

Large Filing Separator Sheet

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Ohio Edison Company
The Cleveland Electric Illuminating Company
The Toledo Edison Company

Volume 5
Schedules S-4.1 & S-4.2
Original Filing June 7, 2007

**Case No. 07-551-EL-AIR
Case No. 07-552-EL-ATA
Case No. 07-553-EL-AAM
Case No. 07-554-EL-UNC**

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

IN THE MATTER OF THE APPLICATION

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

**FOR AUTHORITY TO INCREASE RATES FOR DISTRIBUTION
SERVICE, MODIFY CERTAIN ACCOUNTING PRACTICES AND
FOR TARIFF APPROVAL**

VOLUME 5

Standard Filing Requirements

Schedules S-4.1 & S-4.2

12 Months Ending February 29, 2008 Test Year

Original Filing Dated June 7, 2007

Schedules S-4.1 & S-4.2

Ohio Edison Company
The Cleveland Electric Illuminating Company
The Toledo Edison Company

Case No. 07-551-EL-AIR
Case No. 07-552-EL-ATA
Case No. 07-553-EL-AAM
Case No. 07-554-EL-UNC

Test Year: Twelve Months Ended February 29, 2008

Date Certain: May 31, 2007

- S-4.1 Executive summary of corporate process utilized by the Board of Directors and Corporate Officers
- S-4.2 Executive summary of management policies, practices and organization.

**SUPPLEMENTAL FILING
REQUIREMENT**

B-8

EXECUTIVE SUMMARY OF CORPORATE PROCESS

SCHEDULE S-4.1

CASE NO. 07-551-EL-AIR

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.1**

Management Policies, Practices, and Organization

EXECUTIVE SUMMARY OF CORPORATE PROCESS

PREFACE

As required by the Public Utilities Commission of Ohio, this Schedule S-4.1 has been submitted for the purpose of fulfilling the Standard Filing Requirements relating to the management policies, practices and organization.

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SCHEDULE S-4.1**

**Management Policies, Practices, and Organization
EXECUTIVE SUMMARY OF CORPORATE PROCESS**

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**Management Policies, Practices, and Organization
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1. ORGANIZATION

Formation of FirstEnergy Corp.

FirstEnergy Corp. ("FirstEnergy" or the "Company") was organized under the laws of the State of Ohio on September 17, 1996 and became a public utility holding company on November 8, 1997 after the merger of Ohio Edison Company ("OE") and Centerior Energy Corporation. Centerior Energy Corporation was the result of a 1986 merger of The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("TE").

FirstEnergy and GPU, Inc. merged on November 7, 2001, with FirstEnergy being the surviving entity. FirstEnergy's principal business is the holding, directly or indirectly, of all of the outstanding common stock of its eight principal electric utility operating subsidiaries: OE, CEI, TE, Pennsylvania Power Company, American Transmission Systems, Inc., Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company.

Refer to the Appendix for a copy of the FirstEnergy Code of Regulations.

FirstEnergy

Board of Directors and Officers

The Board of Directors of FirstEnergy meet monthly to attend to the business of the Company. All of the power of the Company resides in the Board of Directors which acts on behalf of the shareholders. The Board of Directors consists of the following persons:

George M. Smart,

Non-executive Chairman of the Board of Directors
Retired, formerly President
Sonoco-Phoenix, Inc.

Paul T. Addison

Retired, formerly Managing Director
Salomon Smith Barney (Citigroup)

Anthony J. Alexander

President and Chief Executive Officer
FirstEnergy Corp.

Michael J. Anderson

President and Chief Executive Officer
The Andersons, Inc.,

Dr. Carol A. Cartwright

Retired, formerly President

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Kent State University

William T. Cottle

Retired, formerly Chairman of the Board of Directors, President and Chief
Executive Officer
STP Nuclear Operating Company

Robert B. Heisler, Jr.

Retired, formerly Chairman of the Board of Directors
KeyBank N.A.

Russell W. Maier

President and Chief Executive Officer
Michigan Seamless Tube LLC

Ernest J. Novak, Jr.

Retired, formerly Managing Partner
Cleveland Office Ernst & Young LLP

Catherine A. Rein

Senior Executive Vice President and Chief Administrative Officer
MetLife Inc.

Robert C. Savage

Chairman of the Board of Directors
Savage & Associates, Inc.

Wes M. Taylor

Retired, formerly President
TXU Generation

Jesse T. Williams, Sr.

Retired, formerly Vice President of Human Resources Policy,
Employment Practices and Systems
The Goodyear Tire & Rubber Company

Except as to matters requiring shareholder action, all of the authority of FirstEnergy is exercised by the Board of Directors which in turn delegates and confers duties and powers on officers of the Company.

The Officers of FirstEnergy are:

Anthony J. Alexander, President and Chief Executive Officer
Richard R. Grigg, Executive Vice President and Chief Operating Officer
Richard H. Marsh, Senior Vice President and Chief Financial Officer
Leila L. Vespoli, Senior Vice President and General Counsel

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

James F. Pearson, Vice President and Treasurer

David W. Whitehead, Corporate Secretary

Paulette R. Chatman, Assistant Controller

Jeffrey R. Kalata, Assistant Controller

Lisa S. Wilson, Assistant Controller

Randy Scilla, Assistant Treasurer

Jacqueline S. Cooper, Assistant Corporate Secretary

Edward J. Udovich, Assistant Corporate Secretary

Refer to the Appendix for a copy of the Organizational Chart.

The shareholders of FirstEnergy own 100% of the common stock of the Company and its subsidiaries; they have elected the members of the Board of Directors. The Board of Directors, in turn, has approved Company regulations providing for shareholder meetings, Board of Directors' meetings, appointment of Executive Council officers and other related matters.

Among its many responsibilities the Board of Directors establishes policies of FirstEnergy; oversees the operation of FirstEnergy and the operating companies by the officers; elects the officers of the Company; declares dividends; authorizes the borrowing of money; authorizes capital budgets and expenditures; and provides guidance/support to the Company.

There are presently five active committees of the Board of Directors of FirstEnergy: Audit Committee, Compensation Committee, Corporate Governance Committee, Finance Committee, and Nuclear Committee. Memberships on the various committees are for a one-year term and are approved by the Board of Directors at the Annual Meeting in May.

Refer to the Appendix for a copy of the charter documents of the five committees.

Responsibility for the operations of the Company is shared among the officers of FirstEnergy and its subsidiary companies, departments, regions, and plants.

Management of the enterprise is led by the FirstEnergy Service Company Executive Council and the Senior Management Committee. The Executive Council meets biweekly and the Senior Management Committee meets every six weeks.

Members of the Executive Council are:

Anthony J. Alexander
President & Chief Executive Officer

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The President and Chief Executive Officer is responsible for all affairs of the Company. His responsibilities include the general policy direction of the Company's business (subject to the control of the Board of Directors), ensuring that all orders and resolutions of the Board of Directors are put into effect, attaining the primary objectives of the Company through initiation of broad general management policies. He determines current and long-range Company objectives and plans broad Company policy. He also makes reports and submits proposals to the Board of Directors and executes its decisions.

Richard R. Grigg
Executive Vice President and Chief Operating Officer

The Executive Vice President and Chief Operating Officer is responsible for the strategic direction and operation of the Company's Line, Customer Service, Fossil, Environmental, FERC Policy & Compliance, and Retail & Commodity operations. He directs, coordinates, and administers aspects of the Company's operations through subordinates. His responsibility includes the planning, designing, and engineering of Company facilities. He is also responsible for safe, effective, and environmentally responsible operation of the electrical system.

Richard H. Marsh
Senior Vice President and Chief Financial Officer

The Senior Vice President and Chief Financial Officer is responsible for the financial plans and policies of the organization, including establishment and maintenance of fiscal controls, preparation and interpretation of financial reports, and safeguarding of the organization's assets. He is responsible for *establishing and maintaining* good corporate relations with the investment and banking communities. He assists in long-range planning, advises senior management on financial affairs, and develops and maintains overall accounting policies and controls. He is responsible for activities of the Controller and Treasurer and maintains all accounting, tax and depreciation records. His responsibilities also include managing the Auditing, Investor Relations, Investment Management and Corporate Risk functions and organizations.

Leila L. Vespoli
Senior Vice President and General Counsel

The Senior Vice President and General Counsel is responsible for directing legal activities in the areas of litigation, legal opinions, counseling, legal services, and claims including representing the Company's interests before local, state and federal courts, interpreting the legal impact of proposed or enacted legislation and court decisions on the Company operations. As the chief legal adviser of the Company, she is responsible for counseling management on the legal implications of all Company activities and problems; providing legal services as required in judicial proceedings; keeping abreast of legislative and administrative regulatory developments; obtaining the services of outside counsel as required to complement available internal legal resources. She is responsible for Claims

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and Real Estate, as well as oversight for Governmental Affairs, Communications, and Corporate Affairs & Community Involvement.

Lynn M. Cavalier
Senior Vice President – Human Resources

The Senior Vice President – Human Resources has primary responsibility for the development and implementation of organization-wide policies and programs encompassing all aspects of human resource management including employment, labor relations, employee benefits, compensation, employee training, placement, organizational development, safety, drug control, ADA and EEO compliance, and employee assistance.

Mark T. Clark
Senior Vice President – Strategic Planning & Operations

The Senior Vice President – Strategic Planning & Operations is responsible for the establishment of organization objectives, the development of organization long-range and strategic plans, the identification of organization strengths and weaknesses, and business opportunities. His responsibilities also include managing multiple functions within FirstEnergy (e.g., Procurement, Information Systems, Rates & Regulatory Affairs) that provide centralized services to multiple business units in a shared services environment. He also provides strategic direction to the Business Development/Performance & Management and FES Finance functions and oversees special studies for top management.

Joseph J. Hagan
President and Chief Nuclear Officer FirstEnergy Nuclear Operating Company ("FENOC")

The function of the President and Chief Nuclear Officer FENOC is the efficient operation and maintenance of the FirstEnergy nuclear fleet. His primary duties are to plan and direct all organizational activities related to nuclear power, including: ensure safe plant operation, optimize resource usage, maximize profitability, and satisfy the requirements of regulators, shareholders, FirstEnergy, and the public.

Charles E. Jones
President – FirstEnergy Solutions Corp.

The President – FirstEnergy Solutions Corp. is responsible for providing executive direction for the entire energy trading and marketing enterprise from a financial and broad general management perspective. Ensures environmental compliance at FirstEnergy plants, oversees strategic operations issues, including commodity sourcing, conversion economics, fuel supply, and the generation asset portfolio.

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Charles D. Lasky

Vice President – Fossil Operations and Air Quality Compliance

The Vice President – Fossil Operations and Air Quality Compliance is responsible for planning and directing the operation, maintenance and general administration of the Company's fossil-fueled power plants to achieve efficient and reliable generation of electricity. He makes recommendations for major additions, modifications and retirement of power generation facilities and also has responsibility for Air Quality Compliance.

Gary R. Leidich

Senior Vice President – Operations

The Senior Vice President – Operations is responsible for Fossil Operations and Air Quality Compliance, Retail and Commodity Operations, and Energy Delivery and Customer Service. He directs, coordinates, and administers aspects of the Company's operations through subordinates.

David C. Luff

Senior Vice President – Governmental Affairs

The Senior Vice President – Governmental Affairs is responsible for representing the organization in legislative and regulatory matters with federal, state and local governments by providing policy direction, coordinating operating unit government affairs initiatives and lobbying for the organization's interests. He represents the Company's interests in dealings with trade, industry, or professional organizations.

Guy L. Pipitone

Senior Vice President – Operations Strategy & Development

The Senior Vice President – Operations Strategy & Development is responsible for developing strategies to maximize the value of our assets. He works directly with top management in developing strategies and policies, and assists in developing current and long-range objectives, policies, and procedures for the organization.

Donald R. Schneider

Senior Vice President – Energy Delivery and Customer Service

The Senior Vice President – Energy Delivery and Customer Service is responsible for the overall profitability and management of the regulated utility business and for the overall planning, operation, and control of the transmission and distribution systems and customer service areas. He directs the maintenance, protection and improvement of all transmission and distribution lines and facilities and is responsible for the construction of transmission lines and substations.

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Carole B. Snyder
Senior Vice President – Chairman & CEO's Administration

The Senior Vice President – Chairman & CEO's Administration has primary responsibility for the development and implementation of organization-wide initiatives. She works directly with top management in developing strategies and policies; assists with achieving maximum return on invested capital; assists in developing current and long-range objectives, policies, and procedures for the organization. She represents the organization to its customers, the financial community, and the general public. She also is responsible for 360-degree feedback process for the senior leadership team.

