILITY

Upon completion of the Part 2 Application process, the names of Registered Bidders will be provided to other Registered Bidders on a confidential basis, as well as the total Initial Eligibility aggregated across all Registered Bidders and products. As part of this Part 2 Application, you are required to certify that you agree to release your name to other Registered Bidders and that you will keep confidential the list of Registered Bidders and total Initial Eligibility that is provided to you.

Name of Applicant

PART 2 APPLICATION FirstEnergy Ohio Utilities' CBP Auctions

This Part 2 Application is includes the ~~application form forms~~ to become a Registered Bidder in the FirstEnergy Ohio Utilities' Competitive Bidding Process (CBP).

I. Background Information

Before completing this ~~form application~~, please review the Bidding Rules document for this CBP ("Bidding Rules"), the Master SSO Supply Agreement, the Communications Protocols, and other documents posted on the Information Website so that you understand the conditions under which the CBP will be conducted.

II. Confirmation of Receipt

Online delivery: If your Part 2 Application is submitted online through the Secure Application Process, an email will be sent to the Authorized Representative and Delegate to confirm receipt. You will still be required to submit athrough the online Secure Application Process or via email a scanned copy of the Part 2 Application with original signatures ~~via post or hand delivery.~~

~~**Delivery by Post or Hand Delivery:** If your Part 2 Application is received only by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.~~

III. Incomplete Applications

If your Part 2 Application is incomplete or requires clarification, the ~~CBPAuction~~ Manager will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 2 Application may be rejected and you may be unable to participate in the CBP. All corrections to remedy deficiencies within an Applicant's Part 2 Application must be submitted online. The Authorized Representative needs to sign and date next to the correction(s) to the Part 2 Application and send to the ~~CBPAuction~~ Manager by email to ~~ebpmanager@crai.com, followed by hardcopy~~

Name of Applicant

~~to~~FEOUAuctionManager@crai.com or through the ~~CBP Manager online Secure Application Process.~~

IV. Late Applications

Part 2 Applications received after the stated deadline will NOT be accepted under any circumstances.

V. Changes to Part 1 Application

If changes to the Part 1 Application are warranted in order to fulfill the requirements of the Part 2 Application, those changes to the Part 1 Application must be received by the ~~CBP~~CBPAuction Manager no later than 12:00 p.m. noon prevailing Eastern Time seven (7) Business Days prior to the Part 2 Application Due Date. All changes to an Applicant's Part 1 Application must be signed and dated by the Authorized Representative and sent to the ~~CBP~~CBPAuction Manager by email to ~~ebpmanager@crai.com, followed by~~ hardcopy to FEOUAuctionManager@crai.com or through the ~~CBP Manager online Secure Application Process.~~

VI. Deficient Pre-Bid Security

~~If your Credit Documents are not in a form acceptable to the FirstEnergy Ohio Utilities, your Authorized Representative will be emailed a deficiency notice and you will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you fail to meet this deadline, your Part 2 Application will be rejected.~~

~~If your Credit Documents are insufficient for your Indicative Offer, or if your other~~If your pre-bid security is insufficient for your Indicative Offer, or if your Pre-Bid Security is in a form that is not acceptable to the FirstEnergy Ohio Utilities, your Authorized Representative will be emailed a deficiency notice. You will have until the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit ~~revised documents acceptable and sufficient Pre-Bid Security.~~ If you cannot correct the deficiency, your Application may be rejected or your Initial Eligibility may be reduced by the ~~CBP~~CBPAuction Manager so that your Pre-Bid Security is sufficient to cover your Indicative Offer.

Name of Applicant

VII. Certifications Regarding Associations

You may be required to provide additional information to the [GBPAuction](#) Manager and to the Commission and its representatives if you are unable to make the certifications in this Part 2 Application.

~~VIII. Rejection of Applications~~

~~If your application is rejected, your Part 2 Application and all supporting documents will be returned to you.~~

~~IX.VIII.~~ Notification to Registered Bidders

If you become a Registered Bidder for the CBP, the [GBPAuction](#) Manager will send a Notification to Registered Bidders to your Authorized Representative by email after the Part 2 Application Due Date. The Notification to Registered Bidders will also be sent to your Authorized Representative by courier. If there are material changes to the Applicant's information provided in this Part 2 Application, you are obligated to notify the [GBPAuction](#) Manager.

Prior to the auction, Registered Bidders will receive information to participate in the auction using the [GBPAuction](#) Manager's secure Bidding Website.

| _____
Name of Applicant

PART 2 APPLICATION FORMS

2.1 Applicant Information

Name of Applicant (Company Name)

Authorized Representative's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Part 2 Application: FirstEnergy Ohio Utilities' CBP Auctions

Name of Applicant

Delegate's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Company Name

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

NOTE: The Authorized Representative and Delegate should be the same contact information that was provided in the Part 1 Application. Please email cbpmanager@crai.com FEOUAuctionManager@crai.com if there are any changes to this information prior to the deadline for making changes as outlined in Section V above.

Name of Applicant

2.2 Indicative Offer and Pre-Bid Security

In Table 2.1 below, provide your Indicative Offer at the Minimum Starting Price and the Maximum Starting Price for each product in the auction. Your Indicative Offer should be the maximum number of Tranches that you would be willing to supply at the Starting Prices for the auction subject to the limitations of any applicable credit-based tranche limit and any applicable Load Cap for the auction. In the auction itself, you are not required to bid the number of Tranches in your Indicative Offer. However, your Initial Eligibility to bid in the auction will be determined by the total number of Tranches across the products in your Indicative Offer at the Maximum Starting Price.

You are required to submit a Pre-Bid Security Letter of Credit or cash deposit for an amount equal to \$500,000 multiplied by the total number of Tranches in your Indicative Offer at the Maximum Starting Price. ~~If you were required to do so, please provide additional Pre-Bid Security in an acceptable form. Instructions regarding the amount of the Letter of Reference and the amount of the Letter of Intent to Provide a Guaranty are provided in Table 2.1. Credit Documents~~The Pre-Bid Security Letter of Credit in support of your Pre-Bid Security should be in the form provided on the Information Website or as approved in modified form during the Part 1 Application process.

Please check here ☐ if you are submitting a cash deposit as Pre-Bid Security.

Please check here ☐ if you are submitting a Pre-Bid Security Letter of Credit as Pre-Bid Security.

~~Please check here ☐ if you are submitting a Letter of Intent to Provide a Guaranty from the named Guarantor on the Part 1 Application Forms [Section 1.8] as additional Pre-Bid Security.~~

~~Please check here ☐ if you are submitting a Letter of Reference from a bank as additional Pre-Bid Security.~~

Complete Table 2.1 to include the amounts of the cash deposits, and/or Pre-Bid Security Letter of Credit ~~and/or other additional Pre-Bid Security~~ that you are providing with this Part 2 Application.

Name of Applicant _____

Table 2.1 Indicative Offer and Pre-Bid Security

Indicative Offer (number <u>Number</u> of Tranches)	Tranches @ Min Starting Price	Tranches @ Max Starting Price
12 <u>XX</u> -month supply period Starting Price: Minimum= \$80.00 <u>xx.xx</u> /MWh Maximum= \$105.00 <u>yy.yy</u> /MWh	_____	_____
24 <u>XX</u> -month supply period Starting Price: Minimum= \$80.00 <u>xx.xx</u> /MWh Maximum= \$105.00 <u>yy.yy</u> /MWh	_____	_____
<u>Number of Tranches summed across products at Max Starting Price:</u>		_____
Amount of cash deposit or Letter of Credit All Bidders: This amount is equal to \$500,000 multiplied by the number of Tranches summed across products at Max Starting Price		_____ <u>Cash</u> _____ <u>LoC</u>
<u>Amount of Additional cash deposit or Pre-Bid Security</u> If required, this <u>Letter of Credit</u> All Bidders: This amount is equal to \$1,000 <u>500</u> ,000 multiplied by the number of Tranches summed across products at Max Starting Price. NOTE: Stand-alone investment-grade companies with a sufficient Independent Credit Threshold (ICT) to cover the amount of additional Pre-Bid Security calculated above are not required to post additional security. All other Bidders are required to post additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty and/or a Letter of Reference for an amount not to exceed their ICT. If necessary, additional cash or a Letter of Credit may be provided in lieu of a Letter of Reference.		_____ <u>Cash</u> _____ <u>LoC</u>
• Please enter the amount of additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty in the box on the right. NOTE: This is an option for companies with an investment-grade guarantor.		_____ _____
• Please enter the amount of additional Pre-Bid Security in the form of a Letter of Reference in the box on the right. NOTE: This is an option for companies without an investment-grade rating and/or with a below-investment grade guarantor.		_____ _____

Part 2 Application: FirstEnergy Ohio Utilities' CBP Auctions

Name of Applicant

Indicative Offer (continued)	
<p>• Please enter the amount of additional Pre-Bid Security in the form of cash deposit or Letter of Credit in the box on the right.</p> <p>NOTE: This is an option for companies unable to provide a Letter of Reference of sufficient magnitude to cover the additional Pre-Bid Security amount.</p>	<div><div>_____</div><div>Cash</div><div>_____</div><div>LoC</div></div>

Name of Applicant

If you are submitting a Pre-Bid Security Letter of Credit, in the space below, please provide instructions for returning the Pre-Bid Security Letter of Credit once it can be cancelled. If you submit a Pre-Bid Security Letter of Credit and leave this field blank, the Pre-Bid Security Letter of Credit will be returned to the issuing bank once it can be cancelled.

If you are submitting a cash deposit, please attach a copy of your W9 (for tax ID) and a copy of your banking information on your company's letterhead (signed and dated) and, in the space below, please provide wiring instructions for returning your cash deposit.

Name of Applicant

2.3 Certifications by Authorized Representative

Please consult the list of Qualified Bidders for the CBP provided to you upon qualification. ~~The following certifications are those contained in the “Association and Confidential Information Rules” of the Bidding Rules for the CBP auctions (“Bidding Rules”).~~ Please consult the criteria for associations and the definition of Confidential Information in the Bidding Rules. Please also consult the Communications Protocols to understand the requirements regarding the treatment of Confidential Information.

Please make the following certifications. All Qualified Bidders, including each party to a Bidding Consortium, Bidding Agreement or Joint Venture for the purpose of bidding in the CBP, must make these certifications. The following certifications (1) to (8) will apply from the time of qualification until the results of the CBP are finalized. Completion of the following certifications also signifies your acknowledgement that you do not know of or cannot reasonably anticipate, at the time of this Part 2 Application, any events that might cause these certifications to become untrue during the period to which each certification applies. If you cannot make one or more of these certifications, please disclose the necessary information to explain why you cannot make these certifications.

- (1) Please certify that you are not associated with another Qualified Bidder according to the criteria as defined in the Bidding Rules.

Signature of Authorized Representative

Date

If unable to make certification (1) requested above please identify the Qualified Bidder(s) in the CBP with whom you are associated and the nature of the association.

Name of Applicant

- (2) Please certify that, other than parties explicitly named in Section 1.11 of your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the CBP, or Bidding Consortium or other arrangement pertaining to bidding in the CBP, you have not entered into any agreement with another Qualified Bidder, directly or indirectly, regarding bids in the CBP, including, but not limited to, the amount to bid at certain prices, when or at what prices bids are to be withdrawn, or the amount of exit prices.

Signature of Authorized Representative

Date

- (3) Please certify that any person who will be advising or assisting you with bidding strategy in the CBP, with estimation of the value of Tranches, or with the estimation of the risks associated with serving SSO Load (an **advisor**) will either (i) not provide any similar advice or assistance to any other Qualified Bidder; or (ii) if such person will provide similar advice or assistance to another Qualified Bidder, or if such person will be privy to Confidential Information relative to any other Qualified Bidder's bidding strategy, that appropriate protections have been put into place to ensure that the advisor does not serve as a conduit of information between, or as a coordinator of the bidding strategies of, multiple bidders, and please describe such appropriate protections in the space below.

Signature of Authorized Representative

Date

If unable to make certification (3) requested above please name the advisor(s) and the Qualified Bidder(s) concerned.

--

| _____
Name of Applicant

- (4) Please certify that you are not a party to any contract for the purchase of power that might be used as a source of supply for SSO Service, and that (i) would require the disclosure of any Confidential Information (Confidential Information relative to the bidding strategy or Confidential Information regarding the CBP) to the counterparty under such a contract; or (ii) that would require the disclosure of any Confidential Information (Confidential Information relative to the bidding strategy or Confidential Information regarding the CBP) to any other party; or (iii) that would provide instructions, direct financial incentives, or other inducements for the Bidder to act in a way determined by the counterparty in the agreement and/or in concert with any other Bidder in the CBP. Notwithstanding the above, you may, during negotiations prior to the CBP for contractual arrangements for power to serve SSO Load were you to be a winner at the CBP, discuss with the counterparty to such arrangements the nature of the standard products to be purchased, the volume, and the price at which you are willing to buy these products, so long as such arrangements do not result in violation of (i), (ii) or (iii) above.

Signature of Authorized Representative

Date

If unable to make certification (4) requested above please disclose the contractual terms that prevent you from making the certification. Please identify the counterparty and if applicable, the party to whom information disclosure must be made under the terms of the contract.

--

| _____
Name of Applicant

- (5) Please certify that you do not have any knowledge of Confidential Information that is relevant to the bidding strategy of any other Qualified Bidder.

Signature of Authorized Representative

Date

If unable to make certification (5) requested above please name the other Qualified Bidder(s) and the nature of the Confidential Information

- (6) Please certify that you will not disclose Confidential Information relative to your bidding strategy except to bidders that were explicitly named in your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the CBP, or Bidding Consortium or other arrangement pertaining to bidding in the CBP, Bidders with which you are associated as disclosed through certification (1), to your advisors, and to your financial institution.

Signature of Authorized Representative

Date

If unable to make certification (6) requested above please explain.

Name of Applicant

- (7) Please certify that, other than entities with which you are affiliated and other than bidders with which you have entered a Bidding Agreement, or Joint Venture for purposes of the CBP, or Bidding Consortium, or other arrangement pertaining to the CBP, no party has agreed to defray any of the costs of participating in the CBP, including the cost of preparing the bid, the cost of any financial guarantees, the cost to be paid upon winning a Tranche, and any other participation cost.

Signature of Authorized Representative

Date

If unable to make certification (7) requested above please explain.

- (8) Please certify your agreement that the submission of any bid in the CBP creates a binding and irrevocable offer to provide service under the terms set forth in the Master SSO Supply Agreement and that a binding and enforceable contract to provide service with respect to the number of Tranches for which you were a winner in the CBP shall arise under the Master SSO Supply Agreement. Please note that failure to execute the Master SSO Supply Agreement within three (3) Business Days of the conclusion of the CBP may result in the forfeiture of the Pre-Bid Security Letter of Credit.

Signature of Authorized Representative

Date

If unable to make certification (8) requested above please explain.

Name of Applicant

The following certifications (9), (10) and (11) will apply from the date on which you make the certifications.

- (9) Please certify that if you are registered to participate in the CBP, you will not disclose at any time information regarding the Initial Eligibility in the CBP or the list of Registered Bidders, including the number of Registered Bidders, the identity of any one or all entities that have been registered, or the fact that an entity has not been registered for participation in the CBP.

Signature of Authorized Representative

Date

- (10) Please certify that you will not disclose any Confidential Information regarding the CBP to any party except your advisors and Bidders with which you are associated as disclosed in certification (1).

Signature of Authorized Representative

Date

If unable to make certification (10) requested above please explain.

Name of Applicant

(11) Please certify that you will continue to abide by your prior confidentiality certifications. You will not disclose any Confidential Information regarding the CBP to any party except to your advisor and Bidders with which you are associated. Please certify that you will destroy all documents, written or electronic, provided by the CBPAuction Manager that contain Confidential Information regarding the CBP within five (5) days of the close of the bidding, or earlier if so instructed by the CBPAuction Manager

Signature of Authorized Representative

Date

If unable to make certification (11) requested above please explain.

| _____
Name of Applicant

2.4 Ongoing Obligations

Please note that all obligations, terms and conditions set forth in the Bidding Rules and Master SSO Supply Agreement remain in effect and apply to the certifications made herein, including but not limited to the following:

- Section 4.2.3 of the Bidding Rules - Sanctions may be imposed on a Bidder for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the Master SSO Supply Agreement, loss of all rights to provide supply for the FirstEnergy Ohio Utilities to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding processes, and other sanctions that may be appropriate.

| _____
Name of Applicant

2.5 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 2 Application, please justify fully any omissions in the space provided below.

| _____
Name of Applicant

Appendix A – Enclosures to the Part 2 Application

This is a checklist of documents to be enclosed with this Part 2 Application.

- ☐ One copy of completed Part 2 Application forms (with original signatures)
- ☐ One copy of W9 Form (for Tax ID) and one copy of banking information on your company's letterhead (signed and dated) (if submitting Cash Deposit as Pre-Bid Security) [Section 2.2]
- ☐ Pre-Bid Security Letter of Credit (if applicable) [Section 2.2]
- ☐ ~~Letter of Intent to Provide a Guaranty (if applicable) [Section 2.2]~~
- ☐ ~~Letter of Reference (if applicable) [Section 2.2]~~
- ☐ ~~Other forms of alternative security (if applicable) [Section 2.2]~~

End of Part 2 Application

Bidding Rules for the FirstEnergy Ohio Utilities' CBP Auctions

~~Revised November 6, 2013~~

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1. INTRODUCTION

These Bidding Rules apply to the competitive bidding process ("CBP") auctions for The Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company (hereafter referred to as "the FirstEnergy Ohio Utilities" or "the Companies") to procure supply for the provision of Standard Service Offer supply ("SSO Supply") for all of their customers that take retail generation service from the FirstEnergy Ohio Utilities.

Bidders also need to be familiar with other documents for the auctions including the Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"), the Part 1 Application, the Part 2 Application, the Communications Protocols, and the Glossary. Bidders also should visit the Information Website regularly for up-to-date information including information specific to each auction.

The URL for the Information Website is <http://www.firstenergyCBP.com>. It contains relevant data, the schedule and key dates for participating in the auction process, frequently asked questions, and other information.

Unless noted otherwise, all capitalized terms in this document are defined in the Glossary or Master SSO Supply Agreement available on the Information Website.

If there are any inconsistencies between this document and the prevailing Master SSO Supply Agreement, the prevailing Master SSO Supply Agreement governs.

Unless noted otherwise, "days" in this document refer to business days and times refer to prevailing Eastern Time. ~~Unless noted otherwise, all capitalized terms are defined in the Glossary included as Appendix 1 to the Communications Protocols.~~

Examples in ~~these Bidding Rules~~ this document are illustrative only.