Thomas M. Welsh
Senior Vice President – Chairman & CEO's Administration

The Senior Vice President – Chairman & CEO's Administration has responsibility for the development and implementation of organization-wide initiatives. He works directly with top management in developing strategies and policies. He serves as the liaison for the CEO concerning our Company's positioning on key industry issues and initiatives.

Members of Senior Management Committee are:

Anthony J. Alexander
Tony C. Banks
David M. Blank
Mary Beth Carroll
Lynn M. Cavalier
Mark T. Clark
Thomas A. Clark
Kathryn W. Dindo
Ralph J. DiNicola
Michael J. Dowling
Bradley S. Ewing
Bennett L. Gaines
Richard R. Grigg
Joseph J. Hagan
Ali Jamshidi
Charles E. Jones
Mark A. Julian
Charles D. Lasky
Gary R. Leidich
David C. Luff

Richard H. Marsh
Thomas C. Navin
Danny L. Pace
James F. Pearson
Guy L. Pipitone
Robert P. Reffner
Alfred G. Roth
Donald R. Schneider
Ronald E. Seeholzer
Eugene J. Sitarz
Carole B. Snyder
Daniel V. Steen
Stanley F. Szwed
Bradford F. Tobin
Leila L. Vespoli
Harvey L. Wagner
Thomas M. Welsh
David W. Whitehead
Arthur W. Yuan.

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2. POLICY AND GOAL SETTING

The Executive Council is primarily responsible for setting the policies and goals for FirstEnergy. Corporate policies and goals, established to maximize efficiency and effectiveness, reflect and advance FirstEnergy's core values. Each Vice President is responsible for developing policies and goals related to his/her functional area of responsibility. Refer to Schedule S-4.2 for policy statements relating to each functional area listed in the Standard Filing Requirements.

Policy guidance for all Company employees is outlined in the Business Practices Manual ("BPM"). The BPM is a resource and reference on corporate policies and procedures and is the defining standard for business conduct and accountability of all FirstEnergy employees.

FirstEnergy Core Values

FirstEnergy is committed to a set of core values that are fundamental to achieving its vision to provide superior value to customers and investors, and to provide a quality work environment for all employees. The FirstEnergy Core Values define what is important to our customers, stakeholders and employees:

- *Safety*
- *Customer Service*
- *Diversity*
- *Positive Change*
- *Knowledge*
- *Open Communications*
- *Teamwork*

FirstEnergy Corporate Vision

FirstEnergy will be a leading regional energy provider, recognized for operational excellence, customer service and its commitment to safety; the choice for long-term growth, investment value and financial strength; and a company driven by the leadership, skills, diversity and character of its employees.

FirstEnergy Mission Statement

FirstEnergy will provide competitively priced, high-quality products and value-added services in the areas of:

- *Energy sales and services*
- *Energy delivery*
- *Power supply*
- *Regulated and non-regulated supplemental services related to our core business*

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3. STRATEGIC AND LONG-RANGE PLANNING

FirstEnergy's corporate strategies and planning are primarily the responsibility of the Executive Council. The Executive Council meets off-site at an annual two-day strategic planning retreat to focus on the issues facing FirstEnergy. In addition, the Board of Directors meets annually to consider FirstEnergy's strategic direction and financial forecasts in the context of the business plans at a two-day retreat. The strategic plan consists of:

- The Chief Executive Officer's corporate objectives
- Key performance indicators (KPIs)
- Operating and Maintenance (O&M) Expense and Capital budgets
- Five-year financial forecast.

Each year the Company prepares a five-year business plan and forecast. FirstEnergy develops business plans and budgets for the following business units:

- Energy Delivery and Customer Service
- Fossil Generation
- Nuclear
- Commodity
- Corporate Support
- Competitive Retail Group

Each business unit is expected to set annual performance objectives to support and augment Company goals and objectives established by the Executive Council. Each business unit plan has its own unique KPIs, O&M Expense and Capital budgets and five-year financial forecast. The six business unit plans are then aggregated into the enterprise-wide plan.

4. DECISION MAKING

FirstEnergy's planning process and resource allocations are based on what is in the best interests of the entire company and not on the specific needs of one component. The Operational Leadership Council manages financial performance closely by reviewing it formally on a semi-monthly basis and by adjusting capital and expense spending to meet evolving operational needs and financial targets.

Company activities are organized into functional groups, each headed by a Vice President. The total responsibility and authority assigned to the group are subdivided and assigned to individual positions at varying organizational levels. To facilitate action in all areas of management, the Vice Presidents generally delegate portions of their

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responsibility and authority to three lower levels of supervision – department directors, section managers, and unit supervisors. Policies define the normal limits within which decisions can be made and actions can be taken. The policies give general direction to such questions as: what should be done, how it should be done, and who should do it. Effective internal communications informs management at all levels of decisions and resulting actions.

Cross functional issues are addressed at Senior Management Council meetings, and decisions are made about how to proceed. When immediate resolution of an issue is not practical, a cross-functional team is established to evaluate and recommend a course of action.

5. CONTROLLING PROCESS

A formalized system of control processes has been established to assist the principal officers in accomplishing their key control responsibilities.

FirstEnergy's concept is that management is a continuous process with three major aspects:

- Before-action planning. In this phase goals are identified, consistent with objectives and the course of action decided.
- During-action review, in which satisfactory progress toward goals is ensured through review and control, together with necessary corrective action to ensure desired results.
- After-action analysis. In this third phase, performance comparisons are made, results are analyzed, and findings are reflected in present planning to improve future results.

These three phases of the overall management process take place in a continuous cycle for any identifiable area of work activity. In any element, however, the three phases will be taking place simultaneously as the various work activities progress. Management utilizes an Integrated Business Planning Process to assure that each of these three steps is accomplished.

6. INTERNAL AND EXTERNAL COMMUNICATIONS

FirstEnergy's management structure requires strong lines of communication to accommodate the flow of essential information to provide for sound decisions, fast action, management flexibility, and coordination. Oral communications, both formal and informal, are facilitated by the Company's functional, streamlined organization structure. The typical first-line supervisor is only two management levels away from the principal officers: the fewer the levels, the better the communication because everyone understands the "whys" of decisions.

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The Executive Council annually joins the Board of Directors in an off-site two-day strategy session to discuss the Company's progress and strategies. The goal during the comprehensive discussions is to ensure that the right strategies are in place and that management has the Board of Director's support.

Communications through the Company are facilitated by weekly department meetings (vice presidents and direct reports – usually department directors). In addition to budgets, variance reports, and progress reports on the Company objectives, other forms of internal communication include the BPM, the Employee Update, electronic news flashes, FirstEnergy's intranet portal, special employee bulletins and where appropriate, direct mail to employees.

FirstEnergy's policy is to be responsive to communications from the public, customers, investors and employees, and communicate accurate, timely and substantive information to them in an effective manner supportive of their needs. Key departments within the Company responsible for external communications activities include: Energy Delivery & Customer Service, Legal, Governmental Affairs and External Affairs, Communications, the Finance Department, the Human Resources Department, Sales & Marketing Department and the Procurement Department.

External communications of financial results are designed to meet the requirements of the Security Act of 1933, the Exchange Act 1934, the New York Stock Exchange and utility related regulatory agencies.

Also, appropriate Company personnel are involved in industry associations, such as the Electric Power Research Institute, the Edison Electric Institute and a number of technical professional organizations.

7. ATTACHMENTS

- a. FirstEnergy Corp. Code of Regulations
- b. Board of Directors Code of Ethics and Business Conduct and Board committee Charter documents
 - i. Audit
 - ii. Compensation
 - iii. Corporate Governance
 - iv. Finance
 - v. Nuclear
- c. FirstEnergy Corp. Corporate Structure
- d. FirstEnergy Corp. Organizational Chart

**FIRSTENERGY CORP. AMENDED CODE OF
REGULATIONS**

FirstEnergy Corp.
AMENDED
CODE OF REGULATIONS

5/18/04

SHAREHOLDER MEETINGS

1. **Time and Place of Meetings.** All meetings of the shareholders for the election of directors or for any other purpose will be held at such time and place, within or without the State of Ohio, as may be designated by the Board of Directors or, in the absence of a designation by the Board of Directors, the Chairman of the Board of Directors, if any (the "Chairman"), the President, or the Secretary, and stated in the notice of meeting. The Board of Directors may postpone and reschedule any previously scheduled annual or special meeting of the shareholders.

2. **Annual Meeting.** An annual meeting of the shareholders will be held at such date and time as may be designated from time to time by the Board of Directors, at which meeting the shareholders will elect directors to succeed those directors whose terms expire at such meeting and will transact such other business as may be brought properly before the meeting in accordance with Regulation 9.

3. **Special Meetings.** (a) Special meetings of shareholders may be called by the Chairman or the President or by a majority of the Board of Directors acting with or without a meeting or by any person or persons who hold not less than 50% of all the shares outstanding and entitled to be voted on any proposal to be submitted at said meeting. Special meetings of the holders of shares that are entitled to call a special meeting by virtue of any Preferred Stock Designation may call such meetings in the manner and for the purposes provided in the applicable terms of such Preferred Stock Designation. For purposes of this Code of Regulations, "Preferred Stock Designation" has the meaning ascribed to such term in the Articles of Incorporation of the Corporation, as may be amended from time to time.

(b) Upon written request by any person or persons entitled to call a meeting of shareholders delivered in person or by certified mail to the Chairman, the President or the Secretary, such officer shall forthwith cause notice of the meeting to be given to the shareholders entitled to notice of such meeting in accordance with Regulation 4. If such notice shall not be given within 60 days after the delivery or mailing of such request, the person or persons requesting the meeting may fix the time of the meeting and give, or cause to be given, notice in the manner provided in Regulation 4.

4. **Notice of Meetings.** Except to the full extent that notice is legally permitted (now or hereafter) to be given by any other form of media, including any form of electronic or other communications, written notice of every meeting of the shareholders called in accordance with these Regulations, stating the time, place and purposes for which the meeting is called, will be given by or at the direction of the Chairman, the President, a Vice President, the Secretary or an Assistant Secretary (or in case of their refusal, by the person or persons entitled to call the meeting under Regulation 3). Such notice will be given not less than 7 nor more than 60 calendar days before the date of the meeting to each shareholder of record entitled to notice of such meeting. If such notice is mailed, it shall be addressed to the shareholders at their respective addresses as they appear on the records of the Corporation, and notice shall be deemed to have been given on the day so mailed. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

5. **Inspectors.** Inspectors of election may be appointed to act at any meeting of shareholders in accordance with Ohio law.

6. **Quorum.** To constitute a quorum at any meeting of shareholders, there shall be present in person or by proxy shareholders of record entitled to exercise not less than a majority of the voting power of the Corporation in respect of any one of the purposes for which the meeting is called, unless a greater or lesser number is expressly provided for with respect to a particular class or series of capital stock by the terms of any applicable Preferred Stock Designation. Except as may be otherwise provided in any Preferred Stock Designation, the holders of a majority of the voting power of the Corporation represented in person or by proxy at a meeting of shareholders, whether or not a quorum be present, may adjourn the meeting from time to time. For purposes of this Code of Regulations, "voting power of the Corporation" has the meaning ascribed to such term in the Articles of Incorporation of the Corporation, as may be amended from time to time.

7. **Voting.** Except as otherwise expressly provided by law, the Articles of Incorporation or this Code of Regulations, at any meeting of shareholders at which a quorum is present, a majority of the votes cast, whether in person or by proxy, on any matter properly brought before such meeting in accordance with Regulation 9 will be the act of the shareholders. An abstention shall not represent a vote cast. Every proxy must be duly executed and filed with the Secretary. A shareholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing with the Secretary written notice of revocation or a later appointment. The vote upon any question brought before a meeting of the shareholders may be by voice vote, unless otherwise required by law, the Articles of Incorporation or this Code of Regulations or unless the presiding officer otherwise determines.

8. **Record Dates.** In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, the Board of Directors may fix a record date, which will not be less than 7 nor more than 60

calendar days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders will be the date next preceding the day on which notice is given, or, if notice is waived, at the date next preceding the day on which the meeting is held.