These Bidding Rules may be modified from time to time by the CBPAuction Manager in order to: (i) facilitate a more competitive CBP, (ii) make any necessary corrections and/or clarifications, (iii) account for any change in CBP products, (iv) conform to any change in state or federal law or rule, and (v) apply any change deemed necessary at the discretion of the CBPAuction Manager. Such modifications will be carried out in consultation with the FirstEnergy Ohio Utilities but without prior consent from the PUCOPublic Utilities Commission of Ohio ("PUCO" or "Commission") or any past, current, or potential bidder and will be posted to the Information Website.

1.1 ~~CBPAuction~~ Manager

The ~~CBPAuction~~ Manager is CRA International, Inc. d/b/a Charles River Associates, Inc. The ~~CBPAuction~~ Manager can be contacted by sending an email to ~~cbpmanager@crai.com~~ FEOUAuctionManager@crai.com. The full contact information for the ~~CBPAuction~~ Manager is as follows:

Attn: Brad Miller, Vice President / Auction Manager

CRA International, Inc.

John Hancock Tower

200 Clarendon Street, ~~T-33~~

Boston, MA 02116-5092

Phone: 617.425.3384

~~Fax: 617.425.6574~~

~~cbpmanager@crai.com~~

~~Attn: Brad Miller, Vice President / CBP Manager~~ FEOUAuctionManager@crai.com

2. THE PRODUCTS BEING PROCURED

This section summarizes the common elements of the products to be procured in the auctions. The Information Website provides details about the products to be procured in a specific auction, including the delivery periods, the number of tranches, the nominal MW size of the tranches, and the ~~seasonal-price factors~~ Seasonal Billing Factor.

2.1 SSO Load

Standard Service Offer ("SSO") Load will be the FirstEnergy Ohio Utilities' aggregate requirements to serve their SSO Customers ~~and will include distribution losses. For purposes of these Bidding Rules, an "SSO Customer" is a retail customer of the FirstEnergy Ohio Utilities taking Standard Service Offer. SSO Load is defined in the Master SSO Supply Agreement and excludes or includes certain customers as follows:~~

- ~~SSO Load will exclude~~ Excludes the requirements of customers served by Competitive Retail Electric Service suppliers ("CRES Suppliers"). CRES Suppliers are certified by the PUCO and serve shopping customers.

~~SSO Load will also exclude~~ Includes the requirements of ~~customers served via the Percentage of Income Payment Plan ("PIPP Customers"). For purposes of the CBP auctions, a PIPP customer is defined as any customer who is a PIPP customer as of June 1, 2011 and any customer who thereafter is enrolled in the PIPP program through May 31, 2016.~~

- ~~SSO Load will include the requirements of any Special Contract~~ any customers of the FirstEnergy Ohio Utilities who are served under ~~special contracts. reasonable agreements.~~

2.2 Full Requirements Service

As used in this document, Full Requirements Service is intended to be synonymous with the requirements associated with SSO Load as defined in the Master SSO Supply Agreement. The auctions are designed to procure ~~full requirements service~~ Full Requirements Service for SSO Customers of the FirstEnergy Ohio Utilities. Winning bidders will assume all responsibilities of a PJM Load Serving Entity ("LSE"). ~~Full requirements service") and will be responsible for supplying all obligations associated with Full Requirements Service. Full Requirements Service includes energy, capacity, market-based~~ unbundled Energy, Capacity, Ancillary Services and Firm Transmission Service, including all transmission ~~service and market-based transmission ancillaries~~ and distribution losses, congestion and imbalance costs associated with the provision of the foregoing services, and any other LSE service or other service as may be required by PJM and Section 4928.141 of the Ohio Revised Code to serve the SSO Load of the FirstEnergy Ohio Utilities.

~~However, the~~ The FirstEnergy Ohio Utilities will provide distribution services and will be responsible for Network Integrated Transmission ~~Services~~ Service ("NITS") charges and for other non-market-based FERC approved transmission charges for shopping and non-shopping load.

~~Full requirements service and the LSE~~ The obligations of winning bidders are defined in the Master SSO Supply Agreement.

2.3 Tranches

SSO Load will be divided into identical units called tranches, each representing an equivalent percentage of SSO Load. Each tranche represents one percent (1%) of the actual hourly energy required for SSO Load for the applicable delivery period as well as one percent (1%) of the PJM capacity requirement for the applicable delivery period.

The number of tranches intended to be procured for each product in the auction is referred to as the "tranche target". for that product. The ~~CBP~~ Auction Manager may reduce the tranche target(s) prior to the auction if indications of interest in the auction are such that doing so is required to promote more competitive bidding.

3. PRICES PAID TO SSO SUPPLIERS

The payment to SSO Suppliers for tranches won will be a seasonal function of the auction prices. The summer payment for a tranche, paid to the winning bidder of the tranche from June 1 through August 31 during each year of the applicable delivery period, will be higher than the winning price for that tranche. The ~~winter~~non-summer payment for the same tranche, paid to the winning bidder of that tranche for the remaining months in the calendar year during each year of the applicable delivery period, will be lower than the winning price for that tranche. The seasonal factors are multiplied by the winning price for a tranche in determining the summer and ~~winter~~non-summer payments for that tranche. The FirstEnergy Ohio Utilities reserve the right to calculate the seasonal factors in advance of each auction in response to changing market conditions. The seasonal factors will be announced to suppliers prior to the auction and will be constant during the duration of the Master SSO Supply Agreement.

Example 1. Seasonal Supplier Payments

Assume the summer factor is 1.1180 and the ~~winter~~non-summer factor is 0.9581, and the delivery period is June 1, ~~2014~~2016 through May 31, ~~2013~~2018.

Assume a bidder in the auction wins three (3) 24-month tranches at a price of \$60.00/MWh. The size of each tranche is 1% of the SSO Load. Thus, the bidder will serve 3% of the SSO Load from June 1, ~~2014~~2016 through May 31, ~~2013~~2017. The bidder will receive \$67.08 ($\60.00×1.1180) for each MWh of SSO Load served in the summer months and \$57.49 ($\60.00×0.9581) for each MWh of SSO Load served in the ~~winter~~non-summer months.

4. PRIOR TO THE START OF BIDDING

4.1 Information Provided to Bidders

The FirstEnergy Ohio Utilities will make available certain information to suppliers in advance of qualification. This information will be posted on the Information Website.

4.1.1 ~~Load~~ Data

The FirstEnergy Ohio Utilities will provide:

- ~~Load~~Historical load data for ~~a historical~~the most recent three-year period available.
- ~~Hourly~~Historical hourly load data for total retail load and SSO Load.
- ~~Switching~~Historical switching statistics and historical load profiles.
- ~~Historical data on PIPP Customers and load.~~

4.1.2 Minimum and Maximum Starting Prices

The ~~CBP~~Auction Manager will announce a minimum starting price and a maximum starting price for each product in the auction. The minimum and maximum starting prices establish the range for the possible round 1 prices for the auction.

4.1.3 Tranche Size, Tranche ~~Target~~Targets

No later than eight (8) days prior to the Part 1 Application Due Date, the ~~CBP~~Auction Manager will announce for each product in the auction:

- The tranche target or the number of tranches being procured.
- The size (%) and MW-measure of the tranches in the auction.

No later than four (4) days prior to the Part 2 Application Due Date, the ~~CBP~~Auction Manager will announce:

- Any update to the MW-measure of the tranches in the auction.

4.2 Qualification Process

There are two parts to the application process. In Part 1, prospective bidders apply to become Qualified Bidders. In Part 2, each Qualified Bidder provides certifications and its indicative offer and pre-bid security in order to become a Registered Bidder.

The auctions typically are scheduled for October and January, ~~with the first auction scheduled for October 2010.~~

If a prospective bidder completes the Part 1 Application and becomes a Qualified Bidder for the October auction in a year, the bidder need not complete the Part 1 Application again for the subsequent auction scheduled for January. The Qualified Bidder still needs to complete the Part 2 Application for the auction scheduled for January even if the Qualified Bidder completed a Part 2 Application for the preceding October auction.

If a prospective bidder for the January auction in a year was not a Qualified Bidder for the preceding October auction, then the prospective bidder must complete the Part 1 Application to become a Qualified Bidder for the January auction.

All prospective bidders for an auction scheduled for October in a year must complete a Part 1 Application to become a Qualified Bidder for that auction, even if they were Qualified Bidders in any prior auction.

A prospective bidder is obligated to inform the CBPAuction Manager of any change in its status related to the information the prospective bidder previously provided in its Part 1 Application or its Part 2 Application.

4.2.1 Part 1 Application: Certifications and Other Qualified Bidder Requirements

In the Part 1 Application process, prospective bidders will be required to:

- Submit an application from a person with the power to bind the bidder.
- Agree to comply with all rules of the auction.
- Agree that if they become winning bidders, they will execute the Master SSO Supply Agreement with the FirstEnergy Ohio Utilities within three (3-business) days following the close of the auction.
- Show either that they are a PJM ~~Market Participant~~market participant and Load Serving Entity in PJM, or that there exist no impediments to them becoming a PJM ~~Market Participant~~market participant and Load Serving Entity in PJM- by the start of the applicable delivery period.
- Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the Master SSO Supply Agreement.
- Certify that if they qualify to participate, they will not disclose information regarding the list of Qualified Bidders or confidential information that may be obtained during the bidding process about Qualified Bidders.

- Certify that if they qualify to participate, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as Qualified Bidders to another entity.
- If the applicant would like to propose changes to the Pre-Bid Security Letter of Credit and/or the Form of SSO Supplier Letter of Credit, submit those changes in an electronic, red-lined version. Likewise, if the Applicant would like to propose an alternate form of guaranty, submit that in electronic form.

Part 1 Applications must be submitted to the CBPAuction Manager no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date. Prospective bidders will be notified by the CBPAuction Manager no later than three (3) days after the Part 1 Application Due Date whether they succeeded in becoming a Qualified Bidder.

A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder. The CBPAuction Manager will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders. The relevant parties that will receive this list of Qualified Bidders are as follows:

- Each Qualified Bidder.
- Other parties as necessary to oversee the proper conduct of the auction, including representatives from the FirstEnergy Ohio Utilities, PUCO Staff, and any advisor ("PUCO Consultant") that PUCO Staff may have retained for this purpose.

All parties receiving a list of Qualified Bidders will be subject to the confidentiality requirements as specified below and in the Communications Protocols.

4.2.2 Part 2 Application: Certifications, Indicative Offer, and Pre-Bid Security

For each auction, Qualified Bidders must successfully complete the Part 2 Application process in order to become a Registered Bidder that can bid in the auction. Only Qualified Bidders may submit a Part 2 Application.

Part 2 Applications must be submitted to the CBPAuction Manager no later than 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date. Qualified Bidders will be notified by the CBPAuction Manager whether they succeeded in the Part 2 Application process no later than three (3) days after the Part 2 Application Due Date.

Certifications

In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding to ensure the confidentiality of information regarding the auction, and in regards to associations with other Qualified Bidders to ensure that they are participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction. More details on the certifications can be found in the section, "Confidential Information, Certifications, and Sanctions," later in this document.

~~A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other.~~ The

competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that associations among bidders may facilitate. As the CBPAuction Manager relies on a number of factors to assess and promote competitive bidding, including the number of independent competitors, using providing inaccurate information or insufficient disclosure of associations in the Part 2 Application is prohibited. More details on rules and protocols for participation by associated bidders can be found in the section, "Bidder Associations," later in this document.

Indicative Offer

With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer and to post pre-bid security sufficient for this indicative offer. A Qualified Bidder's indicative offer specifies two (2) numbers of tranches for each product in the auction. For each product, the first number represents the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for the product and the second number represents the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for the product. For each product, the number of tranches specified in the indicative offer at the minimum starting price cannot exceed the number of tranches specified at the maximum starting price.

Indicative offers are important in two respects. First, the CBPAuction Manager may use the indicative offers to inform the setting of the starting price for each product (i.e., round 1 announced price). Second, the total number of tranches indicated by the Qualified Bidder at the maximum starting prices is used to determine the Qualified Bidder's initial eligibility (i.e., the maximum total number of tranches the Qualified Bidder can bid across all products in round 1 of the auction): the Qualified Bidder's initial eligibility is set to the sum of the number of tranches at the maximum starting prices across all products in the Qualified Bidder's indicative offer. During the auction, bidders are free to switch their tranches among products in response to changes in announced prices (subject to any bidding restrictions). However, a bidder will never be able to bid a total number of tranches across all products that exceeds the bidder's initial eligibility. Thus, the number of tranches for each product at the maximum starting prices in the Qualified Bidder's indicative offer does not limit the number of tranches the Qualified Bidder can bid on a particular product, but the total number of tranches at the maximum starting prices across all products in the indicative offer must be equal to the Qualified Bidder's desired initial eligibility across all products.

RestrictionsAny restriction on the Indicative Offer

~~A Qualified Bidder may have restrictions on its Bidder's initial eligibility—due to—also will restrict the Qualified Bidder's indicative offer commensurately. A Qualified Bidder's initial eligibility is restricted to be no higher than the lesser of the following: (a) a credit-based tranche cap and/or due to (b) any applicable load caps—and therefore may have restrictions on its indicative offer cap.~~

Restrictions on the Indicative Offer: Credit-Based Tranche Cap

A Qualified Bidder may have a credit-based tranche cap that limits the Qualified Bidder's initial eligibility. ~~Thus, the~~The total number of tranches at the maximum starting prices across all products in the Qualified Bidder's indicative offer must not exceed the Qualified Bidder's credit-based tranche cap. This credit-based tranche cap is based on the credit rating of the Qualified Bidder or its Guarantor. A Qualified Bidder's credit-based tranche cap is determined as ~~follows. The Qualified Bidder or Guarantor must:~~shown in Table 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~~
- ~~Have a senior unsecured debt rating (or, if unavailable, corporate issuer rating).~~

~~If the Qualified Bidder or Guarantor is rated by only two rating agencies, and the ratings differ, the higher rating will be used. If the Qualified Bidder or Guarantor is rated by the three rating agencies, and the ratings differ, 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 credit-based tranche cap for a Qualified Bidder or its Guarantor is determined as shown in the following table:~~

Table 1. Credit-Based Tranche Cap

Credit Rating of Qualified Bidder or Guarantor			Credit-Based Tranche Cap
S&P	Moody's	Fitch	
BB and above	Ba2 and above	BB and above	Unlimited up to auction's tranche target
BB-	Ba3	BB-	12 tranches
Below BB-	Below Ba3	Below BB-	6 tranches
If not rated by any of those rating agencies			6 tranches

Note that the parameters in the table above may vary by auction and over time, at the sole discretion of the FirstEnergy Ohio Utilities.

To be assigned a credit-based tranche cap greater than the minimum credit-based tranche cap, the Qualified Bidder or its Guarantor must:

- 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
- Have a senior unsecured debt rating (or, if unavailable, corporate or issuer rating).

If the Qualified Bidder or Guarantor is rated by only one rating agency, that rating will be used. If the Qualified Bidder or Guarantor is rated by only two rating agencies, and the ratings differ, the higher rating will be used. If the Qualified Bidder or Guarantor is rated by the three rating agencies, and the ratings differ, 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.

If a Qualified Bidder is not rated by any of the rating agencies, the Qualified Bidder's credit-based tranche cap will be 6 tranches the minimum credit-based tranche cap as shown in Table 1.

The credit-based tranche cap is in effect only during the bidding process. After the Master SSO Supply Agreement has been executed by a winning bidder, the credit-based tranche cap ~~will~~ no longer will be in effect and the SSO Supplier will be required to meet the credit terms in accordance with ~~Article 6: Creditworthiness in~~ the Master SSO Supply Agreement.

Restrictions on the Indicative Offer: Load Cap

In addition to any credit-based tranche cap, a Qualified Bidder will be subject to a load cap that limits the number of tranches the bidder can bid on and win. The load cap will be 80 percent on an aggregated load basis across all auction products for each auction date such that no bidder may bid on and win more tranches than the load cap. The load cap will be implemented by ensuring that each bidder's initial eligibility does not exceed the load cap in an auction.

Pre-Bid Security

Each Qualified Bidder must post pre-bid security sufficient for its indicative offer at the maximum starting prices. Each Qualified Bidder must post pre-bid security in an amount ~~equal to \$500,000 per tranche specified in the Part 2 Application~~ for all products included in the bidder's indicative offer at the maximum starting prices. Either cash (electronic wire transfer) or a ~~letter~~ Pre-Bid Security Letter of ~~credit~~ Credit will be accepted as pre-bid security. ~~Some bidders may be subject to additional credit requirements or may be required to submit a letter of intent from a Guarantor or a letter of reference from a bank.~~ The standard form of the ~~letter of credit and other security documents that are in a form acceptable to the FirstEnergy Ohio Utilities~~ Pre-Bid Security Letter of Credit will be posted to the Information Website.

~~If a draft letter of credit, alternate guaranty, letter of intent, letter of reference, or any alternate security~~ If a draft Pre-Bid Security Letter of Credit submitted by the prospective bidder with the Part 1 Application does not conform to the standard form, the prospective bidder shall indicate clearly any and all modifications in electronic, redlined format from the standard form. Proposed modifications must be received by the Auction Manager no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date. The FirstEnergy Ohio Utilities will assess, in their sole and exclusive discretion, whether such modifications are acceptable. The prospective bidder, in its Part 2 Application, must provide either cash or the required executed ~~credit documents~~ Pre-Bid Security Letter of Credit that uses either ~~use~~ the standard form or ~~incorporate~~ incorporates only those modifications to the standard form accepted by the FirstEnergy Ohio Utilities upon review of the bidder's Part 1 Application.

The following is an example calculation of the pre-bid security.

Example 2. Pre-Bid Security

A Qualified Bidder submits an indicative offer of 5 tranches for ~~the 12-Month product~~Product-1 at the minimum starting price and 10 tranches for ~~the 12-Month product~~Product-1 at the maximum starting price, 3 tranches for ~~the 24-Month product~~Product-2 at the minimum starting price and 6 tranches for ~~the 24-Month product~~Product-2 at the maximum starting price, and 2 tranches for ~~the 36-Month product~~Product-3 at the minimum starting price and 4 tranches for ~~the 36-Month product~~Product-3 at the maximum starting price. The Qualified Bidder must submit with this indicative offer of 20 tranches at the maximum starting prices cash or a ~~letter~~Pre-Bid Security Letter of ~~credit~~Credit of \$500,000 per tranche. The Qualified Bidder thus posts cash or a ~~letter~~Pre-Bid Security Letter of ~~credit~~Credit of \$10 million (20 tranches X \$500,000 per tranche).

~~Depending on whether the Qualified Bidder is relying on its own financial standing or on that of a Guarantor, and depending on the results of the creditworthiness assessment at the time of the Part 1 Application, the Qualified Bidder may be required additionally to submit a letter of intent to provide a guaranty from its Guarantor or to provide a letter of reference from its bank. Any such additional requirements would be communicated to the Qualified Bidder at the time of qualification during the Part 1 Application process.~~

For a Part 2 Application to be accepted, it must be complete, ~~including and it must include~~ the Qualified Bidder's indicative offer, ~~letter of credit~~, and ~~additional pre-bid security (if required), either a Pre-Bid Security Letter of Credit or cash~~. After its Part 2 Application is accepted, a Qualified Bidder becomes a Registered Bidder. The CBP Auction Manager will send each Registered Bidder a summary of its indicative offer, pre-bid security amount, and the Registered Bidder's initial eligibility.

The CBP Auction Manager ~~also~~ will ~~also~~ send simultaneously to each Registered Bidder, and to those other parties as necessary to oversee the proper conduct of the auction, a list of Registered Bidders, and the total initial eligibility aggregated across all Registered Bidders. The list of Registered Bidders and the total initial eligibility will not be released publicly. Qualified Bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of Registered Bidders and the total initial eligibility, and to destroy documents including electronic files with this information provided by the CBP Auction Manager within five (5) days following the conclusion of the auction, as explained further in the Part 2 Application.

~~Letters of credit and additional Pre-bid security (if required)~~ will remain in full force, at a minimum, until ~~the fifth~~five (5) calendar ~~day~~days after the conclusion of the auction. Subsequently, a bidder's ~~financial guaranty pre-bid security~~ will be ~~marked~~-cancelled and returned as follows:

- As soon as practicable if the bidder has won no tranches.
- After the bidder has signed the Master SSO Supply Agreement and has complied with all creditworthiness requirements of the Master SSO Supply Agreement for the tranches that it has won.

The FirstEnergy Ohio Utilities can collect on the financial guarantees of bidders that win tranches but that fail to sign the Master SSO Supply Agreement or fail to comply with the creditworthiness requirements immediately following the close of the auction.

~~4.2.3 Sanctions for Failing to Comply with the Part 1 and Part 2 Applications~~

~~Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the Master SSO Supply Agreement, loss of all rights to provide supply for the FirstEnergy Ohio Utilities to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding processes, and other sanctions that may be appropriate. For any failure to disclose information or for any violation of the certifications, the CBP Manager will make a recommendation on a possible sanction.~~

4.3 Starting Prices (Round 1 Prices)

No later than three (3) days before bidding starts for an auction, the [CBPAuction](#) Manager will inform all Registered Bidders of the starting price for each product in the auction, which are the announced prices that will be in effect for round 1. For each product, the starting price will be no higher than the maximum starting price and no lower than the minimum starting price for the product. The [CBPAuction](#) Manager will set the starting prices.

4.4 Extraordinary Events

The [CBPAuction](#) Manager, in consultation with the FirstEnergy Ohio Utilities, may determine that, due to extraordinary events, the minimum starting prices and the maximum starting prices require revision. In this event, the schedule for the auction process also may be revised. If the indicative offers have already been received, the [CBPAuction](#) Manager will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process had not been completed) revise their indicative offers on the basis of the revised minimum starting prices and the revised maximum starting prices.

For such a revision to be necessary, an extraordinary event must occur between the time at which the minimum starting prices and the maximum starting prices are announced and the day on which bidding starts. An extraordinary event must be agreed to by the FirstEnergy Ohio Utilities and the [CBPAuction](#) Manager. Such events could include, but are not limited to, the advent of war, the disruption of a major supply source for potentially extended periods, or other events that could significantly affect the cost of supply.

If an extraordinary event occurs during that time, the [CBPAuction](#) Manager in consultation with the FirstEnergy Ohio Utilities will determine revised minimum starting prices and revised maximum starting prices. New indicative offers based on these prices will be required from bidders. To the extent practicable, the determination of new minimum and maximum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the schedule, the [CBPAuction](#) Manager in consultation with the FirstEnergy Ohio Utilities will determine a revised schedule.

5. BIDDING FORMAT FOR AUCTIONS OF MULTIPLE PRODUCTS

In order to participate in the auction, bidders must have been successful in the Part 1 Application process and the Part 2 Application process. Only Registered Bidders are permitted to participate in the auction. Registered Bidders will bid in the auction by accessing the [CBPAuction](#) Manager's secure Bidding Website.

5.1 Descending-Price Clock Format

The auction format is a simultaneous, multiple-round, descending-price clock format for "N" rounds. The number of rounds "N" for the auction is not pre-determined. Instead, it is determined by the closing rule for the auction. All products are bid on simultaneously in the auction during bidding rounds. Prices are announced for the products prior to each bidding round, and during a bidding round, a bidder submits for each product the number of tranches it would supply at the product's announced price. If the total number of tranches bid on a product exceeds the product's tranche target — i.e., the product is over-subscribed — the announced price for the product will be reduced for the next round. Announced prices will tend to decline round by round until the number of tranches bid falls sufficiently so that no product is over-subscribed, there is no excess supply, and the auction closes.

An important rule is that a bidder cannot reduce the number of tranches it bids on a product if the product's announced price does not fall from one round to the next, the bidder can only maintain or increase the number of tranches it bids on the product (subject to other rules).

5.1.1 Rounds

Each bidding round has a specified start time and a specified end time. These start and end times are enforced by the Bidding Website. Prior to the start of the auction, the initial schedule of rounds will be available on the Bidding Website. As the auction progresses, the [CBPAuction](#) Manager will keep bidders informed of the start and end times of subsequent rounds through the Bidding Website. The [CBPAuction](#) Manager retains the option of pausing a round, delaying the start or end of a round, or otherwise adjusting the round times. The [CBPAuction](#) Manager will inform bidders through the Bidding Website if it exercises this discretion to change the start time or end time of a round.

Bidders submit bids only during a round. When a round ends, the bids submitted during that round are processed and results of that round are reported to all bidders as explained in the section "Reporting Round Results" below. Each bidder then prepares to submit a bid for the next round if the auction remains open.

5.1.2 The Announced Prices and a Bid

Prior to the start of each round, the [CBPAuction](#) Manager announces the price that will be in effect for each product for the round. The announced prices are specified in dollars per MWh or \$/MWh. The price announced by the [CBPAuction](#) Manager for a product applies to all of the product's tranches. Each bidder decides how many tranches it is willing and able to supply for each product at the product's announced price. A bid by a bidder is, for each product, the number of tranches that the bidder is willing to supply at that announced price for the product. All bids are irrevocable and binding upon the bidders.

At sufficiently high announced prices there will be excess supply for a product causing it to be over-subscribed; that is, the number of tranches bid on the product will exceed the product's tranche target. Excess supply for a product is measured as the total number of tranches bid across all bidders on the product in the round minus the product's tranche target.

5.1.3 Reservation Prices and Starting Prices

There are reservation prices for the auction. The reservation price for a product is the price above which tranches for the product will not be purchased. If, at the conclusion of the auction, the reservation price for a product has not been met, no tranches for that product will be awarded. At the conclusion of the auction, the [CBPAuction](#) Manager will inform bidders through the Bidding Website if the reservation price for a product has not been met.

Starting prices for the auction are determined after reservation prices are determined. The starting price for a product will be no lower than the reservation price for the product. The starting price may be the same as or higher than the reservation price for the product. The [CBPAuction](#) Manager will not announce the reservation prices to bidders ~~in advance of an auction~~.

5.1.4 Restrictions on What a Bidder Can Bid

The total number of tranches a bidder bids across all products in a round cannot exceed the bidder's eligibility for that round. That is, a bidder's eligibility to bid in a round is the maximum number of tranches it is allowed to bid across all products in that round. A bidder's eligibility for a round simply is the number of tranches the bidder bid across all products in the preceding round. Thus, a bidder cannot increase its eligibility from round to round; its eligibility can only stay the same or decrease from round to round.

A bidder is not allowed to bid more tranches on a product in a round than the product's tranche target.

A bidder is not allowed to bid a number of tranches that would violate either its credit-based tranche limit or any applicable load cap.

If the announced price for a product has been reduced from one round to the next round, the bidder can reduce the number of tranches it bid on that product.

If the announced price for a product has not been reduced from one round to the next round, the bidder cannot reduce the number of tranches it bid on that product.

Subject to the rules above, in each round a bidder is free to bid its tranches of eligibility across products however it would like to. Thus, subject to the rules above, bidders are free to reduce the tranches they bid and/or to switch tranches across products from round to round in response to changes in the announced prices for the products.

As discussed above, a bidder's initial eligibility is its eligibility for round 1 of the auction and is determined by the total number of tranches across products at the maximum starting prices in the bidder's indicative offer. During the course of the auction, the bidder's eligibility will decline or remain unchanged depending on the total number of tranches bid by the bidder across all products in each round of the auction.

If a bidder's eligibility falls to zero tranches, it will not be allowed to bid in any more rounds of the auction.

5.1.5 Multiple Bids by a Bidder

Because a bidder may decide to change a bid it submitted previously within the current open round, a bidder is allowed to make multiple bid submissions in a round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in a round, the only bid considered in the round for that bidder is the last confirmed bid it submitted in the round.

5.1.6 Default Bid

After the end of a round, a default bid is submitted automatically on behalf of a bidder if the bidder:

- Entered the round with positive eligibility, and
- Did not submit a confirmed bid in the round.

If the announced price for a product declined from the prior round, then zero tranches will be the default bid for that product.

If the announced price for a product did not decline from the prior round, then the number of tranches that the bidder bid on the product in the prior round as determined by the end-of-round ("EOR") procedure following the prior round will be the default bid for the product.

Each bidder is solely responsible for ensuring it submits a confirmed bid prior to the end of the round in order to avoid a default bid of being submitted on the bidder's behalf.

5.1.7 The EOR Procedure

At the end of each round, the EOR procedure is used to process the confirmed bids submitted during the round. The EOR procedure includes the following steps.

- (a) The supply for each product is measured by summing up — across the confirmed bids for all bidders — the number of tranches bid for each product.
- (b) The subscription level for each product is measured by comparing the supply for the product to the tranche target for the product. A product is over-subscribed, subscribed, or under-subscribed if supply (i.e., the number of tranches bid) is greater than, equal to, or less than the product's tranche target, respectively.
- (c) If a product has become under-subscribed in a round after being over-subscribed or subscribed in the preceding round, then tranches will be rolled back to the point that the product is subscribed. That is, at least some of the tranches that were bid on the product in the preceding round but were not bid on the product in this round will be deemed to still be bid on the product. The price at which a rolled-back tranche is deemed to have been bid is ~~the~~ simply the announced price at which the bidder had bid the tranche. There is a priority for selecting tranches to roll back: tranches that otherwise would no longer be bid on any product in the auction and therefore would be reductions in bidders' eligibilities are rolled back first (referred to as "eligibility reduction tranches"), and then if needed, tranches that were switched from being bid on the product to being bid on another product are selected next for rollbacks (referred to as "switched tranches"). Eligibility reduction tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. Likewise, switched tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. More precisely, because integer tranches are needed, the actual selection mechanism uses a random number generator to select rollbacks tranche by tranche (first for eligibility reduction tranches and then for switched tranches), but on average the selection process results in proportional rollbacks (with priority given to rolling back eligibility reduction tranches first and then switched tranches second). All tranches that are rolled back maintain their eligibility for the bidder. Any bidder subjected to a rollback will be notified through the Bidding Website that a rollback has taken place and will be informed about the number of tranches deemed bid on each product and the price at which those tranches have been deemed bid.

For example, suppose a bidder bids five tranches on a product and no tranches on other products in round 8, and the price for that product is reduced for round 9 and the bidder bids only 1 tranche on the product and no tranches on other products for round 9. Absent any EOR rollbacks following round 9, the bidder's eligibility would fall from 5 tranches to 1 tranche. But during the EOR procedure, suppose two of the bidder's 4 "eligibility reduction tranches" are rolled back on the product, so after the EOR procedure the bidder is deemed to have bid 3 tranches on the product — one at the announced price of the round just ended and two at the announced price of the preceding round — and therefore the bidder is deemed to have 3 tranches of eligibility for round 10.

(d) "Free eligibility tranches" are determined as follows. A product's "bid stack" is a list of the tranches currently deemed bid on the product and the price at which each tranche was bid for the product. Because of rollbacks, a product's bid stack could have tranches bid at two different prices: some tranches bid at the earlier, higher announced price and some tranches bid at the current, lower announced price. Any new tranche bid on such a product necessarily will be bid at the current, lower announced price. This new tranche will displace a tranche in the product's bid stack at the earlier, higher announced price. The displaced tranche becomes a "free eligibility tranche". The free eligibility tranche counts as eligibility for the bidder and the bidder can bid the tranche on any product next round, or the bidder can choose not to bid the tranche at all. But if the bidder does not bid the free eligibility tranche next round, the tranche will be withdrawn from the auction permanently and will reduce the bidder's eligibility by one tranche after the next round.

(e) In some cases, the CBPAuction Manager may reduce the tranche targets. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce a product's tranche target because of insufficient supply will be eliminated. Thus, any tranche target reduction would more likely occur in the earlier rounds of the auction. If the CBPAuction Manager reduces the tranche target for a product, bidders will be informed of the revised tranche target. Any bidder that would otherwise have eligibility exceeding the new tranche targets will have its eligibility reduced so as not to exceed the new tranche targets.

(f) A determination is made as to whether the auction has concluded. The auction concludes if ~~(i)~~ either case (1) or case (2) holds as follows:

(1) If no product is over-subscribed and ~~(ii)~~ no bidder has free eligibility tranches, then the auction has concluded. Note that it is possible for the auction to continue with no reductions in announced prices: if no product is over-subscribed there will be no reductions in announced prices but if there are free eligibility tranches (which "expire" after one round), the auction will remain open for one more round, (subject to case (2) described next), allowing bidders with free eligibility to bid those tranches.

(2) If this is the Nth consecutive round in which no product is over-subscribed, and the number of tranches of free eligibility across all bidders as a percentage of the sum of the tranche targets across all products is less than or equal to X percent, then the auction has concluded. The parameter values for N and X will be determined before the auction and disclosed to bidders. The likelihood that this case (2) would occur in a particular auction is expected to be low.

~~(f)~~(g) If the auction has concluded, the winning tranches, winning bidders, and winning prices are determined as described below.

~~(g)~~(h) If the auction has not concluded, then each bidder's eligibility is determined for the next round and the price decrement (if any) is determined for each product for the next round.

5.1.8 Price Decrements

The announced prices will decrease round by round by a price decrement for over-subscribed products. Pre-specified price guidelines are used to determine the price decrements. Generally the price

decrement for a product will be larger during the earlier rounds in the auction and when the excess supply for the product is greater. The price decrement is expected to be between 0.5 percent and 5 percent of the announced price for the most recently completed round.

The ~~CBP~~Auction Manager reserves the right to override the price decrement guidelines. The exercise of that right is expected to occur rarely and only if doing so is believed to facilitate timely progression of the bidding process.

5.2 Determination of Winning Tranches, Winning Bidders, and Winning Prices

At the close of the auction, the winning tranches, winning bidders, and winning prices will be determined as follows.

As a result of the EOR procedure as described above, there are two possible scenarios for a product at the close of the auction.

5.2.1 Bid Stack for a Product has All Tranches at the Same Price

In this scenario, there are no rolled-back tranches in the product's bid stack: all tranches in the bid stack were bid at the last announced price, including any tranches bid on the product in the last round of the auction as determined by the EOR procedure. That announced price is the product's clearing price, and all tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product. Note that this scenario includes the case in which a product was over-subscribed at some point in the auction and later became subscribed, as well as the case in which a product was always under-subscribed in the auction (i.e., it was never subscribed or over-subscribed in the auction).

5.2.2 Bid Stack for a Product has Tranches at Two Different Prices

In this scenario, there are rolled-back tranches in the product's bid stack: some tranches in the bid stack were bid at the last announced price (including any tranches bid on the product in the last round of the auction as determined by the EOR procedure), and some tranches in the bid stack were bid at the next most recent announced price. In this case, the product's clearing price is the next most recent announced price — which necessarily is higher than the last announced price for the product. All tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product.

5.3 Example of Round by Round Bidding

Appendix A provides an illustrative example of round by round bidding.

5.4 Reporting Round Results

During a round, a bidder can see the current status of the auction and [the status](#) of the current round, including the announced price for each product as well as the bidder's own bidding status. A bidder will not see information about other bidders.

Between rounds the Bidding Website will report the results for the most recently completed round. Results for all prior rounds also will be accessible. The round results for each completed round in the auction will show:

- The announced price for each product and a range of total supply across all bidders and all products (that is, a range that includes the total number of tranches bid). The range of total supply will be defined by two different integers. Actual total supply will not be reported but will be at least as high as the lower of the two integers and no higher than the higher of the two integers. There is an exception to reporting total supply as a range of two integers: if and when total supply has declined below a pre-determined level, total supply will be reported simply as being below that level. The reporting ranges will be made available to bidders in advance of each auction.
- For each bidder, that bidder's bid for the round — i.e., the number of tranches bid on each product — and the bidder's eligibility for the next round. (Each bidder does not see information about other bidders.)
- The announced price for each product for the next round if the auction will continue with the next round.

5.5 Frequency of Rounds

The early rounds of bidding may be longer in duration than later rounds. The duration of a bidding round will be at least five (5) minutes.

The time between early rounds of bidding may be longer in duration than for later rounds. The time between bidding rounds will be at least five (5) minutes.

The schedule of rounds and any changes to the schedule will be made available to bidders through the Bidding Website.

5.6 Auction Pause Declared by [CBPAuction](#) Manager

At any time during the auction, the [CBPAuction](#) Manager may decide to pause the auction. This is not expected to happen often, ~~if~~ [and it may not happen](#) at all. If the [CBPAuction](#) Manager pauses the auction or changes the round schedule in any way, bidders will be notified.

6. BIDDING FORMAT FOR AUCTIONS OF A SINGLE PRODUCT

In order to participate in the auction, bidders must have been successful in the Part 1 Application process and the Part 2 Application process. Only Registered Bidders are permitted to participate in the auction. Registered Bidders will bid in the auction by accessing the [CBPAuction](#) Manager's secure Bidding Website.

The auction format is a multiple-round descending-price clock format for "N" rounds (N is not pre-determined, as discussed below) possibly followed by a sealed-bid round. The descending-price clock rounds are referred to as the "clock phase." If there is a round following the last clock round, it is referred to as the "sealed-bid round."

The number of rounds for the clock phase is not pre-determined. Instead, it is determined by a rule called "the transition rule," which determines the last round of bidding in the clock phase.

The clock phase, the transition rule, and the sealed-bid round are described next.

6.1 Clock Phase

The description in this section applies to the clock phase of the auction. In a descending-price clock bidding format, the [CBPAuction](#) Manager announces a price prior to the start of each bidding round and each bidder bids the quantity it would supply at that price. The rounds continue with the price declining each round, causing the total supply bid to fall.