9. **Order of Business.** (a) The Chairman, or such other officer of the Corporation designated by a majority of the total number of directors that the Corporation would have if there were no vacancies on the Board of Directors (such number being referred to as the "Whole Board"), will call meetings of shareholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board of Directors prior to the meeting, the presiding officer of the meeting of shareholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting including, without limitation, by imposing restrictions on the persons (other than shareholders of the Corporation or their duly appointed proxies) who may attend any such shareholders' meeting, by ascertaining whether any shareholder or his proxy may be excluded from any meeting of shareholders based upon any determination by the presiding officer, in his sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings of the meeting, and by determining the circumstances in which any person may make a statement or ask questions at any meeting of shareholders.

(b) At an annual meeting of the shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Chairman, the President, a Vice President, the Secretary or an Assistant Secretary in accordance with Regulation 4, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board, or (iii) otherwise properly requested to be brought before the meeting by a shareholder of the Corporation in accordance with Regulation 9(c).

(c) For business to be properly requested by a shareholder to be brought before an annual meeting, the shareholder must (i) be a shareholder of the Corporation of record at the time of the giving of the notice for such annual meeting provided for in this Code of Regulations, (ii) be entitled to vote at such meeting, and (iii) have given timely notice thereof in writing to the Secretary. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 30 nor more than 60 calendar days prior to the annual meeting; provided, however, that in the event public announcement of the date of the annual meeting is not made at least 70 calendar days prior to the date of the annual meeting, notice by the shareholder to be timely must be so received not later than the close of business on the 10th calendar day following the day on which public announcement is first made of the date of the annual meeting. A shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (A) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the Corporation's books, of the shareholder proposing

such business and of the beneficial owner, if any, on whose behalf the proposal is made, (C) the class and number of shares of the Corporation that are owned beneficially and of record by the shareholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (D) any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business. Notwithstanding the foregoing provisions of this Code of Regulations, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Regulation 9(c). For purposes of this Regulation 9(c) and Regulation 14, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15(d) of the Securities Exchange Act of 1934, as amended, or publicly filed by the Corporation with any national securities exchange or quotation service through which the Corporation's stock is listed or traded, or furnished by the Corporation to its shareholders. Nothing in this Regulation 9(c) will be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

(d) At a special meeting of shareholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Chairman, the President, a Vice President, the Secretary or an Assistant Secretary (or in case of their failure to give any required notice, the other persons entitled to give notice) in accordance with Regulation 4 or (ii) otherwise brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board.

(e) The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Regulation 9 will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

DIRECTORS

10. **Function and Qualification.** (a) Except where the law, the Articles of Incorporation, or this Code of Regulations requires action to be authorized or taken by the shareholders, all of the authority of the Corporation shall be exercised by or under the direction of the Board of Directors.

(b) In order to qualify for service as a director of the Corporation, within 90 days following election to the Board of Directors in accordance with Regulations 11, 12 and 14, each director will become and will remain the beneficial owner of not less than 100 shares of Common Stock of the Corporation, except where such ownership would be inconsistent with or prohibited by (i) any applicable law, rule, regulation, order or decree of any governmental authority or (ii) any policy, contract, commitment or arrangement authorized by the Corporation.

11. Number, Election and Terms of Directors. Except as may be otherwise provided in any Preferred Stock Designation, the number of the directors of the Corporation will not be less than nine nor more than 16 as may be determined from time to time only (i) by a vote of a majority of the Whole Board, or (ii) by the affirmative vote of the holders of at least 80% of the voting power of the Corporation, voting together as a single class. Except as may be otherwise provided in any Preferred Stock Designation, at each annual meeting of the shareholders of the Corporation, the directors shall be elected by plurality vote of all votes cast at such meeting and shall hold office for a term expiring at the following annual meeting of shareholders and until their successors shall have been elected; provided, that any director elected for a longer term before the annual meeting of shareholders to be held in 2005 shall hold office for the entire term for which he or she was originally elected. Except as may be otherwise provided in any Preferred Stock Designation, directors may be elected by the shareholders only at an annual meeting of shareholders. No decrease in the number of directors constituting the Board of Directors may shorten the term of any incumbent director.

Election of directors of the Corporation need not be by written ballot unless requested by the presiding officer or by the holders of a majority of the voting power of the Corporation present in person or represented by proxy at a meeting of the shareholders at which directors are to be elected.

12. Newly Created Directorships and Vacancies. Except as may be otherwise provided in any Preferred Stock Designation, any vacancy (including newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause) may be filled only (i) by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director or (ii) by the affirmative vote of the shareholders after a vote to increase the number of directors at a meeting called for that purpose in accordance with this Code of Regulations.

Any director elected in accordance with the preceding sentence to fill a vacancy that does not result from a newly created directorship will hold office for the remainder of the full term of the director that he or she is replacing. Any director elected in accordance with the first sentence of Regulation 12 will hold office until such director's successor has been elected.

13. Removal. Except as may be otherwise provided in any Preferred Stock Designation, any director or the entire Board of Directors may be removed only upon the affirmative vote of the holders of at least 80% of the voting power of the Corporation, voting together as a single class.

14. Nominations of Directors; Election. (a) Except as may be otherwise provided in any Preferred Stock Designation, only persons who are nominated in accordance with this Regulation 14 will be eligible for election at a meeting of shareholders to be members of the Board of Directors of the Corporation.

(b) Nominations of persons for election as directors of the Corporation may be made only at an annual meeting of shareholders (i) by or at the direction of the Board of Directors or a committee thereof or (ii) by any shareholder who is a shareholder of record at the time of giving of notice provided for in this Regulation 14, who is entitled to vote for the election of directors at such meeting, and who complies with the procedures set forth in this Regulation 14. All nominations by shareholders must be made pursuant to timely notice in proper written form to the Secretary.

(c) To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 30 nor more than 60 calendar days prior to the annual meeting of shareholders; provided, however, that in the event that public announcement of the date of the annual meeting is not made at least 70 calendar days prior to the date of the annual meeting, notice by the shareholder to be timely must be so received not later than the close of business on the 10th calendar day following the day on which public announcement is first made of the date of the annual meeting. To be in proper written form, such shareholder's notice must set forth or include: (i) the name and address, as they appear on the Corporation's books, of the shareholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a representation that the shareholder giving the notice is a holder of record of stock of the Corporation entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares of stock of the Corporation owned beneficially and of record by the shareholder giving the notice and by the beneficial owner, if any, on whose behalf the nomination is made; (iv) a description of all arrangements or understandings between or among any of (A) the shareholder giving the notice, (B) the beneficial owner on whose behalf the notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder giving the notice; (v) such other information regarding each nominee proposed by the shareholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (vi) the signed consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer of any annual meeting may, if the facts warrant, determine that a nomination was not made in accordance with this Regulation 14, and if he or she should so determine, he or she will so declare to the meeting, and the defective nomination will be disregarded. Notwithstanding the foregoing provisions of this Regulation 14, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Regulation 14.

15. **Resignation.** Any director may resign at any time by giving written notice of his resignation to the Chairman or the Secretary. Any resignation will be effective upon actual receipt by any such person or, if later, as of the date and time specified in such written notice.

16. **Regular Meetings.** Regular meetings of the Board of Directors may be held immediately after the annual meeting of the shareholders and at such other time and place either within or without the State of Ohio as may from time to time be determined by a majority of the Whole Board. Notice of regular meetings of the Board of Directors need not be given.

17. **Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman or the President on one day's notice to each director by whom such notice is not waived, given either personally or by mail, telephone, telegram, telex, facsimile or similar medium of communication, and will be called by the Chairman or the President, in like manner and on like notice, on the written request of not less than one-third of the Whole Board. Special meetings of the Board of Directors may be held at such time and place either within or without the State of Ohio as is determined by a majority of the Whole Board or specified in the notice of any such meeting.

18. **Quorum and Vote.** At all meetings of the Board of Directors, one-third of the *total number of directors then in office will constitute a quorum for the transaction of business.* Except for the designation of committees as hereinafter provided and except for actions required by this Code of Regulations to be taken by a majority of the Whole Board, the act of a majority of the directors present at any meeting at which a quorum is present will be the act of the Board of Directors. If a quorum is not present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time to another time or place, without notice other than announcement at the meeting, until a quorum is present.

19. **Participation in Meetings by Communications Equipment.** Meetings of the Board of Directors or of any committee of the Board of Directors may be held through any means of communications equipment if all persons participating can hear each other, and such participation will constitute presence in person at such meeting.

20. **Committees.** The Board of Directors may from time to time create an executive committee or any other committee or committees of directors to act in the intervals between meetings of the Board of Directors and may delegate to such committee or committees any of its authority other than that of filling vacancies among the Board of Directors or in any committee of the Board of Directors. No committee shall consist of less than three directors. The Board of Directors may appoint one or more directors as alternate members of any such committee to take the place of absent committee members at meetings of such committee. Unless otherwise ordered by the Board of Directors, a majority of the members of any committee appointed by the Board of Directors pursuant to this Regulation 20 shall constitute

a quorum at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing or writings signed by all of its members.

Any such committee may prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Board of Directors, and will keep a written record of all action taken by it.

21. **Compensation.** *The Board of Directors may establish the compensation and expense reimbursement policies for directors in exchange for membership on the Board of Directors and on committees of the Board of Directors, attendance at meetings of the Board of Directors or committees of the Board of Directors, and for other services by directors to the Corporation or any of its subsidiaries. No director that is also an officer or employee of the Corporation shall receive compensation as a director.*

22. **Bylaws.** *The Board of Directors may adopt Bylaws for the conduct of its meetings and those of any committees of the Board of Directors that are not inconsistent with the Articles of Incorporation or this Code of Regulations.*

OFFICERS

23. **Generally.** *The Corporation may have a Chairman, elected by the directors from among their number, and shall have a President, a Secretary and a Treasurer. The Corporation may also have one or more Vice Chairmen and Vice Presidents and such other officers and assistant officers as the Board of Directors may deem appropriate. If the Board of Directors so desires, it may elect a Chief Executive Officer to manage the affairs of the Corporation, subject to the direction and control of the Board of Directors. All of the officers shall be elected by the Board of Directors. Notwithstanding the foregoing, by specific action, the Board of Directors may authorize the Chairman or the President to appoint any person to any office other than Chairman, President, Secretary, or Treasurer. Any number of offices may be held by the same person, and no two offices must be held by the same person. Any of the offices may be left vacant from time to time as the Board of Directors may determine. In case of the absence or disability of any officer of the Corporation or for any other reason deemed sufficient by a majority of the Board of Directors, the Board of Directors may delegate the absent or disabled officer's powers or duties to any other officer or to any director.*

24. Authority and Duties of Officers. The officers of the Corporation shall have such authority and shall perform such duties as are customarily incident to their respective offices, or as may be specified from time to time by the Board of Directors, the Chairman or the President regardless of whether such authority and duties are customarily incident to such office.

25. Compensation. The compensation of all officers and agents of the Corporation who are also members of the Board of Directors of the Corporation will be fixed by the Board of Directors or by a committee of the Board of Directors. The Board of Directors may fix, or delegate the power to fix, the compensation of the other officers and agents of the Corporation to the Chief Executive Officer or any other officer of the Corporation.

26. Succession. The officers of the Corporation will hold office until their successors are elected. Any officer may be removed at any time by the affirmative vote of a majority of the Whole Board. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors or by the Chairman or President as provided in Regulation 23.

STOCK

27. Transfer and Registration of Shares. The Board of Directors shall have authority to make such rules and regulations as they deem expedient concerning the issuance, transfer and registration of shares and may appoint transfer agents and registrars thereof.

28. Substituted Certificates. Any person claiming a certificate for shares to have been lost, stolen or destroyed shall make an affidavit or affirmation of that fact, shall give the Corporation and its transfer agent or agents a bond of indemnity or other assurance satisfactory to the Board of Directors or a committee thereof or to the President or a Vice President and the Secretary or the Treasurer, whereupon a new certificate may be executed and delivered of the same class and series or type and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

29. Voting Of Shares Held by the Corporation. Unless otherwise ordered by the Board of Directors, the President *in person* or by proxy or proxies appointed by him will have full power and authority on behalf of the Corporation to vote, act and consent with respect to any shares issued by other corporations that the Corporation may own.

30. Owners of Shares. The Corporation will be entitled to treat the person in whose name shares are registered on the books of the Corporation as the absolute owner thereof, and will not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation has knowledge or notice thereof, except as expressly provided by applicable law.