An important rule is that a bidder cannot increase the number of tranches it bids round to round as the price falls, it can only maintain or reduce the number of tranches it bids.

6.1.1 Rounds

The clock phase is conducted with rounds of bidding. Each bidding round has a specified start time and a specified end time. These start and end times are enforced by the Bidding Website. Prior to the start of the auction, the initial schedule of rounds will be available on the Bidding Website. As the auction progresses, the [CBPAuction](#) Manager will keep bidders informed of the start and end times of subsequent rounds through the Bidding Website. The [CBPAuction](#) Manager retains the option of pausing a round, delaying the start or end of a round, or otherwise adjusting the round times. The [CBPAuction](#) Manager will inform bidders through the Bidding Website if it exercises this discretion to change the start time or end time of a round.

Bidders submit bids only during a round. When a round ends, the bids submitted during that round are processed and results of that round are reported to all bidders as explained in the section "Reporting Round Results" below. Each bidder then prepares to submit a bid for the next round if the auction remains open.

6.1.2 The Announced Price and a Bid

Prior to the start of each round, the [CBPAuction](#) Manager announces the price that will be in effect for the round. The announced price is specified in dollars per MWh or \$/MWh. The price announced by the [CBPAuction](#) Manager applies to all the tranches. Each bidder decides how many tranches it is willing and able to supply at the announced price. A bid is the number of tranches the bidder is willing to supply at that announced price. All bids are irrevocable and binding upon the bidders.

The announced price will decrease round by round by a price decrement.

At sufficiently high announced prices there will be excess supply for the tranches being procured in the auction. Excess supply for the tranches in a round is measured as the total number of tranches bid across all bidders in the round minus the tranche target.

6.1.3 Reservation Price

There is a reservation price for the auction. The reservation price is the price above which tranches will not be purchased. At the conclusion of the auction, the [CBPAuction](#) Manager will inform bidders through the Bidding Website if the reservation price has not been met.

The starting price for the auction is determined after the reservation price is determined. The starting price will be no lower than the reservation price. The starting price may be the same as or higher than the reservation price. The [CBPAuction](#) Manager will not announce the reservation price to bidders ~~in advance of an auction.~~

6.1.4 A Bidder's Eligibility to Bid

A bidder's eligibility to bid in a round is the maximum number of tranches it is allowed to bid in that round. A bidder's eligibility for a round is the number of tranches the bidder bid in the preceding round. Thus, a bidder cannot increase its eligibility from round to round; its eligibility can only stay the same or decrease from round to round. If a bidder bids zero tranches in a round, it will not be allowed to bid in any more rounds of the clock phase.

As discussed above, a bidder's initial eligibility is its eligibility for round 1 of the auction.

6.1.5 Multiple Bids by a Bidder

Because a bidder may decide to change a bid it submitted previously within the current open round, a bidder is allowed to make multiple bid submissions in a round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in a round, the only bid accepted in the round for that bidder is the last confirmed bid it submitted in the round.

6.1.6 Default Bid

After the end of a round, a default bid of zero (0) tranches is submitted automatically on behalf of a bidder if the bidder:

- Entered the round with positive eligibility, and
- Did not submit a confirmed bid in the round.

As with any bidder that actively bids zero tranches in a round, a bidder having a default bid of zero tranches submitted and confirmed on its behalf in a round will not be allowed to bid in any more rounds of the clock phase.

Each bidder is solely responsible for ensuring it submits a confirmed bid prior to the end of the round in order to avoid a default bid of being submitted on its behalf.

6.1.7 Price Decrements

The announced price will decrease round by round by a price decrement. Pre-specified price guidelines are used to determine the price decrement. Generally the price decrement will be larger for the earlier rounds in the auction and the greater is the excess supply for the tranches. The price decrement is expected to be between 0.5 percent and 5 percent of the announced price for the most recently completed round.

The [CBPAuction](#) Manager reserves the right to override the price decrement guidelines. The exercise of that right is expected to occur rarely and only if doing so is believed to facilitate timely progression of the bidding process.

6.1.8 Frequency of Rounds

The early rounds of bidding may be longer in duration than later rounds. The duration of a bidding round will be at least five (5) minutes.

The time between early rounds of bidding may be longer in duration than for later rounds. The time between bidding rounds will be at least five (5) minutes.

The schedule of rounds and any changes to the schedule will be made available to bidders through the Bidding Website.

6.1.9 Insufficient Supply for the Tranches

If there is insufficient supply for the tranches to ensure competitive bidding, the [CBPAuction](#) Manager will reduce the tranche target. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce the tranche target will be eliminated and there will be no reduction in the tranche target. Thus, any exercise of this discretion would be more likely in the earlier rounds of the auction.

If the [CBPAuction](#) Manager reduces the tranche target for the auction, bidders will be informed of the revised tranche target. Any bidder that otherwise would have eligibility exceeding the new tranche target will have its eligibility reduced to the new tranche target.

6.2 Transition Rule

The rule that determines the last round of bidding in the clock phase is referred to as the transition rule.

The transition rule is that the last round of bidding in the clock phase is the first round of bidding in the clock phase in which excess supply falls to zero or below zero.

- If excess supply is zero, then the auction closes and the winning tranches, winning bidders, and the winning price are determined as described in section 6.4.
- If excess supply is less than zero and only one bidder reduced the number of tranches it bid between the last two rounds of the clock phase, then the auction closes and the winning tranches, winning bidders, and the winning price are determined as described in section 6.4.
- If excess supply is less than zero and two or more bidders reduced the number of tranches they bid between the last two rounds of the clock phase, then a sealed-bid round will be held as described next in section 6.3.

6.3 Sealed-Bid Round

The description in this section applies to the sealed-bid round of the auction. As with the clock phase, bidders bidding in the sealed-bid round will submit their bids by accessing the [CBPAuction](#) Manager's secure Bidding Website.

If there is a sealed-bid round, it follows the last round of the clock phase. For ease of description, the last round of the clock phase will be referred to as "round N" and the next-to-last round of the clock phase will be referred to as "round N-1", so the sealed-bid round is "round N+1."

Bidders for the sealed-bid round are those bidders that bid at least one tranche in round N-1 and bid fewer tranches in round N. Any such bidder must submit a bid in the sealed-bid round (even if it bid zero tranches in round N). If it fails to submit a bid in the sealed-bid round, a default bid will be submitted on its behalf as described below in the section on default bids.

Only bidders that bid at least one tranche in round N-1 and bid fewer tranches in round N can submit a bid in the sealed-bid round.

6.3.1 Allowed Bids

While each round in the clock phase has an announced price, there is no announced price for the sealed-bid round. In the sealed-bid round, a bidder submits a bid by specifying for each tranche it bids the price at which the bidder is committing to supply the tranche. A bid by a bidder is, for each tranche in the bid, an irrevocable binding commitment to supply the tranche at the price it bids for the tranche.

The tranches in the bidder's bid will be treated as a supply schedule. That is, the tranches will be sorted in ascending order by price and the price it bid for the first tranche is the price at which the bidder is committing to supply the first tranche, the price it bid for the second tranche is the price at which it is committing to supply the second tranche, and so on.

The bid that a bidder can submit in the sealed-bid round is restricted as follows.

- The bidder's bid must include each of the tranches that it bid in round N-1 but did not bid in round N (even if it bid zero tranches in round N).
- For each of the tranches that the bidder bid in round N-1 but did not bid in round N, the bidder's bid in the sealed-bid round must specify a price that is no higher than the announced price in effect for round N-1. The bidder can specify a different price for each of the tranches. Alternatively, the bidder can specify the same price for two or more of the tranches.

The units for prices specified in the bidder's bid are \$/MWh. The precision of prices is \$0.01/MWh or one cent per MWh. Prices that are entered with greater precision than \$0.01/MWh will be rounded up to the next \$0.01/MWh.

The following example shows four bidders participating in the clock phase and two of those bidders participating in the sealed-bid round.

Example 3. Bids in Clock Phase and Allowed Bids in Sealed-Bid Round

Clock Phase							
Round	Tranche Target	Announced Price (\$/MWh)	Number of Tranches Bid				
			BidderA	BidderB	BidderC	BidderD	Total
1	100	\$75.00	34	55	21	72	182
2	100	\$70.00	30	55	15	50	150
3	100	\$66.00	20	52	10	45	127
4	100	\$62.00	15	48	0	44	107
5	100	\$59.50	0	48	—	42	90

Sealed-Bid Round					
BidderA (must bid 15 tranches)			BidderD (must bid 2 tranches)		
# Tranches Bid	Max. Allowed Price (\$/MWh)	Price Bid (\$/MWh)	# Tranches Bid	Max. Allowed Price (\$/MWh)	Price Bid (\$/MWh)
5	\$62.00	\$62.00	1	\$62.00	\$60.04
8	\$62.00	\$61.40	1	\$62.00	\$59.50
2	\$62.00	\$59.95	—	—	—

In the example above, the clock phase was stopped after round 5 (round N) because it was the first round in which excess supply no longer was positive: in the round only 90 tranches of supply were bid against 100 tranches being procured.

- BidderA must bid 15 tranches in the sealed-bid round because it bid 15 tranches in round 4 and no tranches in round 5. For each of the 15 tranches, BidderA must submit a price in the sealed-bid round that is no higher than the announced price in round 4, or \$62.00/MWh. The bid submitted by BidderA in the sealed-bid round above satisfies that requirement: 5 tranches bid at \$62.00/MWh, 8 tranches bid at \$61.40/MWh, and 2 tranches bid at \$59.95/MWh.
- BidderB does not bid in the sealed-bid round because it bid at least one tranche in round 4 and it did not bid fewer tranches in round 5. BidderB thus wins the 48 tranches it bid in rounds 4 and 5, and the winning price for those 48 tranches is the round 5 announced price, or \$59.50/MWh.

- After round 4 it is known that BidderC can no longer participate in the auction because it bid zero tranches in round 4 and round 4 was not the last round of the clock phase. Thus, BidderC does not bid in the sealed-bid round and will not win any tranches.
- BidderD wins the 42 tranches it bid in round 5, and the winning price for those 42 tranches is the round 5 announced price, or \$59.50/MWh. In addition, BidderD must bid 2 tranches in the sealed-bid round because it bid 2 fewer tranches in round 5 than it bid in round 4. For each of the 2 tranches, BidderD must submit a price in the sealed-bid round that is no higher than the announced price in round 4, or \$62.00/MWh. The bid submitted by BidderD in the sealed-bid round above satisfies that requirement: 1 tranche bid at \$60.04/MWh and 1 tranche bid at \$59.50/MWh.

6.3.2 Multiple Bids by a Bidder

As in the clock phase, a bidder is allowed to make multiple bid submissions in the sealed-bid round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in the round, the only bid accepted in the round for that bidder is the last bid confirmed by the bidder in the round. Section 8.1 below discusses the process for confirming a bid.

6.3.3 Default Bid

A bidder in the sealed-bid round must submit a confirmed bid for all the tranches that it must bid in the sealed-bid round. If it fails to submit a confirmed bid by the end of the sealed-bid round, a default bid will be submitted on its behalf. This default bid will be as follows:

For each of the tranches the bidder bid in round N-1 but did not bid in round N, the default bid for the bidder in the sealed-bid round will specify a price that is the announced price in effect for round N-1.

After the sealed-bid round the auction closes and the winning tranches, winning bidders, and the winning price are determined as described in section 6.4.

6.4 Determination of Winning Tranches, Winning Bidders, and Winning Prices

At the close of the auction, the winning tranches, winning bidders, and winning prices will be determined as follows.

6.4.1 Excess Supply = 0 at End of Clock Phase

If the last round of the clock phase had zero excess supply then there is no sealed-bid round. The winning tranches are the tranches bid in the last round of the clock phase, the winning bidders are the bidders who bid those tranches, and the winning price in the auction is the announced price for the last round of the clock phase.

6.4.2 Excess Supply < 0 at End of Clock Phase with No Sealed-Bid Round

If the last round of the clock phase had excess supply less than zero but only one bidder reduced the number of tranches it bid between the last two rounds of the clock phase, then there is no sealed-bid round. Tranches bid in the last round of the clock phase are winning tranches, bidders who bid those tranches are winning bidders, and the winning price for those tranches is the announced price for the last round of the clock phase.

Additional winning tranches total the difference between the tranche target and the total number of tranches bid in the last round of the clock phase (i.e., round N). Those additional winning tranches are awarded to the one bidder who reduced its number of tranches bid between round N-1 and round N. The bidder is awarded the additional winning tranches at the announced price in effect for the next-to-last round of the auction.

6.4.3 Excess Supply < 0 at End of Clock Phase with Sealed-Bid Round

If the last round of the clock phase had excess supply less than zero and two or more bidders reduced the number of tranches they bid between the last two rounds of the clock phase, then there is a sealed-bid round. Tranches bid in the last round of the clock phase are winning tranches, bidders who bid those tranches are winning bidders, and the winning price for those tranches is the announced price for the last round of the clock phase.

Additional winning tranches are determined as follows.

Random numbers will be assigned to the tranches bid in the sealed-bid round to be used as a tie-breaker, if needed, in case two or more tranches are bid at the same price. The tranches from the bids in the sealed-bid round will be sorted in ascending order by price and then in ascending order by random number. The assignment of random numbers to tranches and the sorting of tranches by price and by random number are done tranche by tranche without regard to bidder.

A winning tranche from the sorted list of tranches is a tranche that satisfies the following condition:

- It is one of the first T tranches that appears in the sorted list of bids, where T is the difference between the tranche target and the number of tranches bid in the last round of the clock phase. The bidder who bid such a winning tranche is the winning bidder for that tranche and the winning price for that tranche is the price the bidder bid for the tranche.

Tranches in the sorted list of bids that do not meet the condition above are not winning tranches.

None, some, or all of the tranches in a bidder's bid in the sealed-bid round may be winning tranches.

In Example 3 above, 17 tranches were bid in the sealed-bid round, and 10 of those tranches are selected as winning tranches. The winning tranches are selected in order of ascending price bid: one tranche bid at price \$59.50/MWh by BidderD, two tranches bid at price \$59.95/MWh by BidderA, one tranche bid at price \$60.04/MWh by BidderD, and six tranches bid at price \$61.40/MWh by BidderA.

6.5 Reporting Round Results

During a round, a bidder will see the current status of the auction and the status of the current round (including the announced price for a round in the clock phase) as well as its own bidding status. A bidder will not see information about other bidders.

Between rounds the Bidding Website will report the results for the most recently completed round. Results for all prior rounds also will be accessible. The round results for each completed round in the clock phase will show:

- For the completed round, the announced price and a range of total supply across all bidders (that is, a range that includes the total number of tranches bid). The range of total supply will be defined by two different integers. Actual total supply will not be reported but will be at least as high as the lower of the two integers and no higher than the higher of the two integers. There is an exception to reporting total supply as a range of two integers: if and when total supply has declined in the clock phase below a pre-determined level, total supply will be reported simply as being below that level. This pre-determined level of total supply will not be disclosed.
- For each bidder, that bidder's bid for the round and the bidder's eligibility for the next round. ~~(Each each bidder does not see information about other bidders-)).~~
- The announced price for the next round if the clock phase will continue with the next round.

6.6 Auction Pause Declared by CBPAuction Manager

At any time during the auction, the CBPAuction Manager may decide to pause the auction. This is not expected to happen often and it may not happen at all. If the CBPAuction Manager pauses the auction or changes the round schedule, bidders will be notified.

7. AFTER THE AUCTION CLOSES

7.1 Notification of Results

At the close of the auction, if the ~~CBPAuction~~ Manager determines that the auction did not violate the competitive bidding process rules in such a manner so as to invalidate the auction, the ~~CBPAuction~~ Manager will notify the FirstEnergy Ohio Utilities, the PUCO, the PUCO Consultant (if one has been retained), and the bidders as follows.

- The ~~CBPAuction~~ Manager will notify the FirstEnergy Ohio Utilities, the PUCO, and the PUCO consultant of the identities of the winning bidders, the number of tranches won by each winning bidder, and the prices for the tranches won.
- The ~~CBPAuction~~ Manager will notify each winning bidder of how many tranches the bidder has won and at what prices. The ~~CBPAuction~~ Manager also will notify the unsuccessful bidders that they have not won any tranches.

~~The names of the winning bidders, the number of tranches won by each bidder, and the winning prices will remain confidential until released publicly by the PUCO or as required by law.~~

The PUCO may reject the results of the auction, through an Order filed within forty-eight (48) hours of the conclusion of the auction based upon a ~~recommendation~~post-auction report from the ~~CBPAuction~~ Manager or the PUCO's consultant in which it is determined that the auction ~~violated the competitive bidding process rules~~violates a specific CBP rule in such a manner so as to invalidate the auction.

7.2 Execution of Master SSO Supply Agreement

The winning bidders and the FirstEnergy Ohio Utilities will execute the Master SSO Supply Agreements no later than three (3) ~~business~~ days following the close of the auction once the specific pricing information and load obligations have been inserted upon completion of the auction. Each winning bidder must demonstrate compliance with the creditworthiness requirements set forth in the Master SSO Supply Agreement.

7.3 Sanctions for Failure to Execute the Master SSO Supply Agreement

A winning bidder's financial guaranty posted with its Part 2 Application may be forfeited if the winning bidder does not execute the Master SSO Supply Agreement within three (3) ~~business~~ days following the close of the auction, if it fails to demonstrate compliance with the creditworthiness requirements set forth in the Master SSO Supply Agreement, or if it fails to agree to any of the terms of the Master SSO Supply Agreement. If the FirstEnergy Ohio Utilities exercise their right to collect on the financial guarantees, then any contractual rights or other entitlements of the winning bidder will terminate immediately without further notice by the FirstEnergy Ohio Utilities. In addition, the winning bidder will be liable for damages incurred by the FirstEnergy Ohio Utilities, which will be determined in accordance with the terms of the Master SSO Supply Agreement as though the winning bidder were a ~~defaulting party~~Defaulting Party to the Master SSO Supply Agreement.

7.4 Disclosure of the Auction Results

The names of the winning bidders, the number of tranches won by each bidder, and the winning prices will remain confidential until released publicly by the PUCO or as required by law. The PUCO may choose to release additional information.

A winning bidder itself may release information regarding the number of tranches it has won, and a non-winning bidder itself may release information only regarding the fact that it participated in the auction, but not before the earliest of:

(1) A PUCO Order confirming the results of the auction.

(2) Forty-eight (48) hours after the conclusion of the auction.

The winning bidders and the non-winning bidders otherwise continue to be bound by their certifications as described elsewhere. In particular, no winning bidder and no non-winning bidder itself can reveal the winning prices of the auction prior to these being publicly released by the PUCO.

8. USE OF THE BIDDING WEBSITE

8. USE OF THE BIDDING WEBSITE

Bidders will bid in the auction by accessing the ~~CBPAuction~~ Manager's secure Bidding Website. An Authorized Representative of a bidder will access the Bidding Website using their own Web browser. The URL address for the Bidding Website, as well as user names and passwords, will be provided to Registered Bidders prior to the start of the auction.

~~The Bidding Website allows a Registered Bidder to submit and confirm bids, to verify its status, to view results from prior rounds, to view the schedule of rounds, and to view messages from the —An Authorized Representative of a bidder will access the Bidding Website using their own Web browser. The URL address for the Bidding Website, as well as user names and passwords, will be provided to Registered Bidders prior to the start of the auction.~~

~~The Bidding Website allows a Registered Bidder to submit and confirm bids, to verify its status, to view results from prior rounds, to view the schedule of rounds, and to view messages from the CBPAuction Manager.~~

8.1 Importance of Confirmed Bids

Submitting a bid on the Bidding Website involves three steps:

(1) Web page for entry and submission of the bid quantities. The bidder enters its desired bid and then submits the bid in order to proceed to the next step.

~~(4)~~(3) Web page for validation of the bid. The bidder is asked to review the bid it submitted in the first step before proceeding to the confirmation step.

~~(2)~~(4) Web page showing confirmation of the bid. The bidder receives a unique confirmation ID for the bid and the time-stamp at which the bid was recorded by the Bidding Website server.

It is important to note that a bid is not accepted and recorded as an accepted bid until and unless the bidder reaches the third step in which the bid confirmation Web page displays the unique confirmation ID and time-stamp for the bid.

8.2 Requirements for Using the Bidding Website

Access to the Bidding Website requires all of the following:

- User name and password provided by the [CBPAuction](#) Manager.
- Access to the Internet.
- ~~Microsoft Internet Explorer~~[Compatible](#) Web browser, ~~version 6.0 or higher.~~
- Status as a Registered Bidder.

A bidder loses access to the Bidding Website after it no longer is possible to win tranches in the auction.

8.3 Messaging

The Bidding Website displays messages from the [CBPAuction](#) Manager. These messages from the [CBPAuction](#) Manager are displayed for all bidders with access to the Bidding Website.

9. BACKUP BIDDING PROCEDURE

In case a bidder has technical difficulties, and as a result is not able to submit a bid via the Bidding Website in a round, a backup bidding procedure will be provided as follows. The bidder uses the Backup Bidding Fax Number to submit its bid via facsimile. It is recommended that the bidder call the Help Desk and inform the operator that it has submitted a bid using the backup bidding procedure. Reasonable efforts will be made to contact the bidder if the backup bid is not received via facsimile in the time expected. Once the backup bid is received via facsimile, a member of the [CBPAuction](#) Manager team will attempt to enter the bid on the Bidding Website on behalf of the bidder.

Prior to the auction, bidders will be provided with the Backup Bidding Fax Number and with forms to use for faxing a bid using the backup bidding procedure.

Bidders must be aware and understand that there is no guarantee or other assurance that if it submits a bid using the backup bidding procedure that its bid will be submitted and confirmed on its behalf by the [CBPAuction](#) Manager team consistent with the intentions of the bidder and in time before the round ends.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website because the round has ended, a default bid will be entered for the bidder as described above in the sections on default bids.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website for other reasons (e.g., the number of tranches bid is greater than a bidder's eligibility or violates the bidder's credit-based tranche limit or applicable load cap), the [CBPAuction](#) Manager team will use reasonable efforts to inform the bidder that a new bid must be submitted.

If a backup bid submitted by a bidder is confirmed by the Bidding Website, the [CBPAuction](#) Manager team will contact the bidder by faxing confirmation of the accepted bid to the bidder.

Bidders use the backup bidding procedure at their own risk. In all cases involving backup bids, the [CBPAuction](#) Manager team does not accept any responsibility, obligation, or liability for errors, omissions, timeliness, or otherwise, related to whether a backup bid is entered into and confirmed by the Bidding Website on behalf of the bidder or as intended by the bidder.

10. WHO TO CONTACT IN CASE OF PROBLEMS DURING THE AUCTION

A bidder should contact the Help Desk if it has questions or problems. The phone number for the Help Desk will be provided to bidders prior to the start of the auction.

11. CONTINGENCY PLAN TO ~~PURCHASE~~PROCURE TRANCHES

11.1 If Fewer Tranches than the Tranche Target are ~~Purchased~~Procured in the Auction

In the event that fewer tranches than a product's tranche target are ~~purchased~~procured in the auction, the FirstEnergy Ohio Utilities will implement a ~~Contingency Plan~~contingency plan for the unfilled tranches. ~~Under that plan as follows.~~

11.1.1 Unfilled Tranches to be Offered in Next Scheduled Auction

~~For any unfilled tranches, if all tranches are not fully subscribed in the initial~~the next scheduled auction in any given year, takes place no later than 30 calendar days prior to the ~~remaining~~start of the delivery period for the unfilled tranches, the unfilled tranches will be ~~carried over and~~made available to bidders in the ~~second~~that auction in the year. If there is no such auction, or if there is such an auction. ~~If there is a second auction in but some of the year and unfilled tranches remain unsubscribed unfilled after such an auction, then the second auction, those remaining unfilled tranches will be made available to winning bidders from the first and/or second auction conducted during the calendar year at the clearing price for the second auction using the following process~~procured as follows.

~~First, if the number of unfilled tranches equals or exceeds the number of winning bidders from the second auction, each winning bidder will be given equal opportunity to accept the obligation to supply one or more additional tranches, subject to the winning bidder's initial eligibility and any applicable load cap. The price to be paid for the additional tranches that are supplied by the winning bidders will be the product-specific highest price among the winning tranches for the product in the second auction (and no higher than the product's reservation price in the second auction). After all winning bidders have accepted or rejected the option to supply one or more additional tranches each, either all the unfilled tranches from the second auction will have been assigned to winning bidders in the second auction, or there will be fewer remaining unfilled tranches than there are remaining winning bidders. In the latter case, a random number that was assigned to each Registered Bidder prior to the second auction will be used to select winning bidders in order of increasing random number. Note that a winning bidder who previously turned down the option to supply additional tranche(s) will not be included in this random selection procedure. A winning bidder selected through this random procedure will be asked if it would like to accept the option to supply one additional tranche. If, after giving each randomly selected winning bidder the option to supply an additional tranche, there still are unfilled tranches remaining, the random selection procedure will start over—using the same random numbers—for those winning bidders who accepted the option to supply an additional tranche.~~

~~If, after the conclusion of the steps above used to assign unfilled tranches in the second auction of the year to winning bidders in the second auction, there still are unfilled tranches, then random numbers will be assigned to bidders who won tranches in the first auction of the year and who did not participate in the second auction of the year. The same random selection procedure described above for winning bidders in the second auction will be applied to winning bidders from the first auction who did not participate in the second auction. Any winning bidder from the first auction who accepts the obligation to supply one or more tranches from the second auction will be paid the product-specific highest price among the winning tranches for the product in the second auction (and no higher than the product's reservation price in the second auction).~~

11.2 If a Winning Bidder Defaults Prior to or During the SSO Delivery Period

~~In the event a winning bidder defaults prior to or during the delivery of SSO load requirements, the FirstEnergy Ohio Utilities will implement a Contingency Plan for the open tranches. The open tranches will be made available in the next auction if that auction occurs before the delivery period of the open tranches. If the next auction does not occur before the delivery period, then the open tranches will be offered to other winning bidders using the same procedure as used for unfilled tranches at the auction as described above.~~

11.1.2 In either of the two cases above, if tranches still Unfilled Tranches to be Offered to Current SSO Suppliers

For this purpose, current SSO Suppliers are SSO Suppliers who have won tranches in one of FEOU's CBP auctions. An SSO Supplier will be considered a current SSO Supplier from the conclusion of the FEOU CBP auction in which such supplier won tranches until the termination of the prevailing Master SSO Supply Agreement. Current SSO Suppliers will be assigned a random number and each unfilled tranche will be offered to current SSO Suppliers in ascending order of random number, subject to any credit-based tranche limits and any applicable load caps for such suppliers. The tranches will be offered to current SSO Suppliers at the clearing price, starting price, or reservation price whichever is lowest, from the auction in which the tranches were not procured.

11.1.3 SSO Supply Requirements to be Met through PJM-Administered Markets

~~If, after the attempts above to procure unfilled tranches, there remain after the procedures above are applied or in the event that there is only a single auction in a year unfilled tranches, the necessary SSO supply requirements associated with those unfilled tranches will be met through PJM-administered markets at prevailing Dayday-ahead zonal spot prices, and, unless instructed otherwise by the PUCO, the FirstEnergy Ohio Utilities will not enter into hedging transactions to attempt to mitigate the associated price or volume risks to serve these tranches.~~

11.2 If a Winning Bidder Defaults Prior to or During the SSO Delivery Period

In the event a winning bidder defaults prior to or during the delivery of SSO Load requirements, the FirstEnergy Ohio Utilities will implement a contingency plan for the open tranches. This contingency plan will follow the same steps as the contingency plan above for unfilled tranches in an auction. That is, the first consideration will be to make the open tranches available in the next scheduled auction if that auction takes place no later than 30 calendar days prior to the start of the delivery period for the open tranches. Next, any remaining open tranches will be offered to current SSO Suppliers as described above. Finally, the necessary SSO supply requirements associated with any remaining open tranches will be met through PJM-administered markets as described above.

Additional costs incurred by the FirstEnergy Ohio Utilities in implementing the ~~Contingency Plan~~contingency plan will be assessed first against the defaulting supplier's credit security, to the extent available.

12. ~~ASSOCIATION AND CONFIDENTIAL INFORMATION RULES,~~ CERTIFICATIONS, AND SANCTIONS

~~The Association and Confidential Information rules are described below.~~

12.1 ~~Process for Reporting Associations, Identifying Concerns and Remedies~~

~~A prospective bidder applying to qualify to bid will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of Qualified Bidders. A prospective bidder also will be required to certify that it accepts the terms of the Master SSO Supply Agreement and, should it win tranches, it will sign the applicable Master SSO Supply Agreement and comply with all creditworthiness requirements by the stated deadline.~~

~~Once entities are qualified to bid, each Qualified Bidder will be asked in its Part 2 Application to make a number of certifications, each detailed in the Part 2 Application, and each bidder may be required to provide additional information to the CBP Manager if a certification cannot be made. Each Qualified Bidder will be asked to certify that it will undertake steps to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the auction. A Qualified Bidder also will be asked to certify that it has not and will not come to any agreement with another Qualified Bidder with respect to bidding in the auction, except as disclosed and approved by the CBP Manager in its Part 1 Application.~~

- ~~• Before obtaining sealed documentation necessary to participate in the auction, Registered Bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the auction.~~

12.212.1 Confidential Information

Confidential Information relative to bidding strategy means information relating to a bidder's bid(s) in the auction, whether in writing or verbally, which if it were to be made public likely would have an effect on any of the bids that another bidder would be willing to submit. Confidential Information relative to bidding strategy includes (but is not limited to): a bidder's strategy; a bidder's indicative offer; the quantities that a bidder wishes to supply; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with serving the load for the auction; and a bidder's contractual arrangements for purchasing power to serve such load were the bidder to win tranches in the auction.

Confidential Information regarding the auction means information that is not released publicly by the PUCO, the FirstEnergy Ohio Utilities or the [CBPAuction](#) Manager and that a bidder acquires as a result of participating in the auction, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future competitive bidding processes, impair the ability of the FirstEnergy Ohio Utilities to hold future competitive bidding processes, or harm consumers, bidders or applicants. Confidential Information regarding the auction includes (but is not limited to): the list of Qualified Bidders, the list of Registered Bidders, the initial eligibility, the status of a bidder's participation, and all non-public reports of results and announcements made by the [CBPAuction](#) Manager to any or all bidders in this auction.

~~Absolute protection from public disclosure of the bidders' data and information filed in this auction process cannot be provided. Confidential Information may not receive continued confidential or protected treatment should: (a) a bidder publicly disclose Confidential Information relating solely to that bidder; or (b) public disclosure is required or compelled by the PUCO, a court or otherwise by law. The Auction Manager, the PUCO, and the FirstEnergy Ohio Utilities shall not be liable for such public disclosures or, so long as reasonable measures have been taken to keep such information confidential, any other public disclosure of Confidential Information.~~ By participating in this auction process, each bidder acknowledges and agrees to the confidentiality provisions set forth herein, as well as any limitations thereto.

In addition, the bidder agrees the bidder's data and information submitted in this auction process will be disclosed if required by any federal, state or local agency (including, without limitation, the PUCO) or by a court of competent jurisdiction. However, the FirstEnergy Ohio Utilities will endeavor to notify the bidder in advance of such disclosure. In any event, neither the FirstEnergy Ohio Utilities nor the CBPAuction Manager, nor any of their employees or agents, will be responsible to the bidders or any other party, or liable for any disclosure of such designated materials before, during or subsequent to this auction. Notwithstanding the above, the FirstEnergy Ohio Utilities and the CBPAuction Manager reserve the right to use and communicate publicly and/or to third parties any and all information/data submitted as part of this auction process in any proceedings before FERC, the PUCO, and any other regulatory body and the courts, if necessary, without the prior consent/approval of, or notice to, any such bidder.

12.312.2 Certifications and Disclosures to Be Made

A prospective bidder will be required to make the certifications listed in the Part 1 and Part 2 Applications and to disclose certain information. For example:

- A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of Qualified Bidders.
- A prospective bidder will be required to certify that it accepts the terms of the Master SSO Supply Agreement and, should it win tranches, it will sign the applicable Master SSO Supply Agreement and comply with all creditworthiness requirements by the stated deadline.
- A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the auction. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, a joint venture for the purpose of participating in the auction, a bidding consortium, or any other arrangement pertaining to participating in the auction. A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the auction.
- Each Qualified Bidder will be asked to certify in its Part 2 Application that it will undertake steps to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the auction.
- A Qualified Bidder will be asked to certify in its Part 2 Application that it has not and will not come to any agreement with another Qualified Bidder with respect to bidding in the auction, except as disclosed and approved by the Auction Manager in its Part 1 Application.
- Before obtaining sealed documentation necessary to participate in the auction, Registered Bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the auction.

In addition, a prospective bidder will be required to make the certifications listed in the Part 1 and Part 2 Applications.

The PUCO may publicly release the winning prices and the names of the winning bidders from the auction. The PUCO may choose to release additional information. After the auction, a winning bidder itself may release information regarding the number of tranches it has won, and a non-winning bidder itself may release information only regarding the fact that it participated in the auction. The winning bidders and the non-winning bidders otherwise continue to be bound by their certifications as described previously. In particular, no winning bidder and no non-winning bidder itself can reveal the winning prices of the auction prior to these being publicly released by the PUCO.

12.412.3 Actions to ~~Be~~ Taken if Certifications Cannot Be Made

If a bidder cannot make all the certifications ~~above~~, the CBPAuction Manager will decide within five (5) days following the deadline to submit the Part 2 Application on a course of action on a case-by-case basis. To decide on this course of action, the CBPAuction Manager may make additional inquiries and information requests to understand the reason for the inability of the bidder to make the certification.

If Qualified Bidders do not comply with additional information requests by the CBPAuction Manager regarding certifications required in the Part 2 Application, the CBPAuction Manager may reject the application.

12.512.4 Sanctions for Failure to Comply

Sanctions may be imposed on a ~~Qualified Bidder~~ bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder ~~without disclosing this fact, for failure to abide by any of the certifications made in its Part 1 Application or Part 2 Application~~, for releasing Confidential Information or disclosing information during the auction (aside from only ~~the~~ specific exceptions provided ~~above~~ with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement, ~~to an Advisor, or bidders with which it is associated~~), and in general for failing to abide by any of the Communications Protocols.

Such sanctions can include, but are not limited to, any one or more of the following: ~~termination~~

- Termination of the Master SSO Supply Agreement; ~~the~~
- The loss of all rights to provide ~~tranches~~ supply for the FirstEnergy Ohio Utilities to serve any load won by such bidder; ~~the~~
- The forfeiture of letters of credit, financial guarantees, and other fees posted or paid; ~~action~~
- Action (including prosecution) under applicable state and/or federal laws; ~~attorneys'~~
- Attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; ~~debarment~~
- Debarment from participation in future competitive bidding processes; ~~and/or other~~
- Other sanctions that may be appropriate.

Should such an event occur, the CBPAuction Manager will make a recommendation to the FirstEnergy Ohio Utilities regarding sanctions. The imposition of such sanctions will be at the discretion of the FirstEnergy Ohio Utilities.

13. BIDDER ASSOCIATIONS

A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other.

The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that associations among bidders may facilitate. As a result, the Auction Manager has developed standards that apply when associated parties apply to participate in a CBP auction. The following sections outline the specific protocols that will be followed when associated entities submit Part 1 and/or Part 2 Applications to participate in a CBP auction for the FirstEnergy Ohio Utilities.

13.1 Procedure Followed by the Auction Manager

Potential associations among participants may come to the attention of the Auction Manager at different points in the bidder qualification application process. In order to improve the process efficiency and minimize the risk of disclosure of potentially confidential information, the Auction Manager will approach each case as described below.

13.1.1 Following the Receipt of the Part 1 Applications

Potential associations among applicants may become apparent after the Part 1 Applications are submitted but before Qualified Bidders are required to disclose such associations as part of their Part 2 Applications. The Auction Manager will take no action related to potential associations until each party submits their completed Part 1 Application. In cases where there is an apparent relationship among applicants, the Auction Manager will initiate a request for additional information regarding the relationship among the potentially associated parties, the structure of their organization, and the independence of the respective bidding teams.

In such cases, the Auction Manager will notify representatives of the FirstEnergy Ohio Utilities, PUCO Staff, and the PUCO's consultant that there is a potential association among applicants.

In addition, as outlined in the Part 2 Application, the Auction Manager reserves the right to request additional information from each party including, but not necessarily limited to:

- (a) Information on how the entity maintains its independence from the associated party including any available supporting documentation such as a Corporate Separation Agreements, Codes of Conduct, and/or organization charts.
- (b) A list of individuals within the organization who have played or will play a material role in the CBP auction.
- (c) Information regarding the nature of any work done in conjunction with or on behalf of the associated party.
- (d) Information describing the organizational structure of the associate(s), identifying common management and oversight among the associated entities as well as the management involved in or responsible for bid approval.
- (e) The internal process or protocol related to determining indicative offers submitted as part of the Part 2 Application.
- (f) Disclosure of whether the entity is bidding on behalf of itself or acting as an agent for other entities.

Any responses to the above will be treated as confidential if labeled as such.

13.1.2 Following the Receipt of the Part 2 Applications

In some cases, the potential relationship among Qualified Bidders will not be known to the Auction Manager until the Qualified Bidders submit final certifications along with their Part 2 Applications. In such cases, the Auction Manager will initiate the steps outlined above, upon receipt of the completed Part 2 Applications.