INDEMNIFICATION AND INSURANCE

31. **Indemnification.** The Corporation shall indemnify, to the full extent then permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a member of the Board of Directors or an officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The Corporation shall pay, to the full extent then required by law, expenses, including attorney's fees, incurred by a member of the Board of Directors in defending any such action, suit or proceeding as they are incurred, in advance of the final disposition thereof, and may pay, in the same manner and to the full extent then permitted by law, such expenses incurred by any other person. The indemnification and payment of expenses provided hereby shall not be exclusive of, and shall be in addition to, any other rights granted to those seeking indemnification under any law, the Articles of Incorporation, any agreement, vote of shareholders or disinterested members of the Board of Directors, or otherwise, both as to action in official capacities and as to action in another capacity while he or she is a member of the Board of Directors, or an officer, employee or agent of the Corporation, and shall continue as to a person who has ceased to be a member of the Board of Directors, trustee, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

32. **Insurance.** The Corporation may, to the full extent then permitted by law and authorized by the Board of Directors, purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit or self-insurance, on behalf of or for any persons described in Regulation 31 against any liability asserted against and incurred by any such person in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such liability. Insurance may be purchased from or maintained with a person in which the Corporation has a financial interest.

33. **Agreements.** The Corporation, upon approval by the Board of Directors, may enter into agreements with any persons whom the Corporation may indemnify under this Code of Regulations or under law and undertake thereby to indemnify such persons and to pay the expenses incurred by them in defending any action, suit or proceeding against them, whether or not the Corporation would have the power under law or this Code of Regulations to indemnify any such person.

GENERAL

34. **Fiscal Year.** The fiscal year of the Corporation will end on the thirty-first day of December in each calendar year or such other date as may be fixed from time to time by the Board of Directors.

35. Seal. The Board of Directors may adopt a corporate seal and use the same by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

36. Amendments. Except as otherwise provided by law or by the Articles of Incorporation or this Code of Regulations, these Regulations or any of them may be amended in any respect or repealed at any time at any meeting of shareholders, provided that any amendment or supplement proposed to be acted upon at any such meeting has been described or referred to in the notice of such meeting. Notwithstanding the foregoing sentence or anything to the contrary contained in the Articles of Incorporation or this Code of Regulations, Regulations 1, 3(a), 9, 11, 12, 13, 14, 31 and 36 may not be amended or repealed by the shareholders, and no provision inconsistent therewith may be adopted by the shareholders, without the affirmative vote of the holders of at least 80% of the voting power of the Corporation, voting together as a single class. Notwithstanding the foregoing provisions of this Regulation 36, no amendment to Regulations 31, 32 or 33 will be effective to eliminate or diminish the rights of persons specified in those Regulations existing at the time immediately preceding such amendment.

{24002-1}

BOARD OF DIRECTORS CODE OF ETHICS AND BUSINESS CONDUCT

FIRSTENERGY CORP.
BOARD OF DIRECTORS
CODE OF ETHICS AND BUSINESS CONDUCT

The Board of Directors (the "Board") of FirstEnergy Corp. (the "Company") has adopted the following Code of Ethics and Business Conduct (the "Code") for directors of the Company. This Code is intended to provide guidance to directors to help them recognize and deal with ethical issues, to help foster a culture of honesty and accountability, and to provide mechanisms to report unethical conduct. *Each director must comply with this Code.*

No code or policy can anticipate every situation that may arise. This Code does not attempt to describe all possible conflicts of interest which could develop. It is impractical to try to list every situation or circumstance that might lead to a conflict of interest. Accordingly, this Code is intended to serve as a guideline for directors. Directors are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chair of the Corporate Governance Committee, who may consult with inside or outside legal counsel as appropriate.

Directors who also serve as officers of the Company should read this Code in conjunction with the Company's Code of Business Conduct and Conflicts-of-Interest Policy. Any waiver of the Code may be made only by the Board or a Board committee and must be promptly disclosed to shareholders.

I. CONFLICT OF INTEREST

Directors must avoid any conflicts of interest between the director and the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly to the Corporate Governance Committee.

A "conflict of interest" can occur when a director's personal interest is adverse to – or may appear to be adverse to – the interests of the Company as a whole. Conflicts of interest also arise when a director, or a member of his or her immediate family¹, receives improper personal benefits as a result of his or her position as a director of the Company.

The more common conflicts from which directors must refrain are as follows:

¹ New York Stock Exchange Rule 303A(2)(b) defined "immediate family" to include a person's spouse, parents, children, siblings, mothers-in-law and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who share such person's home.

A. Third Parties Relationships

Directors shall not participate in any conduct or activities that are inconsistent with the Company's best interests or that impair or disrupt the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.

B. Compensation

Non-employee directors shall not receive compensation for service as a director of the Company other than director's fees and benefits.

C. Gifts and/or Gratuities

Non-employee directors and members of his or her immediate family may not accept gifts and/or gratuities from entities or persons who deal with the Company where acceptance of the gifts and/or gratuities could create the appearance of a conflict of interest or where any such gift and/or gratuity is being made in order to influence the directors' actions as a member of the Board.

D. Personal Use of Company Assets

Directors shall not use Company information, assets or labor for personal use unless approved by the Chairman of the Board, Chief Executive Officer or Chief Ethics Officer as part of a compensation or expense reimbursement program available to all directors.

E. Company Loans

Directors shall not accept or request loans or guarantees of obligations from the Company.

II. CORPORATE OPPORTUNITIES

Directors are forbidden from: (a) taking personal opportunities related to the Company's business; (b) using the Company's information, assets, or position for personal profit; or (c) competing with the Company for business opportunities, provided, however, if the Company's disinterested directors determine that the Company will not pursue an opportunity that relates to the Company's business, a director may do so.

III. CONFIDENTIAL INFORMATION

Directors shall maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company or its customers that comes to them, from whatever source, in their capacity as a director, except when disclosure is authorized or legally mandated. For purposes of this Code, "confidential information" includes all non-public information relating to the Company that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

IV. COMPLIANCE WITH LAWS, RULES AND REGULATIONS; FAIR DEALING

Directors shall comply, and oversee compliance by employees, officers and other directors, with laws, rules and regulations applicable to the Company, including insider trading laws.

Directors shall oversee fair dealing by employees and officers with the Company's customers, suppliers, competitors and employees.

V. ENCOURAGING THE REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR

Directors shall promote ethical behavior and take steps to ensure the Company: (a) encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; (b) encourages employees to report violations of laws, rules, regulations or the Company's Code of Business Conduct to appropriate personnel; and (c) informs employees that the Company will not allow retaliation for reports made in good faith.

VI. COMPLIANCE PROCEDURES

Directors shall communicate any suspected violations of this Code promptly to the Chairman of the Board, Chief Executive Officer, Chief Ethics Officer, or the Chair of the Corporate Governance Committee. Violations will be investigated by the Board or by a person or persons designated by the Board and appropriate action will be taken in the event of any violations of the Code.

CHARTER OF THE AUDIT COMMITTEE

CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The purpose of the Audit Committee (the "Committee") is:

1. To assist Board oversight of:
 - (a) The integrity of the Company's financial statements;
 - (b) The Company's compliance with legal, risk management and regulatory requirements;
 - (c) The independent auditor's qualifications and independence;
 - (d) The performance of the Company's internal audit function and independent auditor; and
 - (e) The Company's systems of internal control with respect to the accuracy of financial records, adherence to Company policies and compliance with legal and regulatory requirements.
2. To prepare the report that Securities and Exchange Commission ("SEC") rules require be included in the Company's annual proxy statement; and

3. To perform such other duties and responsibilities enumerated in this Charter. The Committee's function is one of oversight, recognizing that the Company's management is responsible for preparing the Company's financial statements, and the independent auditor is responsible for auditing those statements. In adopting this Charter, the Board acknowledges that the Committee members are not employees of the Company and are not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditor's work or auditing standards. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Company that provide information to the Committee and the accuracy and completeness of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

COMPOSITION

The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The Board shall appoint the members of the Committee upon the recommendation of the Corporate Governance Committee. All of the members or any individual member of the Committee may be removed from the Committee without cause by the affirmative vote of a majority of the Board. Without the approval of the Board, no Committee member shall simultaneously serve on the audit committees of more than two other public companies.

Each member shall qualify as independent, as such term is defined in the Corporate Governance Policies. No member, other than in their capacity as a member, of the Committee, the Board, or any other Board Committee, may (a) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof or (b) be an affiliated person of the Company or any subsidiary thereof. The Board shall appoint at least one member to the Committee who, in the Board's business judgment, has accounting or related financial management expertise, which member may be an "Audit Committee Financial Expert" as such term may be defined from time to time by the SEC.

All members of the Committee shall be financially literate, as referenced by the NYSE, having a working familiarity with basic finance and accounting practices, or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

RESPONSIBILITIES AND AUTHORITY

The Audit Committee has the following responsibilities and authority:

1. Annually, the Committee shall be directly responsible for the appointment, compensation, retention (subject to shareholder ratification, if such ratification is required) and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor will report directly to the Committee. The independent auditor shall audit the consolidated financial statements of the Company and the consolidated financial statements of selected subsidiaries for the fiscal year for which it is appointed and report directly to the Committee.

2. Except as otherwise stated herein, the firm serving as the independent auditor for the Company may not be retained to provide non-audit related services to the Company or any of its subsidiaries. This also applies to non-audit related services received by the Company's subsidiaries from other accounting firms serving as their independent auditors. In the event that non-audit related services for a project can reasonably be provided only by the independent auditor due to expertise that is exclusive to that firm or for any other reason that the Committee deems necessary, and provided that the engagement for such non-audit related services is in compliance with all applicable legal and regulatory requirements promulgated from time to time by the SEC and the NYSE, the Committee must specifically approve such arrangements before the auditor may be engaged to provide such service. Notwithstanding the foregoing, the independent auditor for the Company is prohibited from providing the following non-audit services to the Company or any of its subsidiaries:

- (a) Bookkeeping or other services related to the accounting records or financial statements of the Company or any of its subsidiaries;
- (b) Financial information systems design and implementation;
- (c) Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

- (d) Actuarial services;
- (e) Internal audit outsourcing services;
- (f) Management functions or human resources;
- (g) Broker or dealer, investment advisor or investment banking services;
- (h) Legal services and expert services unrelated to the audit; and
- (i) Any other services that the Public Accounting Oversight Board determines, by regulation, is impermissible; or any other service that the Audit Committee determines is impermissible, poses a potential conflict, or should be prohibited.

The Committee must pre-approve any audit-related service that is not considered part of the annual audit and, to the extent required by applicable law, any non-audit service, including tax services, that is not described in any of the foregoing paragraphs (a)-(i); except, however, that such retained audit firm may prepare or review income tax forms, registration statements and cost reports without such pre-approval.

3. In connection with the Committee's approval of non-audit services, the Committee shall consider whether the independent auditor's performance of any non-audit services is compatible with the external auditor's independence.

4. The Committee shall establish the Company's hiring policies for employees or former employees of the Company's independent auditors.

5. At least annually, the Committee shall obtain and review a report by the independent auditor describing:

- (a) the independent auditor's internal quality control procedures;
- (b) any material issues raised by the most recent internal quality control review or peer review of the independent auditor's firm, or by any publicly disclosed inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor's firm, and the steps taken to deal with those issues; and
- (c) all relationships between the independent auditor and the Company, in order to assess the auditor's independence.

6. After reviewing the foregoing report, the Committee shall evaluate the independent auditor's qualifications, terms of engagement, compensation, performance and independence, which shall include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the Committee shall take into account the

opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditor to the Board.

7. The Committee shall ensure the regular rotation of the lead audit partner and concurring partner every five (5) years and consider whether it would be appropriate to implement a regular rotation of the independent auditor firm.

8. The Committee shall also review any report by the independent auditor describing:

- (a) critical accounting policies and practices used by the Company;
- (b) alternative treatments of financial information within GAAP that have been discussed with management officials, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
- (c) any other material written communication between the independent auditor's firm and the Company's management.

9. The Committee shall review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's reports filed with the SEC. In addition to reviewing the financial statements, the Committee shall review any certification, report, opinion, or review rendered by the external auditor in connection with those financial statements, and any significant disputes between management and the external auditor that arose in connection with the preparation of those financial statements. The Committee shall have full access to the Company's books and personnel.

10. The Committee, as a whole or through the Chair, shall review the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of the financial reporting with management, the internal auditor and the external auditor prior to filing of the Company's Reports on Forms 10-K or 10-Q, or as soon as practicable if the communications cannot be made prior to its filing.

11. The Committee shall review disclosures made to the Committee by the Company's chief executive officer and chief financial officer during their certification process for Forms 10-K and Forms 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

12. In connection with its review of the Company's financial statements, the Committee shall review and discuss with management, the internal auditor and the independent auditor the matters relating to the conduct of the audit required to be discussed by Statement on Accounting Standards Nos. 61 and 90 (Communications with Audit Committees), as they may be modified or supplemented.