After the Auction Manager has requested and received additional information from each associated bidder, the Auction Manager will work with representatives of the FirstEnergy Ohio Utilities, PUCO Staff, and the PUCO's consultant to determine:

- (a) Whether each of the associated bidders will be allowed to participate independently in the CBP auction; and
- (b) Any restrictions that may be applied as a result of the participation by associated bidders.

Any restrictions will be based on the information provided by the associated bidders as part of the Part 1 Application, the Part 2 Application, and the additional information that was provided at the request of the Auction Manager.

13.2 Remedies and Actions Related to Participation by Associated Bidders

This section summarizes the potential restrictions that will be considered by the Auction Manager, the FirstEnergy Ohio Utilities, PUCO Staff, and the PUCO's consultant in relationship to associated participation. Restrictions on participation may include, but may not be limited to, the following:

- (a) Indicative offers may be restricted such that any applicable load cap or credit based tranche cap may apply across the associated bidders;
- (b) Pre-bid security or collateral requirements may be altered for the associated bidders to ensure that associated bidders do not gain a competitive advantage over other bidders; and,
- (c) In some cases, one or more associated bidders may not be allowed to participate in the CBP auction.

13.3 Handling of Confidential Information

In order to execute the process of gathering information on associated entities and executing the remedies outlined above, there may be situations that require the Auction Manager to share, directly, certain confidential information among the associated parties, the FirstEnergy Ohio Utilities, the PUCO, its staff, and/or the consultant hired by the PUCO to monitor the process.

In addition, as part of the remedies outlined in above, an associated party may gain access to or be able to ascertain certain confidential information of the other associated entities. While access to such information otherwise may be counter to certifications in the Part 2 Application, access to such information acquired through the data gathering and remedies related to associated bidders will not be considered a violation of the CBP rules.

Confidential information includes but may not be limited to the initial eligibility for each associated bidder based on indicative bids submitted with the Part 2 Application. The Auction Manager will make reasonable efforts to minimize the disclosure of any such confidential information.

13.14. MISCELLANEOUS

13.14.1 Warranty on Information

The information provided for the auction, including but not limited to information provided on the Information Website, has been prepared to assist bidders in evaluating the auction process. It does not purport to contain all the information that may be relevant to a bidder in satisfying its due diligence efforts. Neither the FirstEnergy Ohio Utilities nor the **CBPAuction** Manager make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information, and shall not, either individually or as a corporation, be liable for any representation expressed or implied in the auction process or any omissions from the auction process, or any information provided to a bidder by any other source. A bidder should check the Information Website frequently to ensure it has the latest documentation and information. Neither the FirstEnergy Ohio Utilities, nor the **CBPAuction** Manager, nor any of their representatives, shall be liable to a bidder or any of its representatives for any consequences relating to or arising from the bidder's use of information.

13.214.2 Hold Harmless

Bidder shall hold the FirstEnergy Ohio Utilities and the [CBPAuction](#) Manager harmless of and from all damages and costs, including but not limited to legal costs in connection with all claims, expenses, losses, proceedings or investigations that arise in connection with the auction process or the award of a bid pursuant to the auction process.

13.314.3 Bid Submissions Become the FirstEnergy Ohio Utilities' Property

All bids submitted by bidders participating in the auction will become the exclusive property of the FirstEnergy Ohio Utilities upon conclusion of the auction process.

13.414.4 Bidder's Acceptance

Through its participation in the auction process, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the Master SSO Supply Agreement.

13.514.5 Permits, Licenses, Compliance with the Law and Regulatory Approvals

Bidders shall obtain all licenses and permits and status that may be required by any governmental body, agency or organization necessary to conduct business or to perform hereunder. Bidders' subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.

13.614.6 Auction Intellectual Property

All title, interests and other intellectual property rights in and to the auction design, the auction format and methodology, the auction software, the source code (including all modifications, enhancements, customization, adaptations and derivative works made by the [CBPAuction](#) Manager) and associated documentation, including but not limited to these Bidding Rules, and the screen formats and forms designed by the [CBPAuction](#) Manager (the "Auction Software"), are proprietary to the [CBPAuction](#) Manager and all rights, title, and interest to the Auction Software remain with the [CBPAuction](#) Manager. The [CBPAuction](#) Manager grants Qualified Bidders a non-exclusive, non-transferable, limited license to use the Auction Software, solely for use in connection with the auction, subject to the terms and conditions set forth herein, and not for copying, relicensing, sublicensing, distribution or marketing by the Qualified Bidder. No other interest is conveyed to the Qualified Bidder other than the license expressly granted herein. The foregoing use license shall immediately terminate upon disqualification of the Qualified Bidder or upon termination or completion of the auction process. If at any time it is determined in the [CBPAuction](#) Manager's sole discretion that the Qualified Bidder is in breach of this section 13.6, the [CBPAuction](#) Manager shall be entitled to terminate the Qualified Bidder's access rights to the Auction Software.

Notwithstanding anything herein to the contrary, and without limiting the Qualified Bidder's other obligations herein, the Qualified Bidder shall not, nor shall it permit any third party to: (i) modify, translate or otherwise create derivative works of the Auction Software; (ii) reverse engineer, decompile, decode, disassemble or translate any Auction Software, or output thereof, or otherwise attempt to reduce to human readable form or derive the source code, protocols or architecture of any Auction Software; (iii) use or study any Auction Software, or output thereof, for the purpose of developing any software that is intended to replace, or that has functions, structure or architecture similar to, such Auction Software, or any part thereof; (iv) publish, or otherwise make available to any third party, any benchmark or other testing information or results concerning the Auction Software; (v) permit any other person who is not authorized to access or use all or any part of the Auction Software or (vi) copy the Auction Software, distribute the Auction Software, remove or obscure any proprietary labeling on or in the Auction Software, create any derivative works based on the Auction Software, or modify the Auction Software, in each case, except to the extent expressly permitted by the CBPAuction Manager in writing.

In using the Auction Software, a Qualified Bidder shall take steps to prevent any virus, worm, built-in or use-driven destruction mechanism, algorithm, or any other similar disabling code, mechanism, software, equipment, or component designated to disable, destroy or adversely affect the Auction Software from being introduced into the systems.

APPENDIX A — EXAMPLE OF ROUND BY ROUND BIDDING IN AUCTIONS OF MULTIPLE PRODUCTS

The illustrative example below shows for two bidders (BidderA and BidderB) and two products (Product-1 and Product-2) the confirmed bids (pre-EOR) and the post-EOR results for each round. In the example, the auction closes after round 4.

Round 1

For round 1, the announced prices are \$75.00 and \$82.00 for Product-1 and Product-2, respectively. At those announced prices, BidderA bids 55 tranches and 85 tranches on Product-1 and Product-2, respectively. BidderB bids 80 tranches and 27 tranches on Product-1 and Product-2, respectively.

When the round closes the EOR procedure is executed. Each product is over-subscribed: 135 tranches were bid on Product-1 which has a tranche target of 100, and 112 tranches were bid on Product-2 which has a tranche target of 100.

The announced price for Product-1 will be reduced from \$75.00 to \$72.50 for round 2. The announced price for Product-2 will be reduced from \$82.00 to \$78.60 for round 2.

BidderA will have eligibility of $55+85 = 140$ tranches for round 2, and BidderB will have eligibility of $80+27 = 107$ tranches for round 2.

Round 2

At the announced prices for round 2, BidderA bids 40 tranches and 85 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 55 to 40 tranches. BidderB bids 50 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB switched 30 tranches from Product-1 to Product-2.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 10 tranches: only 90 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 15 tranches, while BidderB's bid maintained its eligibility. Thus, 10 of the 15 eligibility reduction tranches of BidderA are rolled back on Product-1. Those 10 tranches are priced at the announced price for Product-1 at which they were bid in round 1: \$75.00. The announced price for Product-1 will remain at \$72.50 for round 3.

Product-2 is over-subscribed by 42 tranches. The announced price for Product-2 will be reduced from \$78.60 to \$76.10 for round 3.

BidderA will have eligibility of $50+85 = 135$ tranches for round 3 (including the 10 tranches rolled back on Product-1), and BidderB will have eligibility of $50+57 = 107$ tranches for round 3.

Round 3

At the announced prices for round 3, BidderA bids 99 tranches and 36 tranches on Product-1 and Product-2, respectively. Thus, BidderA is switching 49 of the tranches bid from Product-2 to Product-1. BidderB bids 50 tranches and 35 tranches on Product-1 and Product-2, respectively. Thus, BidderB is reducing its tranches bid on Product-2 from 57 to 35 tranches.

When the round closes the EOR procedure is executed. Product-1 is over-subscribed by 49 tranches. Product-2 is under-subscribed by 29 tranches: only 71 tranches bid against the tranche target of 100 tranches: BidderA's bid maintained its eligibility while BidderB's bid represents a reduction in its eligibility by 22 tranches. Thus, all 22 of the eligibility reduction tranches of BidderB are rolled back on Product-2. Those 22 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60. Even after rolling back those 22 eligibility reduction tranches of BidderB, Product-2 still is under-subscribed — by 7 tranches. So 7 tranches that BidderA had switched from Product-2 to Product-1 are rolled back to Product-2. Those 7 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60.

After rolling back 7 tranches from Product-1 to Product-2 for BidderA, BidderA still has increased the number of tranches it is bidding on Product-1: from 50 tranches bid in round 2 (10 tranches at \$75.00 and 40 tranches at \$72.50) to 92 tranches bid in round 3 (10 tranches at \$75.00 and 82 tranches at \$72.50). Product-1 is over-subscribed as a result, so higher-priced tranches in Product-1's bid stack can be removed. All 10 of BidderA's higher-priced tranches are removed from Product-1's bid stack, and these 10 tranches become BidderA's free eligibility for round 4. In round 4, BidderA can bid any of the 10 tranches on any product, but to the extent those 10 tranches are not bid on a product in round 4, those free eligibility tranches and their associated eligibility for BidderA will be permanently removed from the auction after round 4.

Because Product-1 is over-subscribed, the announced price for Product-1 will be reduced from \$72.50 to \$70.15 for round 4. Because Product-2 is not over-subscribed, the announced price for Product-2 will remain at \$76.10 for round 4.

BidderA will have eligibility of $82+43+10 = 135$ tranches for round 4, and BidderB will have eligibility of $50+57 = 107$ tranches for round 4 (~~excluding~~including the 22 tranches rolled back on Product-2).

Round 4

At the announced prices for round 4, BidderA bids 46 tranches and 43 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 82 to 46 tranches. BidderB bids 32 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB reduced its tranches bid on Product-1 from 50 to 32 tranches.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 22 tranches: only 78 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 36 tranches, while BidderB's bid represents a reduction in its eligibility by 18 tranches. Of the 54 fewer tranches bid on Product-1, 36 were eligibility reductions from BidderA and 18 were eligibility reductions from BidderB. Of those 54 fewer tranches bid, $100 - 78 = 22$ tranches need to be rolled back on Product-1. The selection of which tranches are rolled back is done by assigning random numbers tranche by tranche (not bidder by bidder) to each of the 54 fewer tranches bid on Product-1. On average, the selection of the rolled back tranches will be proportional based on the number of tranches by which each bidder reduced its bid on the product. Thus, if the assignment of random numbers and selection of rolled back tranches were repeated many times, the number of rolled back tranches for BidderA on Product-1 would be expected to be 15 on average or $(82 - 46) / (132 - 78) * (100 - 78) = 36 / 54 * 22$, rounded, and the number of rolled back tranches for BidderB on Product-1 would be expected to be 7 on average: $(50 - 32) / (132 - 78) * (100 - 78) = 18 / 54 * 22$, rounded.

Auction Close

After the rollback is done for Product-1, it is determined that no product is over-subscribed and no bidder has free eligibility tranches. Thus, the criteria are met for closing the auction.

Product-1's bid stack has tranches bid at \$72.50 and tranches bid at \$70.15. So Product-1's clearing price is the higher of the two, or \$72.50. BidderA wins 61 tranches and BidderB wins 39 tranches for Product-1. All 100 tranches procured for Product-1 are paid the price of \$72.50.

Product-2's bid stack has tranches bid at \$78.60 and tranches bid at \$76.10. So Product-2's clearing price is the higher of the two, or \$78.60. BidderA wins 43 tranches and BidderB wins 57 tranches for Product-2. All 100 tranches procured for Product-2 are paid the price of \$78.60.

Example 4. Round by Round Bidding with Pre-EOR and Post-EOR Results

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
1	\$75.00					\$82.00						
Pre-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00		—	140
BidderB			80	@ \$75.00				27	@ \$82.00		—	107
Post-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00		—	140
BidderB			80	@ \$75.00				27	@ \$82.00		—	107
2	\$72.50					\$78.60						
Pre-EOR		100	90		(10)		100	142		42		
BidderA			40	@ \$72.50				85	@ \$78.60		—	125
BidderB			50	@ \$72.50				57	@ \$78.60		—	107
Post-EOR		100	100		0		100	142		42		
BidderA			50	10 @ \$75.00 40 @ \$72.50				85	@ \$78.60		—	135
BidderB			50	@ \$72.50				57	@ \$78.60		—	107

Bidding Rules for the FirstEnergy Ohio Utilities' CBP Auctions

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
3	\$72.50					\$76.10						
Pre-EOR		100	149		49		100	71		(29)		
BidderA			99	10 @ \$75.00 89 @ \$72.50				36	@ \$76.10		—	135
BidderB			50	50 @ \$72.50				35	@ \$76.10		—	85
Post-EOR		100	132		32		100	100		0		
BidderA			82	@ \$72.50				43	7 @ \$78.60 36 @ \$76.10		10	135
BidderB			50	@ \$72.50				57	22 @ \$78.60 35 @ \$76.10		—	107
4	\$70.15					\$76.10						
Pre-EOR		100	78		(22)		100	100		0		
BidderA			46	@ \$70.15				43	7 @ \$78.60 36 @ \$76.10		—	89
BidderB			32	@ \$70.15				57	22 @ \$78.60 35 @ \$76.10		—	89
Post-EOR		100	100		0		100	100		0		
BidderA			61	15 @ \$72.50 46 @ \$70.15				43	7 @ \$78.60 36 @ \$76.10		—	104
BidderB			39	7 @ \$72.50 32 @ \$70.15				57	22 @ \$78.60 35 @ \$76.10		—	96

Bidding Rules for the FirstEnergy Ohio Utilities' CBP Auctions

	Product-1				Product-2				Tranches Won
	Clearing Price	Tranche Target	Tranches Won		Clearing Price	Tranche Target	Tranches Won		
Results	\$72.50	100	100		\$78.60	100	100		100
BidderA			61				43		104
BidderB			39				57		96

Communications Protocols for the FirstEnergy Ohio Utilities' CBP Auctions

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1. INTRODUCTION

These Communications Protocols apply to the competitive bidding process ("CBP") auctions for The Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company (hereafter referred to as "the FirstEnergy Ohio Utilities") to procure supply for the provision of Standard Service Offer supply ("SSO Supply") for all of their retail customers that take retail generation service from the FirstEnergy Ohio Utilities.

The Communications Protocols in this document are intended to promote a fair, open, transparent, objective, and non-discriminatory process for the CBP auctions to procure supply for SSO customers of the FirstEnergy Ohio Utilities. These protocols also intend to protect proprietary information of participants and information that, should it be released, would be detrimental to the outcome of the auction process or future competitive bidding processes.

Unless noted otherwise, all capitalized terms are defined in [Appendix 1 to this document](#), the Glossary [available on the Information Website](#).

These protocols elaborate upon the means by which confidentiality is to be maintained by all parties through adherence to the procedures in this document. Should the [CBPAuction](#) Manager recognize that additional information should be kept confidential, the [CBPAuction](#) Manager will establish additional procedures in keeping with the principles provided in this document and inform the FirstEnergy Ohio Utilities, the PUCO and PUCO Staff, the PUCO Consultant, and Bidders in a timely manner.

This document is organized as follows:

- Section 2 summarizes the objectives of this document.
- Section 3 describes protocols regarding communications within the FirstEnergy Ohio Utilities ~~and with Bidders~~, including any affiliate of the FirstEnergy Ohio Utilities, [and between the FirstEnergy Ohio Utilities and Bidders](#).
- Section 4 summarizes information that may be communicated with the general public, including the media, and the means by which that information is disseminated.
- Section 5 addresses Bidder Communications Protocols, including communications among Bidders and between the [CBPAuction](#) Manager and Bidders.
- Section 6 summarizes Communications Protocols with the PUCO, including communications between the PUCO and the [CBPAuction](#) Manager, between the PUCO and the FirstEnergy Ohio Utilities, and disclosure of confidential information.
- Appendix A includes a confidentiality agreement to be signed by any party other than the [CBPAuction](#) Manager or Bidders who may have access to proprietary and confidential information.

2. OBJECTIVES

This document and the procedures it describes promote four main objectives:

- The first objective is to establish a fair and equitable process for all Bidders by ensuring all Bidders have equal access to the same information necessary to evaluate the bidding opportunity and to prepare their bids in a timely manner.
- The second objective is to take all reasonable precautions that any information generated by the auction process that could harm the competitive position of Bidders or the FirstEnergy Ohio Utilities, if released, is kept confidential.
- The third objective is to take all reasonable precautions that confidential information is provided only to those persons to whom it is deemed necessary for the conduct and management of the auction process.
- The fourth objective is to ensure that information that, if released, could harm the competitiveness of future competitive bidding processes is kept confidential from all entities including Bidders.

These objectives will be accomplished by following two guiding principles. The first is that there will be one communication point for Bidders: all communications to prospective and actual Bidders will be directed through the CBPAuction Manager. The second guiding principle is that the CBPAuction Manager will distribute and disseminate information equally and fairly to all prospective and actual Bidders. These two guiding principles facilitate equal access to the same information for all Bidders. Only the CBPAuction Manager responds to inquiries from Bidders and information is disseminated to all Bidders by or under the supervision of the CBPAuction Manager.

The CBPAuction Manager also will ensure that information generated by the implementation of the auction that could harm the competitive position of Bidders, if released, is kept confidential by those who have access to such information.

3. THE FIRSTENERGY OHIO UTILITIES AND AFFILIATES

3.1 Internal Communications

The FirstEnergy Ohio Utilities will designate individuals to work on the auction process. These individuals directly or indirectly will not have communication with, or exchange information with, any individuals of an affiliate of the FirstEnergy Ohio Utilities that may bid in the auction process where such communication or information is related directly or indirectly to this auction process.

3.2 Communications with Bidders

The FirstEnergy Ohio Utilities will not communicate with Bidders prior to the selection of winning bids. When the [CBPAuction](#) Manager informs the FirstEnergy Ohio Utilities about the prices and tranches of the winning bids and the identity of winning Bidders, representatives from the FirstEnergy Ohio Utilities then will communicate with the winning Bidders in order to execute the necessary documents.

If a Bidder attempts to contact the FirstEnergy Ohio Utilities regarding the auction process by phone call, email, fax, or other means, the FirstEnergy Ohio Utilities will direct the Bidder to the Information Website and/or to the [CBPAuction](#) Manager.

3.3 Part 1 Application Process

For the Part 1 Application process, the [CBPAuction](#) Manager will need to provide the names of applicants to the FirstEnergy Ohio Utilities' credit ~~department~~[representatives](#) for purposes of confirming the applicants' credit requirements.

3.4 Part 2 Application Process

For the Part 2 Application process, the [CBPAuction](#) Manager will need to provide the aggregate eligibility and other information from the Part 2 Applications to the FirstEnergy Ohio Utilities with the names of applicants redacted. Following the Part 2 Application process, the Auction Manager will provide to the FirstEnergy Ohio Utilities the name and initial eligibility of each Registered Bidder.

3.5 Communication of the Bid Selection Criteria

No later than one business day before bids are due, the FirstEnergy Ohio Utilities will provide the [CBPAuction](#) Manager with details concerning any updates to the pre-determined bid selection criteria. The pre-determined bid selection criteria will be price-based, such as a reservation price.

3.6 Auction Results

If there are winning bid(s), the [CBPAuction](#) Manager will: (a) inform the FirstEnergy Ohio Utilities (as well as the PUCO and PUCO Consultant) about the winning bids and identify the winning Bidders, and (b) notify the winning Bidders. The FirstEnergy Ohio Utilities will contact the winning Bidders to execute necessary documents. The [CBPAuction](#) Manager also will inform any Bidders who did not win tranches that they have not been awarded any tranches in the auction process.

If there are no winning bid(s), the [CBPAuction](#) Manager will inform the FirstEnergy Ohio Utilities (as well as the PUCO and PUCO Consultant) there are no bids that met the criteria for a winning bid.

Any paper copies of the bidding results will be secured in the [CBPAuction](#) Manager's office.

3.7 Post-Auction Reports

Within one week of the conclusion of the auction process, the [CBPAuction](#) Manager will provide to the FirstEnergy Ohio Utilities a comprehensive written report regarding the auction process.

The PUCO may receive from the PUCO Consultant a post-auction report in addition to the CBP Manager's comprehensive report. The [CBPAuction](#) Manager shall review the PUCO Consultant's post-auction report in un-redacted, draft form in order to provide comments prior to the final version. The FirstEnergy Ohio Utilities shall receive the PUCO Consultant's report and provide comments to ensure accuracy.

~~4. GENERAL PUBLIC AND MEDIA~~GENERAL PUBLIC AND MEDIA

While bidding is in progress, there is to be no communication with the media or the public other than notification when the bidding begins. After the auction process is completed, results are determined, and Bidders have been notified, all media inquiries will be forwarded to the FirstEnergy Ohio Utilities.

~~3.84.1~~ The Information Website

The central source of information made available publicly and to Bidders is the Information Website. The [CBPAuction](#) Manager will manage the information flow on the Information Website and will be designated on the Website as the contact person for any questions or inquiries from parties. Any party will have access to the public sections of the Information Website. The Information Website also will have restricted, non-public sections that will be accessible only to Applicants.

~~3.94.2~~ Registered Users

If a party wishes to receive notices and updates regarding public information and new postings to the Information Website, then the party can register through the Information Website to become a Registered User. (Note that not all Registered Users become Registered Bidders, but a Bidder that would like to become a Registered Bidder must first register to become a Registered User so they can receive notices and updates.)

Any information the [CBPAuction](#) Manager has concerning the auction process that is relevant and that can be disclosed publicly will be made available equally to all Registered Users in a timely manner. The method of such communication likely will be via the Information Website and/or emails to Registered Users using the BCC email field so identification of Registered Users is not disclosed to other Registered Users.

~~3.104.3~~ Press Releases

The FirstEnergy Ohio Utilities and/or the [CBPAuction](#) Manager may issue one or more press releases or may place news items in the trade press with the intent to disseminate information about the auction process in an efficient, fair, and timely manner.

3.114.4 Answering Inquiries from the General Public or Media

Inquiries from the general public or the media to the [CBPAuction](#) Manager will be directed to the Information Website.

4.5 BIDDERS

4.15.1 Communications Among Bidders

Pursuant to the auction rules, Bidders are prohibited from communicating with each other in ways that would compromise the integrity and competitiveness of the auction process. Sanctions will be applied if these rules are violated.

4.25.2 Communications between the [CBPAuction](#) Manager and Bidders

The central source of information made available to Bidders is the Information Website. The Website will facilitate making information available equally to Bidders in a timely manner.

Bidders will be requested to become Registered Users to receive ongoing information about the auction process. As discussed above, once registered through the Information Website, Registered Users will receive notifications from the [CBPAuction](#) Manager about updates to the auction process and to the Information Website.

If the [CBPAuction](#) Manager receives an inquiry from a party and prepares a response that would be relevant for other parties, the [CBPAuction](#) Manager will ensure the information will be made available equally to all Registered Users in a timely manner and will post the information on the Information Website without revealing the identity of parties.

In addition to posting information to the Information Website, the [CBPAuction](#) Manager may contact Bidders directly in order to seek or provide information about the auction process in a way that does not advantage any Bidder.

Any communications from the [CBPAuction](#) Manager to a Bidder will not reveal the identity of other Bidders.

4.35.3 Frequently Asked Questions

Among other information and resources on the Information Website, there will be a FAQ (frequently asked questions) section with posted questions and answers. As inquiries are received, they will be converted into a FAQ and posted on the Information Website without revealing the identity of the party posing the inquiry.

Inquiries to be answered by the FirstEnergy Ohio Utilities will be forwarded by the CBPAuction Manager to the FirstEnergy Ohio Utilities. Inquiries to be answered by the CBPAuction Manager will be forwarded to the FirstEnergy Ohio Utilities as necessary with a draft response. Any inquiry or draft response forwarded by the CBPAuction Manager to the FirstEnergy Ohio Utilities will not identify the party posing the inquiry. Both the FirstEnergy Ohio Utilities and the CBPAuction Manager will review any inquiry and response before the FAQ is posted to the Information Website.

4.45.4 Bidding Process

During the auction, the CBPAuction Manager, the PUCO, the PUCOPUCO's consultant, if any, and FirstEnergy Ohio Utilities' personnel may monitor the bidding process.

The CBPAuction Manager will ensure the bids submitted by Bidders conform to the rules of the auction process.

The Bidding Rules and pre-determined bid selection criteria will be applied to determine which bids, if any, are winning bids.

4.55.5 Limitations on Disclosures by Bidders

Bidders are not allowed to disclose they are participating in a CBP auction and winning Bidders are not allowed to disclose that they have won any tranches in a CBP auction until the PUCO publicly reports the results of the CBP auction. Such limitation on public disclosure by bidders is waived if disclosure is required by law.

5.6. PUBLIC UTILITIES COMMISSION OF OHIO

5.16.1 Identification of the PUCO Consultant

The PUCO may identify up to three individuals who will serve as the PUCO Consultant and may be onsite at the offices of the CBPAuction Manager during the bidding process. Other than information that is accessible by being onsite, the PUCO Consultant will not be forwarded confidential information electronically or in hardcopy format. Those individuals are required to abide by the Communication Protocols and sign the confidentiality agreement in Appendix A.

5.26.2 Communications with the CBPAuction Manager

During the bidding process, the identity of Bidders, prices, and the number of tranches each winning Bidder has won will be kept confidential. This information may be released to the PUCO after the auction results are finalized.

5.36.3 Communications with the FirstEnergy Ohio Utilities

The PUCO may communicate with the FirstEnergy Ohio Utilities regarding the auction process. However, the FirstEnergy Ohio Utilities will not disclose any proprietary information until after the final round of the auction is completed and Bidders are informed of the results of the auction.

5.46.4 Communications with Bidders

The PUCO will not communicate with Bidders about the auction process prior to the determination of winning bids. If a Bidder attempts to contact the PUCO by phone call, email, fax, or other means, the PUCO will direct the Bidder to the Information Website and/or to the [CBPAuction](#) Manager.

5.56.5 Information on Auction Participation

In order to maintain confidential and proprietary information provided by Bidders as part of the auction process, the identity of all Bidders that submitted Part 1 and/or Part 2 applications in the auction and the indicative offers [of Bidders](#) will be kept confidential until released publicly by the PUCO. The PUCO may elect to keep these data confidential at its sole discretion.

5.66.6 Round-by-Round Bids

Actual round-by-round bids by Bidders will be kept confidential pursuant to the confidentiality provisions of the Bidding Rules and the Master SSO Supply Agreement ~~for as long as the FirstEnergy Ohio Utilities continue to procure supply for SSO customers through this competitive bidding process.~~

6.7. APPENDIX A

CONFIDENTIALITY AGREEMENT

I acknowledge that I have read and understand the Communications Protocols and obligations regarding treatment of confidential information related to the CBP auctions to procure generation supply for SSO customers of the FirstEnergy Ohio Utilities.

I certify that I have abided by its terms and that I agree to continue to abide by its terms and conditions. I acknowledge that I may be subject to potential injunctive action to enforce this confidentiality agreement, as well as liability from parties participating in the CBP auctions to procure supply for SSO customers of the FirstEnergy Ohio Utilities should I be found in violation of this confidentiality agreement.

Company

Signed by

Date

Please return the signed form to the CBP Auction Manager at ~~ebpmanager@crai.com~~ or fax FEOUAuctionManager@crai.com to:

Attn: Brad Miller, Vice President / Auction Manager

CRA International, Inc.

John Hancock Tower

200 Clarendon Street, ~~T-33~~

Boston, MA 02116-5092

Phone: 617.425.3384

~~Fax: 617.425.6574~~

~~ebpmanager@crai.com~~

Attn: Brad Miller, Vice President / CBP Manager ~~FEOUAuctionManager@crai.com~~

Sample**Pre-Bid Security — Pre-Bid Letter of Credit**

_____ [Date]

Letter of Credit No. _____

To: The Cleveland Electric Illuminating Company, The Toledo Edison Company and Ohio Edison Company (collectively, the "FirstEnergy Ohio Utilities" or "Companies")

1. We hereby establish in your favor this irrevocable Letter of Credit (this "Letter of Credit") for the account of _____ ("the Bidder"), in the amount of \$_____, effective immediately and available to you at sight upon demand by all of you at our counters at _____ [location] and expiring on _____ [date] which is 60 calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.

2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting a certificate from you stating that the Bidder:
 - a) "has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted by the Bidder to participate in the FirstEnergy Ohio Utilities' Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"); or

 - b) "has violated the bidding rules for the FirstEnergy Ohio Utilities' Competitive Bidding Process for purposes of procuring supply under the Master SSO Supply Agreement; or

 - c) "has a winning bid in the FirstEnergy Ohio Utilities' Competitive Bidding Process for purposes of procuring supply under the Master SSO Supply Agreement and has failed to execute the Master SSO Supply Agreement within three (3)

business days of the closing of the Solicitation (as defined in the Master SSO Supply Agreement)”; or

- d) “has a winning bid in the FirstEnergy Ohio Utilities’ Competitive Bidding Process for purposes of procuring supply under the Master SSO Supply Agreement and has failed to meet the creditworthiness requirements of the Master SSO Supply Agreement within three (3) business days of the closing of the Solicitation (as defined in the Master SSO Supply Agreement)”

3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 AM (prevailing Eastern Time¹) on such Business Day to _____ [bank], _____ [address], (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each of the FirstEnergy Ohio Utilities and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of each of the FirstEnergy Ohio Utilities. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 PM (prevailing Eastern Time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 AM (prevailing Eastern Time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (prevailing Eastern Time) on any Business Day pursuant to Paragraph 3 hereinabove.

¹ If the issuer of the Letter of Credit is located in an area that is not in the Eastern time zone, this time, all other times in this Letter of Credit, and the definition of a Business Day should be adjusted accordingly.

5. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefore and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.

6. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, or (iii) the above-stated expiration date hereof.

7. As used herein:

“Business Day” means any day on which the Companies’ and PJM’s corporate offices are open for business and commercial banks are not authorized or required to close and on which payments can be effected on the Fedwire system.

8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practices for Documentary Credits — 2007 revision, ICC Publication No. 600, or any successor publication thereto (the “UCP”). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.

9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1

through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

10. We certify that as of _____[date] we _____
[Bank] satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or A2 from Moody's.

11. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. _____. Partial drawings are permitted hereunder.

12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ and confirmed by telephone to our Standby Letter of Credit Unit at _____.

13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this letter of credit to be closed for business on the last day of presentation, the expiration date of this letter of credit shall be automatically extended without amendment to a date 30 (thirty) calendar days after the place for presentation reopens for business.

14. This original letter of credit has been sent to the CBPAuction Manager for the FirstEnergy Ohio Utilities' Competitive Bidding Process:

Attn: Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-32
Boston, MA 02116
Phone: (617) 425-3384

We understand that the CBPAuction Manager holds the letter of credit for the benefit of the FirstEnergy Ohio Utilities. The aggregate amount paid to the FirstEnergy Ohio Utilities during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of each of the FirstEnergy Ohio Utilities. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Officer of each of the FirstEnergy Ohio Utilities.

Very truly yours,

[Bank]

By:_____

Name:

Title:

By:_____

Name:

Title:

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

To: [Bank]
[Address]

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned is making a drawing under the above-referenced Letter of Credit in the amount specified below and hereby certifies to you as follows:

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. "Pursuant to Paragraph 2 of the Letter of Credit No. _____, dated _____, 20__, the undersigned are entitled to make a drawing under the Letter of Credit in the aggregate amount of \$_____, inasmuch as the Bidder has _____ (state reason from conditions (a) – (d) of Paragraph 2).
3. The amounts to be received by The Cleveland Electric Illuminating Company is \$_____, the amount to be received by The Toledo Edison Company is \$_____ and the amount to be received by Ohio Edison Company is \$_____, for a total equal to the aggregate amount in the previous paragraph.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

The FirstEnergy Ohio Utilities

The Cleveland Electric Illuminating Company

The Toledo Edison Company

By _____
Name:
Title:
Date:

By: _____
Name:
Title:
Date:

Ohio Edison Company

By _____
Name:
Title:
Date:

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

ON [Business Day pursuant to Paragraph 4]

PAY TO: The Cleveland Electric Illuminating Company

\$ _____

For credit to the account of _____.

PAY TO: The Toledo Edison Company

\$ _____

For credit to the account of _____.

PAY TO: Ohio Edison Company

\$ _____

For credit to the account of _____.

FOR VALUE RECEIVED AND CHARGE TO ACCOUNT OF LETTER OF CREDIT NO.
_____ OF

[Bank]
[Address]

The FirstEnergy Ohio Utilities

The Cleveland Electric Illuminating Company

The Toledo Edison Company

By _____
Name:
Title:
Date:

By: _____
Name:
Title:
Date:

Ohio Edison Company

By _____
Name:
Title:
Date:

CERTIFICATE OF EXPIRATION
OF LETTER OF CREDIT NO. _____

_____, 20__

To: [Bank]
[Address]

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

FirstEnergy Ohio Utilities

The Cleveland Electric Illuminating Company

The Toledo Edison Company

By _____
Name:
Title:
Date:

By: _____
Name:
Title:
Date:

Ohio Edison Company

By _____
Name:
Title:
Date:

cc: _____ [Bidder]

Glossary for the FirstEnergy Ohio Utilities' CBP Auctions

This Glossary applies to the competitive bidding process ("CBP") auctions for The Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company (hereafter referred to as "the FirstEnergy Ohio Utilities" or "the Companies") to procure supply for the provision of Standard Service Offer supply ("SSO Supply") for all of their retail customers that take retail generation service from the FirstEnergy Ohio Utilities. ~~Some terms contained in this Glossary may also be defined in the Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"). When there is a conflict between this Glossary and the Master SSO Supply Agreement, the Master SSO Supply Agreement will take precedence.~~

In the event of a conflict between this Glossary and the prevailing Master SSO Supply Agreement with respect to the definitions provided, the definitions included in the prevailing Master SSO Supply Agreement shall control.

Advisor is a person or persons who will be advising or assisting the Qualified Bidder with respect to bidding strategy, estimation of the value of any Tranche, or estimation of the risks associated with any Tranche.

~~**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.~~

~~**Alternate Guaranty Form** has the meaning set forth in Part 1 Application.~~

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

Affiliate has the meaning set forth in the prevailing Master SSO Supply Agreement.

Announced Price is the price of a Product in effect during a bidding round of the auction.

Applicant refers to a Party that has submitted or has indicated that it ~~is going~~intends to submit a Part_1 Application or a Part 2 Application.

~~**Applicant's Legal Representative in Ohio** is a legal counsel or a representative agent that has an address in Ohio and is authorized and agrees to accept service of process on the Applicant's behalf.~~

Associated and Association: A Qualified Bidder is associated with another Qualified Bidder if the two Bidders have~~are~~ two or more bidders with ties that could allow them to act in concert or that could prevent them from competing actively against each other. ~~If two Qualified Bidders are Associated, then there is an Association between them.~~

Association exists between two or more Qualified Bidders if they are Associated Bidders.

Auction Manager for this CBP is the team at CRA International, Inc. d/b/a Charles River Associates ("CRA") working on this CBP.

Auction Software ~~means~~has the ~~suite of tools available on~~meaning set forth in the Bidding ~~Website~~ during a live auction.

Authorized Delegate (Delegate) ~~is authorized by the Applicant to be the point of contact for the CBP Manager when so designated by the Authorized Representative~~Rules document.

Authorized Representative is a designated person that is authorized to represent the Applicant in the CBP. The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the CBP and is responsible for ensuring that no Confidential Information is disclosed improperly.

Backup Bidding Fax Number means any telephone number provided to Registered Bidders in advance of the auction for use in submitting a bid by fax in the event of a complication with access to the Bidding Website.

~~Bidders are~~**Bidder** ~~means~~any parties~~party~~ that may become a Qualified ~~Bidders~~**Bidder** in the CBP, or that ~~submits~~submits bids in the CBP.

Bidding Agreement is an arrangement involving joint or coordinated bidding with any other Party.

~~Bidding Consortium: A~~ **Bidding Consortium** is a group of separate businesses or business people joining together to submit joint bids in the auction.

Bidding Website means the secure ~~website~~**Website** used by Registered Bidders to participate in the CBP auction. The URL address for the Bidding Website will be provided to Registered Bidders.

Business Day ~~means any day except a Saturday, Sunday or a day that PJM declares to be a holiday, as posted on~~has the ~~PJM Website. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. meaning set forth in the~~ prevailing ~~Eastern Time~~**Master SSO Supply Agreement.**

Capacity ~~means "Unforced Capacity" as set forth in the PJM Agreements, or any successor measurement of~~has the ~~capacity obligation of an LSE as may be employed in PJM (whether meaning set forth in the PJM Agreements or elsewhere).~~prevailing Master SSO Supply Agreement.