13. The Committee shall review with the independent auditor any audit problems or difficulties and management's response to them. The Committee shall review any significant findings and recommendations of the internal auditing function together with management's responses to them. Any such review shall include discussion of the responsibilities, budget and staffing of the internal audit function.

14. Based on its review and discussions with management, the internal auditor and the independent auditor, the Committee shall recommend to the Board whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of the Form 10-K).

15. Although the Committee shall not be required to pre-approve or discuss in advance each earnings release or each instance in which the Company may provide earnings guidance, the Committee shall review and discuss press releases related to the Company's earnings, as well as financial information and earnings guidance provided to financial analysts and rating agencies.

16. The Committee shall meet separately, periodically, with management, with internal auditors, with independent auditors and with the general counsel. Further, the Committee shall, at least annually, meet with the Company's independent auditor, without the presence of any Company employees, in order to review the results of each external audit of the Company, the report of the audit, any related management letter, management responses to recommendations made by the independent auditor in connection with the audit, all significant reports of the internal auditing department, and management's responses to those reports.

17. At least annually, the Committee shall review and approve the scope and plan of the work to be done by the Company's internal audit function, and review the results of such work. The review should also include discussion of the responsibilities, budget and staffing of the internal audit function. The Committee shall oversee, require and review periodic evaluations of the Company's internal control and corporate compliance structures, including the charter of the internal audit function to reasonably assure that it is consistent with that recommended by the Institute of Internal Auditors, and the resources provided to the internal audit group to reasonably assure that it has sufficient resources to carry out its charter. At least annually, the Committee shall approve the Internal Auditing Business Practice.

18. The Committee shall periodically review with the Director of the Internal Auditing Department the adequacy of the Company's internal controls and corporate compliance structures, including computerized information system controls and security, to reasonably determine, at a minimum, that: (a) components of the Company's internal control and corporate compliance structures are regularly evaluated; (b) such evaluations are performed by qualified personnel; and (c) such evaluations have reasonable scope and depth of coverage and are conducted with sufficient frequency. The Committee shall discuss with the independent auditors any significant matters regarding internal controls over financial reporting that have come to their attention during the conduct of the audit, in addition to reviewing with the independent auditor the Company's compliance with the requirements of the Sarbanes-Oxley Act of 2002, as may be amended from time to time.

19. The Committee shall consider and review Directors', officers' and management's Company-funded expenses.

20. The Committee shall discuss generally the Company's policies with respect to risk assessment and risk management.

21. Periodically, the Committee shall meet with appropriate members of management to review adherence to corporate policies and review processes relating to training, monitoring and reporting of policy compliance. In particular, the Committee shall review the Company's Code of Business Conduct to determine that it is designed to provide adequate protection against violations of applicable laws and regulations, and shall review the record keeping and reporting systems to measure and monitor regulatory compliance requirements. In general, the Committee shall also periodically review the Company's policies and procedures regarding compliance with the Company's Code of Business Conduct and the Company's Conflicts-of-Interest Policy, and methods for disseminating information regarding the foregoing policies. The Committee shall review corrective actions taken by the Company when significant internal or corporate compliance problems are reported. If the Committee becomes aware of any significant deficiency from corporate compliance programs or internal control programs, or of material violations of established corporate policies or legal and regulatory requirements, it shall: (a) reasonably determine that all appropriate corrective actions have been taken in response thereto, and that such actions are sufficient under the circumstances; (b) review any management override (which shall include waivers permitted by policies or procedures) of corporate compliance programs and internal control programs, and take the steps necessary to reasonably determine that such action or override will not occur in the future without Board approval; and (c) review the process for reporting deficiencies or violations to reasonably assure that the Director of Internal Audit and the Chief Ethics Officer are informed of such deficiencies or violations.

22. The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by the Company's employees of concerns regarding accounting or auditing matters.

23. The Committee may cause on-going educational programs related to appropriate financial and accounting practices to be made available to Committee members.

24. The Committee shall communicate to the Board any issues with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function.

25. The Committee shall prepare the report required by SEC rules to be included in the Company's annual proxy statement.

26. The Committee shall report regularly to the Board concerning its activities.
27. The Committee shall meet at least six (6) times per year.
28. The Committee shall serve as a channel of communication between the independent auditor and the Board, and between the Director of Internal Audit and the Board.
29. The Director of Internal Audit reports to the Committee and the Chief Financial Officer. The Committee will periodically assess this reporting relationship in accordance with the Institute of Internal Auditors Standard 1110 and associated Practice Advisories.
30. At least annually, the Committee and the Board shall cause the Company to evaluate the performance of the Director of Internal Audit and, if necessary, recommend the replacement of the Director of Internal Audit. The Committee will provide input to the Company on the performance of the Director of Internal Audit for consideration in the annual performance evaluation, along with input relating to his/her compensation package. The Committee shall be briefed annually on the results of the final evaluation along with the compensation package for the Director of Internal Audit.
31. The Chair of the Committee shall be consulted prior to the appointment or removal of the Director of Internal Audit.
32. The Committee shall conduct an annual performance evaluation of the Committee.
33. The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.
34. At least annually, the Committee shall review the political contributions of the Chief Executive Officer and the next four (4) highest paid executives, as listed in the most current proxy statement.
35. The Committee will review the Policy on Engagement of Government Relations and Legislative Consultants annually.

AUTHORITY TO RETAIN AND TERMINATE ADVISORS

In the course of its duties, the Committee shall have the authority, at the Company's expense, to retain, replace and terminate independent counsel and other advisors, as it deems necessary to carry out its duties.

The Committee shall have the sole authority to appoint, compensate, retain (subject to shareholder ratification, if such ratification is required) and oversee the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor shall report directly to the Committee.

The Committee shall determine the appropriate funding to be provided by the Company for payment of:

- (a) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- (b) compensation to any advisors employed by the Committee; and
- (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

AMENDMENT

This Charter and any provision contained herein may be amended or repealed by the Board.

Revised: September 19, 2006

CHARTER OF THE COMPENSATION COMMITTEE

CHARTER OF THE COMPENSATION COMMITTEE

PURPOSE

The purpose of the Compensation Committee (the "Committee") is:

1. To discharge the responsibilities of the Board of Directors (the "Board") as specified in this Charter relating to compensation of certain senior-level officers of the Company, including the chief executive officer ("CEO"),¹ the Company's other non-CEO executive officers, and the Chairman, if the Chairman is not the CEO, and other individuals named in the Company's annual proxy statement;
2. To review, discuss, and endorse a compensation philosophy that supports competitive pay for performance and is consistent with the corporate strategy;
3. To assist the Board in establishing the appropriate incentive compensation and equity-based plans for the Company's executive officers, to administer such plans in order to attract, retain and motivate skilled and talented executives and to align such plans with Company and business unit performance, business strategies and growth in shareholder value;
4. To review and discuss with the Company's management the disclosures in the Compensation Discussion and Analysis required by applicable rules and regulations and, based upon such review and discussions, to recommend to the Board whether the Compensation Discussion and Analysis should be included in the Company's annual report and proxy statement;
5. To produce the Compensation Committee Report to be included in the Company's annual report and proxy statement, in accordance with applicable rules and regulations; and
6. To perform such other duties and responsibilities enumerated in and consistent with this Charter.

COMPOSITION

The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The members of the Committee shall be appointed by the Board upon the recommendation of the Corporate Governance Committee of the Board. All of the members or any individual member of the Committee may be removed from the Committee without cause by the affirmative vote of a majority of the Board.

Each member shall qualify as *independent* as defined in the Corporate Governance Policies. In addition, each member shall qualify as an "outside director" as such term

¹ "President" shall be substituted for each reference in this Charter to "CEO" if the office of CEO is vacant for any reason.

is defined in section 162(m) of the Internal Revenue Code of 1986 (as amended) and the regulations promulgated thereunder or any successor provisions thereto, and as a "non-employee director" as such term is defined in Rule 16b-3 under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, or any successor provisions thereto.

RESPONSIBILITIES AND AUTHORITY

The Compensation Committee has the following responsibilities and authority:

1. Executive and Board Compensation

The Committee shall:

- (a) Establish a process, considering objective and subjective performance criteria, to obtain an evaluation from all independent Directors of the CEO's performance;
- (b) Review, approve and present to the Board, corporate goals and objectives relevant to the compensation of the CEO;
- (c) Evaluate the CEO's performance in light of such goals and objectives at least annually and cause the Chairman of the Committee to meet with and communicate the results to the CEO. Such results shall also be communicated to the Board. The Board will, if necessary, replace the CEO;
- (d) Recommend to the independent Directors of the Board who shall approve the CEO's compensation level based on the evaluation in (c) above (including annual salary, short-term incentive, long-term incentive and other direct and indirect benefits);
- (e) In determining the long-term incentive component of the CEO's compensation, consider, among other items, the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies and the compensation provided to the Company's CEO and other executive officers in the past;
- (f) Review and recommend to the Board the compensation, including annual salary, bonus, stock options, and other benefits, direct and indirect, of certain senior-level officers of the Company, including the Company's principal financial officer, and the three most highly compensated officers other than the CEO and principal financial officer, provided, however, that shareholders shall be given the opportunity to vote on (i) all stock option plans, except pre-existing plans (excluding material amendments thereto), plans related to employment inducement or promotion options, option plans acquired in mergers or acquisitions, and tax qualified and excess

benefit plans, as defined by the applicable NYSE rules, unless a vote on such plans is otherwise required by law; and (ii) the issuance of any equity compensation to any executive who, at the time of such issuance, is the CEO, the principal financial officer, or one of the three other most highly compensated executive officers, unless the equity compensation is issued pursuant to a plan previously approved by the Company's shareholders.

(g) Review new executive compensation programs;

(h) Make recommendations to the Board with respect to non-CEO executive officer (which includes the Company's officers required to file reports pursuant to Section 16 of the Securities Exchange Act of 1934) compensation, incentive compensation plans and policies and equity-based plans and policies;

(i) Monitor executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose;

(j) Establish and periodically review policies for the administration of executive compensation programs;

(k) Modify, as necessary, any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance or not comparable to programs of peer businesses;

(l) Review the impact of change-in-control, spin-offs, etc., on compensation plans;

(m) Review and discuss the Compensation Discussion and Analysis with management, prior to the filing of the Company's annual report on Form 10-K and proxy statement for the annual meeting of shareholders, and based on such review and discussions, the Committee shall recommend to the Board whether the Compensation Discussion and Analysis should be included (or incorporated by reference as applicable) into the Company's annual report on Form 10-K and proxy statement; and

(n) At least annually, make recommendations to the Board regarding the compensation of the non-employee Directors, including the Chairman, if the Chairman is not the CEO, other changes in Board compensation, including cash and equity based retainers and meeting fees for regular Board meetings and Committee meetings. In discharging this duty, the Committee shall be guided by three goals: compensation should fairly pay Directors for work required in a company of FirstEnergy's size and scope; compensation should align Directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand.

2. Executive and Director Compensation Plans

The Committee shall:

- (a) Administer the executive compensation plans, including stock option and other non-qualified deferred compensation plans, of the Company in accordance with the terms of such plans;
- (b) Recommend incentive-compensation plans and policies and equity-based plans and policies to the Board;
- (c) Provide necessary approval to qualify for exemptions as may be established by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934;
- (d) Provide necessary determinations in connection with executive compensation to qualify for tax deductions in excess of limitations under section 162(m) of the Internal Revenue Code; and
- (e) Have sole authority, at the Company's expense, to engage and terminate consulting firms and advisors who are independent from management, as the Committee deems advisable, to advise with respect to executive compensation matters, including the sole authority to approve the firm's fees and other retention terms.

3. In discharging the above duties, the Committee shall be guided by the following principles:

- (a) As authorized by the provisions of Section 1701.60 of the Ohio Revised Code, the Board has delegated authority to the CEO of the Company to establish the compensation of officers whose compensation is not specifically determined by the Committee pursuant to this Charter, provided that this authority shall only be exercised after discussion and consultation with the Committee; and
- (b) Salaries of officers and executives other than those under paragraph (a) above will continue to be determined by the CEO in a manner that is consistent with this Charter.

4. The Committee shall produce the Compensation Committee Report to be included in the Company's proxy statement for the annual meeting of shareholders and incorporated by reference into the Company's annual report on Form 10-K as required by applicable rules and regulations of the Securities and Exchange Commission.

5. The Committee shall perform such other activities and functions related to executive compensation as may be assigned from time to time by the Board, including, but not limited to preparing or causing to be prepared any reports or other disclosure required with respect to the Committee by any applicable proxy or other rules of the Securities and Exchange Commission or any applicable listing standards.

6. The Committee shall report regularly to the Board concerning its activities. Discussion of CEO compensation among the members of the Committee and the Board is not precluded under this Charter.

7. The Committee shall conduct an annual performance evaluation of the Committee.

8. The Committee shall review the Company's succession plans at least for the Executive Council Members.

9. At least annually, the Committee shall review all change in control agreements and periodically review the prevailing competitive practices concerning severance agreements and report on such review to the Board.

10. The Committee shall annually oversee the evaluation of management.

11. The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.

AMENDMENT

This Charter and any provision contained herein may be amended or repealed by the Board.

Revised: November 14, 2006

CHARTER OF THE CORPORATE GOVERNANCE COMMITTEE

CHARTER OF THE CORPORATE GOVERNANCE COMMITTEE

PURPOSE

The purpose of the Corporate Governance Committee (the "Committee") is:

1. To develop, recommend to the Board, and periodically review the corporate governance principles applicable to the Company;
2. To recommend Board candidates for all directorships by identifying individuals qualified to become Board members in a manner that is consistent with criteria approved by the Board;
3. To recommend that the Board select the Director nominees for the next annual meeting of shareholders;
4. To oversee the evaluation of the Board and management; and
5. To have principal responsibility for recommending revisions to the Corporate Governance Plan, approved by the Board of Directors on July 20, 2004, until its expiration.

COMPOSITION

The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The members of the Committee shall be appointed by the Board. All of the members or any individual member of the Committee may be removed from the Committee without cause by the affirmative vote of a majority of the Board. Each member shall qualify as "independent", as such term is defined in the Company's Corporate Governance Policies.

RESPONSIBILITIES AND AUTHORITY

The Corporate Governance Committee has the following responsibilities and authority:

Corporate Governance Principles

1. In making the recommendations and determinations required of it under this Charter, the Committee shall refer to the Corporate Governance Policies.
2. The Committee shall review the Corporate Governance Policies and each Board committee charter annually, and make recommendations to the Board regarding any amendments thereto.

Board and Committee Membership

1. Annually, the Committee shall assess the size and composition of the Board in light of the operating requirements of the Company and the current makeup of the Board.

2. The Committee shall develop membership qualifications for the Board and all Board committees. Any assessment of a prospective Board or committee candidate should include, at a minimum, issues of diversity, age, background and training, business or administrative experience and skills, dedication and commitment, business judgment, analytical skills, problem-solving abilities and familiarity with regulatory environment. In addition, the Committee may consider such other attributes as it deems appropriate, all in the context of the perceived needs of the Board or applicable Committee at that point in time.

While it is not necessary that each Director possess all of the below listed criteria, each Director shall contribute some knowledge, experience, or skill in at least one domain that is important to the Company. Such Directors shall possess experience in one or more of the following:

- Management or senior leadership position which demonstrates significant business or administrative experience and skills;
- Accounting or finance;
- The electric utilities or nuclear power industry; or
- Other significant and relevant areas deemed by the Corporate Governance Committee to be valuable to the Company.

3. The Committee shall define specific criteria for Director independence and committee membership in a manner that is consistent with the Corporate Governance Policies and make any necessary independence recommendations regarding committee membership. Additionally, the Committee shall make recommendations to the Board regarding the financial literacy of the members of the Audit Committee, as referenced by the NYSE. Notwithstanding the foregoing, it shall be the responsibility of the full Board to make any required independence and financial literacy determinations as to members of the Board and each Committee, as appropriate.

4. The Committee shall make recommendations to the Board regarding membership on and removal from committees, taking into account: (i) a prospective candidate's independence, (ii) the qualifications set forth in Section 2 above, (iii) the needs of each committee, (iv) the desires of individual Directors, (v) the suggestions of the Chief Executive Officer ("CEO") and the Chairman, if the Chairman is not the CEO, and (vi) other applicable requirements under NYSE and SEC rules and regulations.

5. The Committee shall monitor compliance with Board and Board committee membership criteria, including on-going compliance with respect to Director independence requirements. Notwithstanding the foregoing, it shall be the responsibility of the full Board to monitor compliance with membership criteria and independence with respect to members of this Committee.

6. The Committee shall coordinate and assist management and the Board in recruiting new members to the Board. Annually, the Committee shall make

recommendations for the nomination of director candidates based on the criteria set forth herein and the evolving needs of the Company.

7. The Committee shall investigate and consider suggestions for candidates for membership on the Board, including shareholder nominations for the Board. The Committee will give due consideration to all written shareholder nominations that are (i) submitted in writing to the Committee, in care of the Corporate Secretary of the Company, (ii) received at least 120 days before the publication of the Company's annual proxy statement from a shareholder or group of shareholders owning .5% or more of the voting stock for at least one year, and (iii) accompanied by a description of the proposed nominee's qualifications and other relevant biographical information, together with the written consent of the proposed nominee to be named in the proxy statement and to serve on the Board. The Committee may request additional information regarding any prospective candidate as it deems necessary.

8. In consultation with the CEO, the Chairman and the full Board, the Committee shall search for, recruit, screen, interview and recommend prospective Directors, as required, to provide an appropriate balance of knowledge, experience and capability on the Board. The Committee shall be guided by this Charter, the Corporate Governance Policies and other applicable laws and regulations in recruiting and selecting Director candidates. In making its recommendations, the Committee shall consider candidates for directorships proposed by the CEO and, within the bounds of law and practicability, by any other senior executive officer or any Director. So long as shareholders nominating Director candidates shall have complied with the procedural requirements set forth herein, the Committee shall apply the same criteria and employ substantially similar procedures for evaluating shareholder nominees for the Board as it would for evaluating any other Board nominee.

9. The Committee shall undertake the responsibilities delegated to the Committee as set forth in the Corporate Governance Policies.

10. The Committee shall have sole authority, at the Company's expense, to retain and terminate any search firm to be used to identify Director candidates, including sole authority to approve the search firm's fees and other retention terms.

Evaluation

1. The Committee shall report to the Board concerning its activities.

2. The Committee shall conduct an annual performance evaluation of the Committee and facilitate and oversee the Board of Directors' annual self-evaluation.

3. At least annually, the Committee shall facilitate and oversee the evaluation of the Board, and evaluate the quality, sufficiency and currency of information furnished by management to the directors in connection with Board and committee meetings and other activities of the Directors. The Committee shall delegate the duty to oversee the evaluation of management to the Compensation Committee.

4. The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.

AMENDMENT

This Charter and any provision contained herein may be amended or repealed by the Board.

Revised: September 19, 2006

CHARTER OF THE FINANCE COMMITTEE

CHARTER OF THE FINANCE COMMITTEE

PURPOSE

The purpose of the Finance Committee is to monitor and oversee the Company's financial resources and strategies, with emphasis on those issues that are long-term in nature.

COMPOSITION

The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The members of the Committee shall be appointed by the Board upon the recommendation of the Corporate Governance Committee of the Board. All of the members or any individual member of the Committee may be removed from the Committee without cause by the affirmative vote of a majority of the Board. The majority of the members of the Committee shall qualify as "independent" as defined in the Corporate Governance Policies.

RESPONSIBILITIES AND AUTHORITY

The Finance Committee has the following responsibilities and authority:

1. The Committee shall review the Company's capital structure policies, long- and short-term debt levels, dividend policy, issuance of securities, exposure to fluctuation in interest rates, share repurchase programs and other financial matters deemed appropriate by the Board.
2. The Committee shall approve terms of sales of Company securities when the Board does not exercise such powers.
3. The Committee shall review the Company's financial forecasts, operations and maintenance budgets and capital budgets.
4. The Committee shall review the Company's pension fund investments and employee savings plans.
5. The Committee shall review the Company's corporate insurance coverage.
6. The Committee shall report regularly to the Board concerning its activities, including reviewing and, where appropriate, recommending Board approval, of the Company's major financial commitments and other major corporate strategic plans of the Company.
7. The Committee shall conduct an annual performance evaluation of the Committee.

8. The Committee shall make recommendations to the Board as the Committee feels appropriate in connection with the performance of its responsibilities.

9. The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.

AMENDMENT

This Charter and any provision contained herein may be amended or repealed by the Board.

Revised: September 20, 2005

CHARTER OF THE NUCLEAR COMMITTEE

CHARTER OF THE NUCLEAR COMMITTEE

PURPOSE

The purpose of the Nuclear Committee is to monitor and oversee the Company's nuclear program and the operation of all nuclear units in which the Company or any of its subsidiaries has an ownership or leasehold interest.

COMPOSITION

The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The members of the Committee shall be appointed by the Board upon the recommendation of the Corporate Governance Committee of the Board. All of the members or any individual member of the Committee may be removed from the Committee without cause by the affirmative vote of a majority of the Board. Each member shall qualify as "independent," as such term is defined in the Company's Corporate Governance Policies.

RESPONSIBILITIES AND AUTHORITY

The Nuclear Committee has the following responsibilities and authority:

1. The Committee shall review the safety, reliability and quality of nuclear operations.
2. The Committee shall review the effectiveness of management systems for the self-identification of problems and potential problems for prompt and complete corrective actions.
3. The Committee shall review the Company's nuclear operational and business plans.
4. The Committee shall periodically visit nuclear facilities, meeting with appropriate station personnel.
5. The Committee shall undertake studies as the Board or Committee may deem appropriate concerning the nuclear activities of the Company.
6. The Committee shall report regularly to the Board concerning its activities.
7. The Committee shall conduct an annual performance evaluation of the Committee.
8. The Committee shall make recommendations to the Board as the Committee feels appropriate in connection with the performance of its responsibilities.
9. The Committee shall meet separately, at least six (6) times per year, with Company management responsible for the Company's compliance with nuclear power rules and regulations to review all issues relating to the Company's compliance with nuclear power rules and regulations.

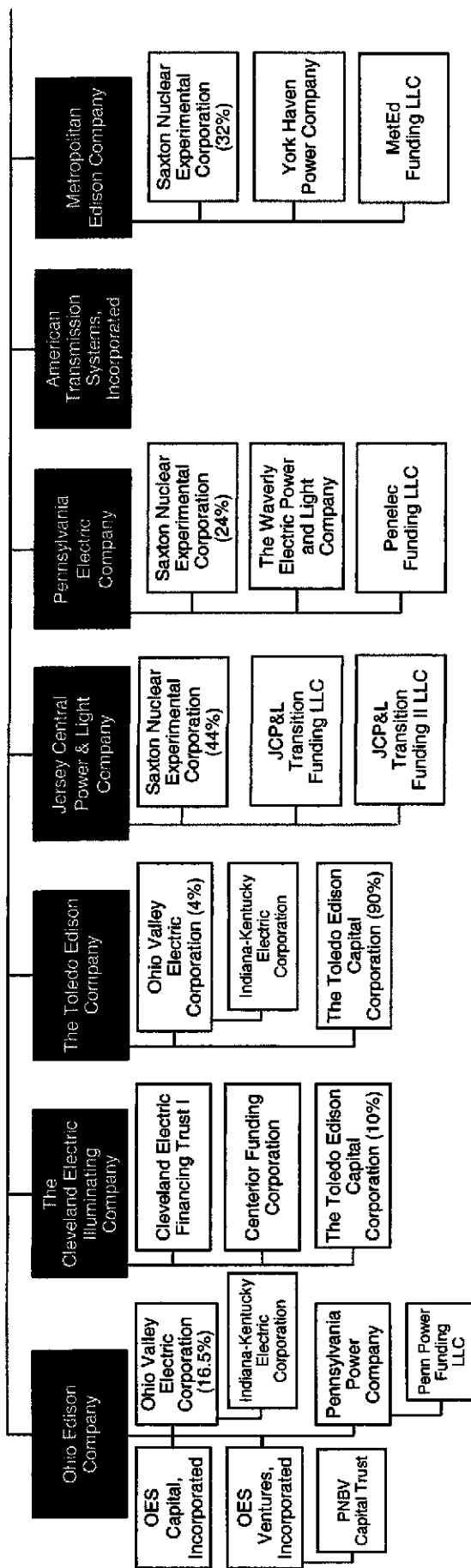
10. The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.