CBP stands for Competitive Bidding Process.

~~CBP Manager for this CBP is the CRA International, Inc. / Charles River Associates ("CRA") team working on this CBP.~~

Charge ~~means any fee, charge, PJM charge, has the meaning set forth in the PMEA/FMEA Adjustment if in favor of the Companies, or any other amount that is billable by the Companies to the~~prevailing Master SSO Supplier under this**Supply Agreement.**

Commission (PUCO) is the Public Utilities Commission of Ohio.

Companies (FirstEnergy Ohio Utilities) means ~~the~~The Cleveland Electric Illuminating Company, The Toledo Edison Company, and ~~the~~Ohio Edison Company, or their representatives.

Competitive Retail Electric Service Supplier (CRES Supplier) ~~means a Person that is duly certified by~~has ~~the PUCO to offer and to assume meaning set forth in the contractual and legal responsibility to provide Standard Service Offer to Customers who are not prevailing Master SSO Customers of the Companies~~Supply Agreement.

Confidential Information ~~comprises two types of~~is non-public, competitively-valuable ~~information that is meant to be kept non-public and for which precautions have been taken to have it remain non-public.~~

Confidential information relative to bidding strategy means includes information relating to a Bidder's bid, written or oral, which if it were to be made public or known to another Bidder would be likely to have an effect on any of the bids that another Bidder would be willing to submit in the CBP. Confidential information regarding the CBP means includes information, written or oral, that is not released publicly by the PUCO or the CBP Auction Manager and that a Bidder acquires as a result of participating in the CBP, which if it were to be made public could impair the integrity of the current or future CBPs, impair the ability of the Companies to hold future CBPs, harm consumers, or injure Bidders or Applicants.

Confirmed Bid is a bid submitted by a Bidder that is confirmed by the Bidding Website. A bid submitted by a Bidder is confirmed only if the Bidder receives a unique confirmation ID and time-stamp by the Bidding Website server. If the Bidder submits a bid but fails to complete the last step to confirm the bid, that bid will not be considered a Confirmed Bid.

Contingency Plan: ~~In the event that fewer Tranches than a Product's Tranche Target are purchased in the auction, the Companies will implement a Contingency Plan for the unfilled Tranches.~~

Costs ~~mean, with respect to the Non-Defaulting Party, all reasonable attorney's fees, brokerage fees, commissions, PJM charges and other similar transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement; and all reasonable attorney's fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement as between the Companies and the applicable SSO Supplier.~~

Credit-Based Tranche Cap is the maximum possible Initial Eligibility for a Qualified Bidder based on its credit rating.

Credit Documents ~~are Letter of Credit, Letter of Intent to Provide a Guaranty, Letter of Reference, or any other credit support documents.~~

Credit Limit ~~has the meaning set forth in Section 6.6 of the Master SSO Supply Agreement.~~

Credit Representative is the Applicant's designated in-house Credit Representative who can answer questions or provide information about the Applicant's credit with respect to the requirements for the CBP.

Customer ~~means any Person who receives distribution service from~~has ~~the Companies meaning set forth in accordance with the Applicable Legal Authorities prevailing Master SSO Supply Agreement.~~

Day(s) refer to Business Day(s), unless noted otherwise.

Default Bid ~~refers to the bid that is assigned to a bidder with positive eligibility that does not confirm a bid in a round.~~

Defaulting Party has the meaning set forth in ~~Section 5.1 of the~~ prevailing Master SSO Supply Agreement.

Delegate ~~(Authorized Delegate)~~ is authorized by the Applicant to be ~~the~~ secondary point of contact for the CBP Auction Manager ~~when so designated by the Authorized Representative.~~

Delivery Period ~~means the Original Delivery Period, unless this Agreement is terminated earlier in accordance with the provisions hereof.~~

Effective Date has the meaning set forth in the ~~preamble of the~~ prevailing Master SSO Supply Agreement.

Eligibility is the maximum number of Tranches a Bidder can bid across all Products in a bidding round. From round to round, a Bidder's Eligibility cannot increase; it can only stay the same or decrease.

Energy ~~means three-phase, 60-cycle alternating current electric energy, expressed in units of Kilowatt-hours or Megawatt-hours.~~

FERC ~~means the Federal Energy Regulatory Commission, or any successor thereto.~~

Energy ~~has the meaning set forth in the~~ prevailing Master SSO Supply Agreement.

FERC ~~has the meaning set forth in the~~ prevailing Master SSO Supply Agreement.

FirstEnergy Ohio Utilities (Companies) means ~~the~~ The Cleveland Electric Illuminating Company, The Toledo Edison Company, and ~~the~~ Ohio Edison Company, ~~or their representatives.~~

Full Requirements Service ~~includes Energy, capacity, market-based transmission service and market-based transmission ancillaries, and any other LSE service or other service as may be required by PJM to serve the SSO Load of the FirstEnergy Ohio Utilities.~~

Form of SSO Supplier Letter of Credit ~~is an attachment to the~~ Master SSO Supply Agreement.

Goodwill is an intangible asset which is the amount by which the purchase price of an acquired entity exceeds its net tangible asset value.

Governmental Authority ~~means any federal, state, local, municipal or other governmental entity, authority or agency, department, board, court, tribunal, regulatory commission, or other body, whether legislative, judicial or executive, together or individually, exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power over a Party to this Agreement.~~

Guarantor ~~means any Person having the authority and agreeing to guarantee an SSO Supplier's financial obligations under~~ has the meaning set forth in the prevailing Master SSO Supply Agreement, ~~provided that such party meets the Companies' creditworthiness requirements for SSO Suppliers.~~

Guaranty ~~means has the meaning set forth in the ICT Guaranty or the Total Exposure Amount Guaranty, as applicable prevailing Master SSO Supply Agreement.~~

Help Desk means the Auction Manager's resource available to provide technical assistance during a liveCBP auction.

~~**ICR Collateral** has the meaning set forth in Section 6.4(d) of the Master SSO Supply Agreement.~~

~~**ICRT** has the meaning set forth in Section 6.3 of the Master SSO Supply Agreement.~~

~~**ICT Guaranty** means a guaranty, in the form substantially set forth in Appendix E of the Master SSO Supply Agreement, provided by a Guarantor in favor of the Companies guaranteeing an SSO Supplier's financial obligations in connection with ICT.~~

~~**Independent Credit Requirement (ICR)** means an amount per Tranche required as security under Section 6.3 of the Master SSO Supply Agreement, to mitigate the financial risk to the Companies between the date of an Early Termination caused by an Event of Default by an SSO Supplier and the date the final calculation of Default Damages owing to the Companies under Section 5.2(b) of the Master SSO Supply Agreement is made.~~

~~**Independent Credit Threshold or ICT** has the meaning set forth in Section 6.4 of the Master SSO Supply Agreement.~~

Indicative Offer: ~~A made by a~~ Qualified ~~Bidder's Indicative Offer~~Bidder specifies two (2) numbers of Tranches for each Product in the auction. For each Product, the first number represents the number of Tranches that the Qualified Bidder is willing to serve at the Minimum Starting Price for the Product and the second number represents the number of Tranches that the Qualified Bidder is willing to serve at the Maximum Starting Price for the Product.

Information Website means <http://www.firstenergyCBP.com> which is the website that will be the primary online source of information about the CBP auctions.

Initial Eligibility is the Bidder's Eligibility for round 1 of the auction.

Joint Venture is an enterprise entered into by two or more people for profit with the purpose of bidding in the CBP. A Joint Venture has most of the elements of a partnership, such as shared management, the power of each venturer to bind the others in the business, division of profits, and joint responsibility for losses. However, unlike a partnership, a Joint Venture anticipates a specific area of activity and/or period of operation, so after the purpose is completed, bills are paid, profits (or losses) are divided, and the Joint Venture is terminated.

~~**Kilowatt (kW)** means a unit of measurement of useful power equivalent to 1,000 watts.~~

~~**Kilowatt-hour (kWh)** means one Kilowatt of electric power used over a period of one hour.~~

Legal Representative is a legal counsel ~~or a representative agent that is~~ authorized and agreeswilling to accept service of process on the Applicant's behalf; ~~must have, and having~~ an address in Ohio.

Letter of Credit means a standby irrevocable letter of credit acceptable to the Companies issued by a bank or other financial institution with a minimum "A" senior unsecured debt rating (or, if unavailable, corporate issuer rating) from S&P or a minimum "A2" senior unsecured debt rating (or, if unavailable, corporate issuer rating) from Moody's, in substantially similar form as set forth in Appendix D of the Master SSO Supply Agreement and including all of the requirements specifically set forth in Section 6.9(b) of the Master SSO Supply Agreement.

Letter of Intent to Provide a Guaranty may be issued by Qualified Bidder's Guarantor during the Part 2 Application process. The letter indicates that an ICT Guaranty will be provided once the Master SSO Supply Agreement is signed.

Letter of Reference may be issued by a Qualified Bidder's bank during the Part 2 application process. The letter specifies the amount of revolving credit provided to the Bidder by the bank. The letter also states that there is sufficient unused availability to issue a Letter of Credit for the amount indicated in the Bidder's Part 2 Application.

Load Cap is a limit on the number of tranches that can be bid on and won by any individual bidder. The load cap will be ~~80 percent~~ a specified percentage on an aggregated load basis across all auction products for each auction date such that no bidder may bid on and win more tranches than the load cap.

Load Serving Entity (LSE) has the meaning set forth in the applicable PJM Agreements.

Master Standard Service Offer Supply Agreement (or Master SSO Supply Agreement or Agreement): ~~The Master SSO Supply Agreement~~ is the standard contract that will be used by the ~~winning Bidders~~ SSO Suppliers and the FirstEnergy Ohio Utilities.

Maximum Starting Price: ~~The~~ **Maximum Starting Price** is the maximum Announced Price for a Product that can be set for round 1.

Megawatt (MW) means one thousand Kilowatts.

Megawatt-hour (MWh) means one Megawatt of electric power used over a period of one hour.

Minimum Starting Price: ~~The~~ **Minimum Starting Price** is the minimum Announced Price for a Product that can be set for round 1.

NERC means the North American Electric Reliability Council or its successor.

Network Integrated Transmission Services (NITS) the meaning set forth in the applicable PJM Agreements.

Notification of Qualification is sent by the CBP Auction Manager to an Applicant once the Applicant becomes a Qualified Bidder. The Notification is in the format set forth in Part 1 Application.

Notification to Registered Bidders is sent by the CBP Auction Manager to the Qualified Bidder once the Qualified Bidder becomes a Registered Bidder. The Notification is in the format set forth in Part 2 Application.

Over-Subscribed: ~~A product~~ Product is ~~Over-Subscribed if a Product with~~ supply (i.e., the number of Tranches bid) ~~is~~ greater than the Product's Tranche Target.

Part 1 Application is the first of the two parts of the application process for prospective Bidders to participate in the CBP.

Part 1 Application Due Date is the date specified in the timeline on the Information Website.

Part-2 Application is the second of the two parts of the application process for prospective Bidders to participate in the CBP.

Part 2 Application Due Date is the date specified in the timeline on the Information Website.

Party has the meaning set forth in the ~~preamble to the prevailing~~ Master SSO Supply Agreement, ~~and includes such Party's successors and permitted assigns.~~

~~**Person** means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any Governmental Authority, or any other entity.~~

~~**PIPP Customers** are customers served under the Percentage of Income Payment Plan.~~

~~**PJM** means the PJM Interconnection, LLC or any successor organization thereto.~~

~~**Person** has the meaning set forth in the prevailing Master SSO Supply Agreement.~~

~~**PJM** has the meaning set forth in the prevailing Master SSO Supply Agreement.~~

~~**PJM Agreements** means the PJM OATT, PJM Operating Agreement, PJM RAA and any other applicable PJM manuals or documents, or any successor, superseding or amended versions thereof that may take effect from time to time.~~

~~**PJM Control Area** means has the control area recognized by NERC as meaning set forth in the PJM Control Area.~~

~~**PJM E-Account** means an account obtainable through PJM which provides access to web-based PJM settlement, accounting, marketing and other informational and economic systems.~~

~~**PJM OATT (PJM Tariff)** means the Open Access Transmission Tariff of PJM or the successor, superseding or amended versions of the Open Access Transmission Tariff that may take effect from time to time.~~

~~**PJM Operating Agreement** means the Amended and Restated Operating prevailing Master SSO Supply Agreement of PJM or the successor, superseding or amended versions of the Amended and Restated Operating Agreement that may take effect from time to time.~~

~~**Pre-Bid Security:** Each Letter of Credit is an acceptable form for Pre-Bid Security, subject to the letter of credit itself complying with FirstEnergy Ohio Utilities' requirements.~~

Pre-Bid Security is posted by each Qualified Bidder ~~must post Pre-Bid Security in amount~~ sufficient for ~~its~~ ~~the Bidder's~~ Indicative Offer. Pre-Bid Security to be posted by a Qualified Bidder ~~must be~~ included ~~in~~ ~~as~~ ~~part of~~ its Part 2 Application ~~consists and must be in the form~~ of cash or a ~~Letter of Credit and, if necessary, a Pre-Bid Security Letter of Reference and/or a Letter of Intent to provide a Guaranty. A Qualified Bidder in the CBP is notified upon qualification whether a Letter of Reference or a Letter of Intent to provide a Guaranty is required~~ Credit.

Price Decrement is the reduction in the Announced Price for a given Product from one round to the next round of the auction.

Product is the SSO Load of the FirstEnergy Ohio Utilities for the Delivery Period.

PUCO ~~means~~ has the ~~Public Utilities Commission of Ohio, or any successor thereto~~ meaning set forth in the prevailing Master SSO Supply Agreement.

PUCO Consultant means any firm and/or individual(s) retained by the PUCO for purposes of assisting the PUCO or PUCO Staff.

Qualified Bidder refers to a Party that in the judgment of the Auction Manager has successfully completed a Part 1 Application.

Registered Bidder refers to a Party that has successfully completed a Part 2 Application.

Registered User refers to a Party that has registered through the Information Website to receive information about the CBP.

Service Territory ~~means the geographic areas of the State of Ohio in which the Companies serve Customers.~~

Solicitation ~~means the Competitive Bidding~~ **Secure Application Process** is the process by which the counterparty, quantity, pricing a prospective bidder submits a Part 1 Application to become a Qualified Bidder and ~~other terms of the Master~~ a Part 2 Application to become a Registered Bidder.

SSO ~~Supply Agreement are established.~~

Special Contract Customers ~~take retail generation service from the FirstEnergy Ohio Utilities under terms and conditions different than the otherwise applicable tariff.~~

SSO Customers ~~means Residential Customers, Commercial Customers and Industrial Customers, including Special Contract (SC) Customers, taking SSO Supply during the Delivery Period.~~

SSO Load ~~means the full electricity requirements for SSO Service by SSO Customers. SSO Load excludes load related to PIPP Customers.~~

SSO Service ~~means Standard Service Offer service that is not provided by a CRES Supplier.~~

SSO Supplier Customers has the meaning set forth in the ~~preamble of the prevailing~~ Master SSO Supply Agreement.

SSO Load has the meaning set forth in the prevailing Master SSO Supply Agreement.

SSO Service has the meaning set forth in the prevailing Master SSO Supply Agreement.

~~**SSO Supplier Responsibility Share** means, for each SSO Supplier, the fixed percentage share of the SSO Load for which the SSO Supplier is responsible as set forth in Appendix A of the Master SSO Supply Agreement. The stated percentage share is determined by multiplying the number of Tranches won by the SSO Supplier in the Solicitation times the Tranche size percentage.~~

~~**SSO Supply** means unbundled Energy, Capacity and Ancillary Services, including, to the extent not expressly assumed by the Companies pursuant to Section 2.3 of the Master SSO Supply Agreement, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, as measured and reported to PJM, and such other services or products that an SSO Supplier may be required to provide, by PJM or other Governmental Authority, in order to meet the requirements of SSO Service.~~

~~**Standard Service Offer** means a market-based standard service offer of all competitive retail electric services necessary to maintain essential electric service to Customers, including unbundled Energy, Capacity, Ancillary Services and Firm Transmission Service, including all transmission and distribution losses, congestion and imbalance costs associated with the provision of the foregoing services, other obligations or responsibilities currently imposed or that may be imposed by PJM, and such other services or products that are provided by a CRES Supplier or an SSO Supplier to fulfill its obligations to serve customer load, as required by Section 4928.141 of the Ohio Revised Code.~~

SSO Supplier has the meaning set forth in the prevailing Master SSO Supply Agreement.

SSO Supply has the meaning set forth in the prevailing Master SSO Supply Agreement.

Standard Service Offer has the meaning set forth in the prevailing Master SSO Supply Agreement.

Starting Price is the announced price in effect for round 1 of the auction.

Subscribed: ~~A~~ Product is ~~subscribed if a~~ Product with supply (i.e., the number of Tranches bid) ~~is~~ equal to the Product's Tranche Target.

~~**Summer Factor:** To determine the \$/MWh price to be paid to an SSO Supplier during June 1 through August 31 for a Tranche won by the SSO Supplier, the Winning Price of the Tranche is multiplied by the Summer Factor.~~

Term Total Initial Eligibility means the sum across all Registered Bidders of the Indicative Offers at the Maximum Starting Prices.

Tranche has the meaning set forth in ~~Section 4.1 of the~~ prevailing Master SSO Supply Agreement.

Tranche Size means ~~at the~~ fixed percentage ~~share of the SSO Load as determined for the purposes of the Solicitation conducted~~ load assigned to ~~procure SSO Supply for the SSO Load each tranche.~~

Tranche Target for a Product is the number of Tranches intended to be procured for the Product in the auction.

~~**Transitional Period** means the two consecutive Delivery Years beginning June 1, 2011 through May 31, 2013.~~

~~**UCC** means the Uniform Commercial Code.~~

Under-Subscribed: ~~A Product is a~~ product ~~is under-subscribed if with~~ supply (i.e., the number of Tranches bid) ~~is~~ less than the Product's Tranche Target.

~~**Winning Bidder(s)** are the Registered Bidders who have won Tranches in the auction.~~

~~**Winning Price** for a Product is the price to be paid to each Winning Bidder having won one or more Tranches for the Product.~~

~~**Winter Factor:** To determine the \$/MWh price to be paid to an SSO Supplier during January 1 through May 30 and September 1 through December 31 for a Tranche won by the SSO Supplier, the Winning Price of the Tranche is multiplied by the Winter Factor.~~

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

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in

Case No(s). 14-1297-EL-SSO

Summary: Testimony (Direct) of Bradley A. Miller electronically filed by Ms. Tamera J Singleton on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company