AMENDMENT

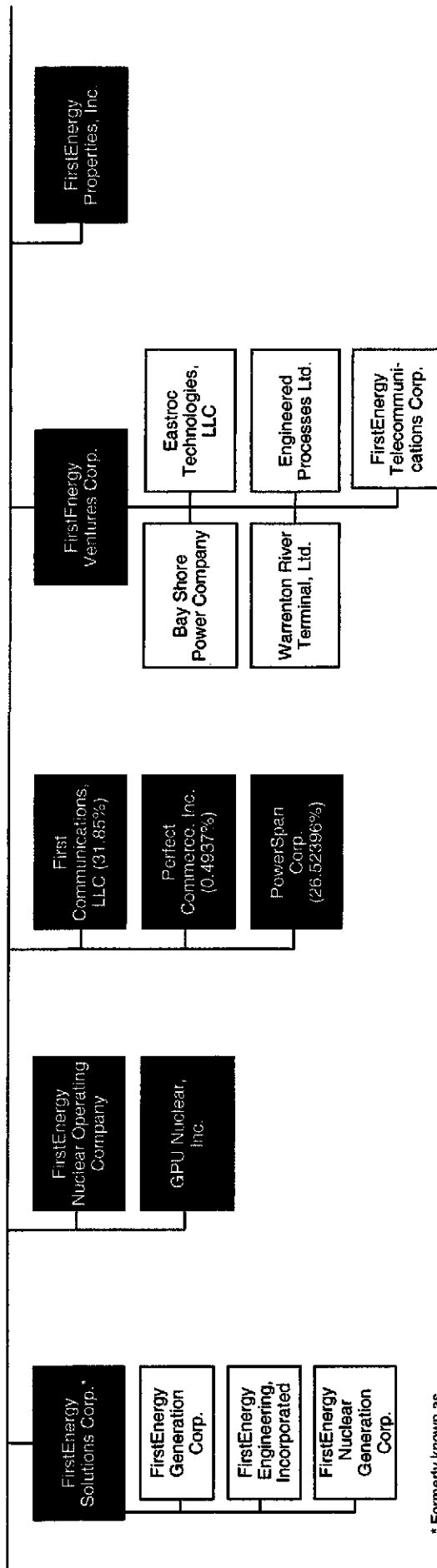
This Charter and any provision contained herein may be amended or repealed by the Board.

Revised: September 20, 2005

FIRSTENERGY CORP. CORPORATE STRUCTURE

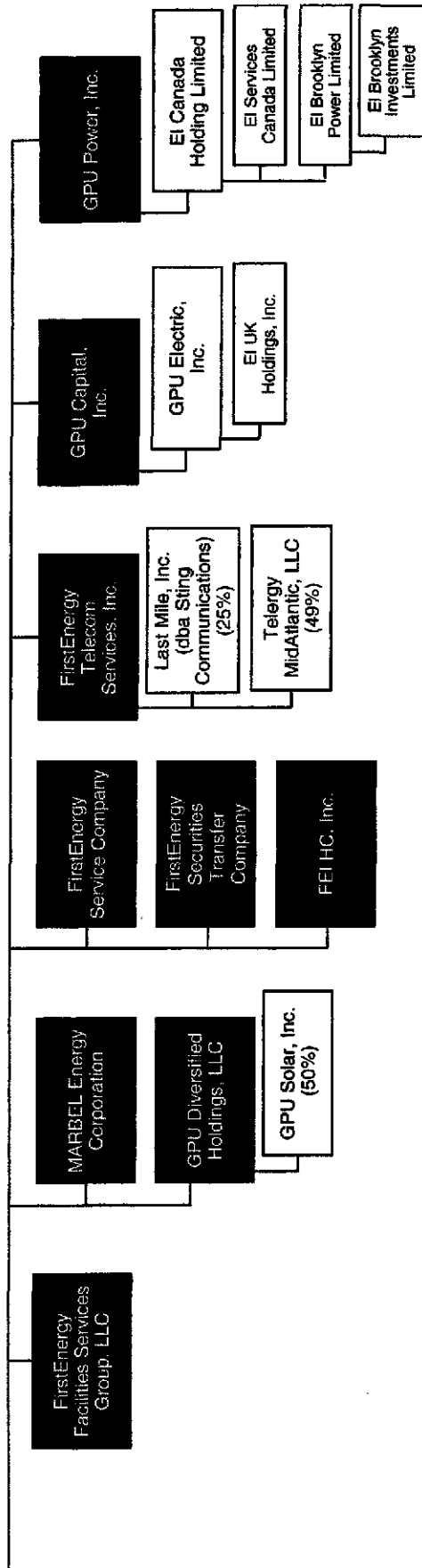


Structure of Operating Companies and Subsidiaries

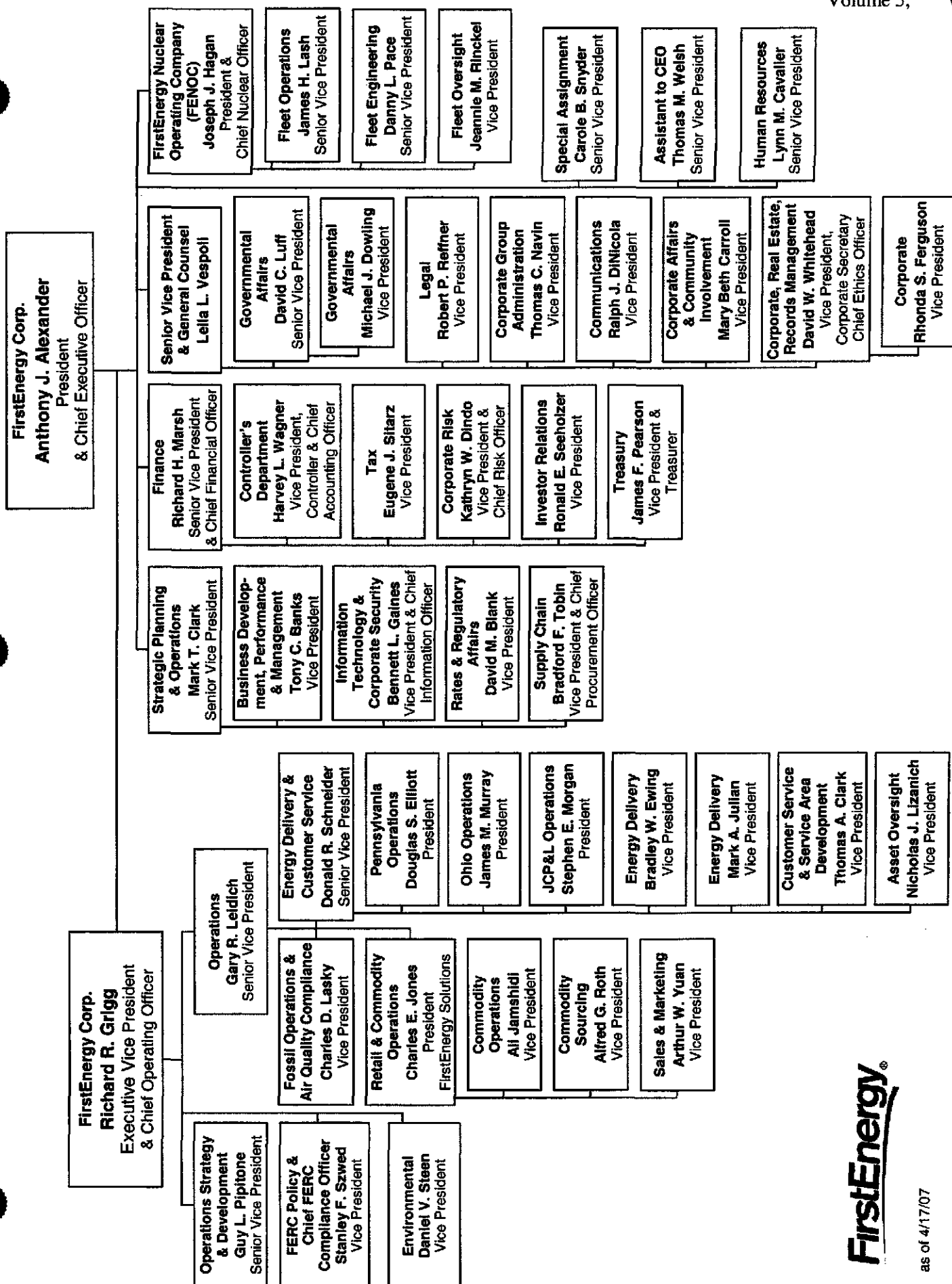


* Formerly known as
FirstEnergy Services Corp.

FirstEnergy®



FIRSTENERGY CORP. ORGANIZATIONAL CHART


FirstEnergy®

as of 4/17/07

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SUPPLEMENTAL FILING REQUIREMENT

B-9

SCHEDULE S-4.2

**EXECUTIVE SUMMARY OF MANAGEMENT POLICIES,
PRACTICES, AND ORGANIZATION**

CASE NO. 07-551-EL-AIR

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

PREFACE

As required by the Public Utilities Commission of Ohio ("PUCO"), this Schedule S-4.2 has been submitted for the purpose of fulfilling the Standard Filing Requirements relating to the management policies, practices and organization of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, the "Companies"). Each of the Companies is a wholly owned subsidiary of FirstEnergy Corp. ("FE") and receives a variety of administrative, management, engineering, construction, environmental, and support services (collectively, "Services") from FirstEnergy Service Company, pursuant to service agreements. The term "Company" will be used throughout this Schedule S-4.2 to refer to the Companies; the corporate management policy, practice, and organizational direction the Companies receive from FE; and the Services the Companies receive from FirstEnergy Service Company.

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

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Management Policies, Practices, and Organization

SFR Reference: (a)(i) Plant/Facilities Planning Process

a. PLANT OPERATIONS AND CONSTRUCTION

The Company objective that is directly impacted by (i) Plant/Facilities Planning Process; (ii) Operations and Maintenance ("O&M") Policies and Procedures; and (iii) Plant Productivity and Performance Evaluation is: Improve distribution reliability in all operating regions.

(i) Plant/Facilities Planning Process

1. Policy and Goal Setting

The Senior Vice President of Energy Delivery and Customer Service ("ED&CS") is responsible for all policies and goals set for the plant/facilities planning process. The overarching Company objective which all policies of the plant/facilities planning process must support is: Improve distribution reliability in all operating regions. The guiding principle of all policies and goals of the ED&CS business unit is to provide a consistent and standard approach to the management of the Company's distribution system assets.

Goal setting for the plant/facilities planning process is driven by a top-down approach. Company goals drive the ED&CS business unit goals, which drive group (e.g. Distribution) goals, which drive department, section and in some cases individual goals. Goals are set such that each specific group has a line of sight to its respective goal that ultimately layers up to support the overall Company goal.

Policies for the plant/facilities planning process can be driven either by a top-down approach or a bottom-up approach. Local regional engineering groups within the Company will identify changes needed to existing or new policies that should be made or developed through their assessment of their distribution system and the execution of the plant/facilities process. The Energy Delivery group will develop the new or modified policy which will become effective upon the approval of the Senior Vice President of ED&CS. This is an example of a bottom-up approach. An example of a top-down approach is when ED&CS senior management identifies that a new or revised policy needs to be developed to reflect a different or new focus on the planning of plant/facilities.

2. Strategic and Long-Range Planning

Strategic planning for the plant/facilities planning process is developed and implemented by the Senior Vice President of ED&CS with input from Energy Delivery senior management. The Senior Vice President of ED&CS establishes a business plan which contains the strategic objectives and long-range plans of the Company as they pertain to the distribution system assets. The business plan includes a vision and mission of safety and reliability, as well as specific initiatives and performance measures used to measure the successful execution of the plan.

Long-range planning is accomplished with the input of the regional engineering group of the Company providing a ten-year vision and five-year capital plan towards that vision. The vision is created and supported by an assessment of the Company's distribution

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SFR Reference: (a)(i) Plant/Facilities Planning Process

system in the areas of load forecasting, problem identification, economic and operational evaluation of alternative solutions and capital project sponsorship.

3. Organizational Structure

Until early 2007, the responsibility for the development of plant/facilities planning process was integrated into the responsibilities of the Transmission and Substation Design department led by the Director, Transmission and Substation Design. While the importance of plant/facilities planning process has always been an important aspect of the overall management of distribution assets, to give it an additional focus, a new Distribution Planning and Protection section has now been established and is led by the Manager of Distribution Planning and Protection who reports to the Director, Operations Services who reports to one of the Energy Delivery vice presidents who reports to the Senior Vice President of ED&CS.

The execution of the plant/facilities process is the responsibility of the President, Ohio Operations who reports to the ED&CS Senior Vice President. The regional management for the Company reports to the President, Ohio Operations.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making and Controlling Process

Decision making and process control occurs at all levels involved in the plant/facilities planning process. The Senior Vice President of ED&CS maintains overall responsibility for all decisions. Each of the two Vice Presidents, Energy Delivery is responsible for the development, maintenance and communication of the process, practices and policies to be used by the Company. The President, Ohio Operations, is responsible for the execution of the process, practices, and policies associated with the Company's distribution system assets. The regional management owns the controlling process ensuring that the plant/facilities planning process is properly executed.

5. Internal and External Communications

The plant/facilities planning process is communicated internally through documents made available on the FirstPlace intranet site. There are also periodic meetings among various levels of management whereby new policies, procedures, best practices, as well as feedback on execution issues are communicated and discussed.

The primary document by which the Company's plant/facilities planning process is communicated is the FE Distribution System Planning Criteria. This document is owned by the Manager of Distribution and Planning.

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Management Policies, Practices, and Organization

SFR Reference: (a)(ii) Operations and Maintenance

(ii) Operations and Maintenance

1. Policy and Goal Setting

The Senior Vice President of ED&CS is responsible for policies and goals set for the O&M policies and procedures. The overarching Company objective which all policies of O&M must support is: Improve distribution reliability in all operating regions. The guiding principle of all policies and goals of ED&CS is to provide a consistent and standard approach to the management of the Company's distribution system assets.

Goal setting for the O&M policies and procedures are driven by a top-down approach. Company goals drive ED&CS business unit goals, which drive group (e.g. Distribution) goals, which drive department, section and in some cases individual goals. Goals are set such that each specific group has a line of sight to its respective goal that ultimately layers up to support the overall corporate goal.

O&M policies can be driven by either a top-down or bottom-up approach. Local regional engineering groups within the Company will identify new policies or changes that should be made or developed through their assessment of their distribution system and the execution of the O&M procedures. Energy Delivery will develop the new or modified policy which will become effective upon the approval of the Senior Vice President of ED&CS. This is an example of a bottom-up approach. An example of a top-down approach is when ED&CS senior management identifies that a new or revised policy needs to be developed to reflect a different or new focus on O&M policies and to reflect changes driven by regulatory agencies, industry standards and equipment design.

2. Strategic and Long-Range Planning

Strategic planning for O&M policies is developed and implemented by the Senior Vice President of ED&CS with input from Energy Delivery senior management. The Senior Vice President of ED&CS establishes a business plan which contains the strategic objectives and long-range plans of the Company as they pertain to the distribution system assets. The business plan includes a vision and mission of safety and reliability, as well as specific initiatives and performance measures used to measure the successful execution of the plan.

Long-range planning is accomplished with the input of the regional engineering group of the Company and is reflected in the O&M budget planning.

3. Organizational Structure

The development of O&M policies are the responsibility of the Manager, Design Standards who reports to the Director of Operations Services who reports to one of the Energy Delivery vice presidents who reports to the Senior Vice President of ED&CS.

The execution of the O&M policies is the responsibility of the President, Ohio Operations who reports to the ED&CS Senior Vice President. The regional management for the Company reports to the President, Ohio Operations.

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Management Policies, Practices, and Organization

SFR Reference: (a)(ii) Operations and Maintenance

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making and Controlling Process

Decision making and process control occurs at all levels involved in the O&M planning process. The Senior Vice President of ED&CS maintains the overall responsibility for all decisions. Each of the two vice presidents, Energy Delivery is responsible for the development, maintenance and communication of the process, practices and policies to be used by the Company. The President, Ohio Operations, is responsible for the execution of the process, practices, and policies associated with the Company's distribution system assets. The regional management owns the controlling process ensuring that the O&M policies are properly executed. However, additional oversight is provided by Energy Delivery which is responsible for the reporting of the execution of the O&M policies to the PUCO. This reporting is accomplished through the ESSS (Electric Service and Safety Standards) process.

5. Internal and External Communications

The O&M policies are communicated internally through documents made available on the FirstPlace intranet site. There are also periodic meetings among various levels of management whereby new policies, procedures, best practices, as well as, feedback on execution issues are all communicated and discussed.

The primary document by which the Company's O&M policies are communicated is the FE Distribution Preferred Practices. This document is owned by the Manager of Design Standards.

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Management Policies, Practices, and Organization

SFR Reference: (a)(iii) Plant Productivity and Performance Evaluation

(iii) Plant Productivity and Performance Evaluation

1. Policy and Goal Setting

The policy and goal setting in the area of plant productivity and performance evaluation is primarily the responsibility of the Senior Vice President of ED&CS. Guidance is provided by the FE Executive Leadership Team and is approved by the Senior Vice President, Operations and the Executive Vice President and Chief Operating Officer. Goal setting objectives that become corporate compensatory goals for employees are approved by the Board of Directors. Policies and goals are largely driven by the reliability standards required by the PUCO. The industry established reliability indices, SAIFI, CAIDI, and SAIDI are the primary measures used for evaluating plant productivity and performance evaluation.

2. Strategic and Long-Range Planning

Strategic and long-range planning is developed and implemented by the Senior Vice President of ED&CS with input from Energy Delivery senior management. The Senior Vice President of ED&CS establishes a business plan which contains the strategic objectives and long-range plans of the Company with measures that are often associated with plant productivity and performance evaluation. The business plan includes a vision and mission of safety and reliability, as well as specific initiatives and performance measures used to measure the successful execution of the plan.

Long-term capital planning is a continuous process that evaluates the capital needed to achieve strategic and long-range planning and goals associated with plant productivity and performance evaluation goals identified in the business plan. The Company identifies its respective performance gaps as measured by the difference between its actual performance and its reliability goals. Various tools and analytics are performed that help to identify the drivers of the performance gaps. Once the driver has been identified a reliability improvement plan is developed along with an assessment of the capital needed to execute the plan. The Company's capital needs are feeders into the overall ED&CS capital planning process.

3. Organizational Structure

The responsibility for plant productivity and performance evaluation lies within two departments that both report to an Energy Delivery vice president. The Director, Distribution Operations is responsible for the data by which reliability of the distribution system is measured. The Director, Energy Delivery Performance and Process Improvement is responsible for the identification of performance gaps and the development of initiatives that will close the gaps affecting processes executed by the Company in the O&M of the plant distribution assets. Both the Director, Distribution Operations and the Director, Energy Delivery Performance and Process Improvement have input into the short and long-term goals that will optimize the productivity and performance of plant distribution assets. The aforementioned Directors report to an Energy Delivery vice president who reports to the Senior Vice President of ED&CS.

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Management Policies, Practices, and Organization

SFR Reference: (a)(iii) Plant Productivity and Performance Evaluation

The Company uses guidance provided at the corporate level to ensure that plant productivity and performance evaluation goals and measures are met. The Company has two operations directors, Director, Operations Services and Director, Operations Support who are primarily responsible for the plant productivity and performance evaluation, and associated processes. The Director, Operations Services and Director, Operations Support report to a regional president who reports to the President, Ohio Operations who reports to the Senior Vice President of ED&CS.

The PUCO has reporting requirements of the Company that encompass a myriad of reliability measures such as SAIFI, CAIDI and SAIDI. Reporting to the PUCO is performed on behalf of the Company at a corporate level and is the responsibility of the Manager, Regulatory Reporting who reports to the Director, Operations Services.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making & Controlling Process

The Senior Vice President of ED&CS maintains the overall responsibility for all decisions. The Energy Delivery Vice President has much of the responsibility for decisions made relative to reliability and performance goals needed from an overall corporate level and to ensure that the proper controls are in place so that the Company has a consistent approach and direction that will support the strategic and long term planning in the area of plant productivity and performance evaluation. The official reporting of productivity and performance is performed at the corporate level in order to ensure that policies and measures adhere to the corporate policies and goals, industry standards and applicable state regulatory requirements.

5. Internal and External Communications

Internal communications of plant productivity and performance evaluation are made available through the FirstPlace intranet site and through various databases made available to various levels of ED&CS employees.

External communications in this area are primarily in the form of regulatory reports developed under the direction of the Manager, Energy Delivery Regulatory Reporting.

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Management Policies, Practices, and Organization

SFR Reference: (a)(iv) Customer and Usage Growth Forecasting

(iv) Customer and Usage Growth Forecasting

1. Policy and Goal Setting

The Retail Tariff Analysis and Forecasting group is responsible for customer usage and growth forecasting and demand and peak load forecasting. The general policy and goal of the Retail Tariff Analysis and Forecasting group is to provide management with timely, objective and consistent short and long-term load forecasts and analyses for use in the overall corporate planning and budgeting process. The specific policies and goals are established by the Vice President, Rates and Regulatory Affairs through the annual planning process with periodic updates. Information on these overall policies and goals, as well as more specific direction for the Retail Tariff Analysis and Forecasting group, is communicated through staff meetings or individual discussions to the staff of each functional area by the Director, Retail Tariff Analysis and Forecasting.

2. Strategic and Long-Range Planning

Strategic and long-range planning is performed at a corporate level. The Retail Tariff Analysis and Forecasting group supports the Company goals by timely providing electric energy sales and peak demand forecasts, customer forecasts, long-term forecast reports, usage and growth forecast, peak load forecast, regulated retail revenue reports, load research data on various customers groups, and market share forecasts.

In context of strategic planning, the process for developing the overall focus of the work effort involves an evaluation of the current work procedures, identification of targets, and development of the necessary activities needed to fulfill responsibilities and goals.

3. Organizational Structure

The Retail Tariff Analysis and Forecasting group is led by the Director, Retail Tariff Analysis and Forecasting, who reports to the Director, Tariff Analysis, Forecasting and Settlement, who reports to the Vice President, Rates and Regulatory Affairs, who reports to the Senior Vice President, Strategic Planning and Operations.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making and Controlling Process

Decisions are made at all levels within the Retail Tariff Analysis and Forecasting group. The level at which decisions are made is dependent upon the scope and magnitude of the decisions in terms of impact on customers, employees, and/or shareholders.

Authorization levels have been established for the approval of work and expenditure of funds. The Director, Retail Tariff Analysis and Forecasting is responsible for the organization and the upward communications of matters requiring decision-making at a higher level. Compliance with decisions is monitored through periodic reports and staff meetings. Any update or changes to forecasts are communicated to the Integrated Business Planning group and reviewed and approved by FE's Executive Council.

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Management Policies, Practices, and Organization

SFR Reference: (a)(iv) Customer and Usage Growth Forecasting

5. Internal and External Communications

Communication is a critical aspect of the functions comprising Retail Tariff Analysis and Forecasting. Both internal and external communications occur primarily through telephone conversations, electronic communications, memoranda, and person to person conversations. Internal communication includes personnel matters, performance evaluations, developmental plans, corporate policies, and a variety of business issues.

Communications between Retail Tariff Analysis and Forecasting group and other groups involve reports and updates on a wide range of business matters. These communications occur at all levels. Communications between the Retail Tariff Analysis and Forecasting group and external customers or trade allies occur generally through telephone conversations, emails, letters or personal contact. These communications usually involve research or implementation issues regarding load forecasting, load research, demand side management, load management programs, regional transmission organization planning, or regulatory issues.

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Management Policies, Practices, and Organization

SFR Reference: (a)(v) Demand and Capacity Load Forecasting
SFR Reference: (a)(viii) Construction Project Management and Control

(v) Demand and Capacity Load Forecasting

(See Part (iv))

(viii) Construction Project Management and Control

1. Policy and Goal Setting

The construction project and management control is the responsibility of the Senior Vice President of ED&CS. The guiding principle of ED&CS is to provide a consistent and standard approach to the management of the Company's distribution system assets and resources in support of achieving the corporate vision and mission of providing safe and reliable electric service to all customers.

The Senior Vice President of ED&CS establishes ED&CS business unit goals that support the overall corporate goals in a top-down approach. Similarly, goals and initiatives that support the ED&CS business unit goals are established through the various levels of management so that employees understand how their work impacts the achievement of the Company goals.

Policies for the construction project and management control can be driven either by a top-down approach or a bottom-up approach. Local regional asset management groups within the Company will identify through their assessment of their distribution system and scheduled construction projects and budgets changes to existing or new policies that should be made or developed. Energy Delivery will develop the new or modified policy which will become effective upon the approval of the Senior Vice President of ED&CS. This is an example of a bottom-up approach. An example of a top-down approach is when ED&CS senior management identifies that a new or revised policy needs to be developed to reflect a different or new focus for managing construction projects.

2. Strategic and Long-Range Planning

Strategic and long-range planning is developed and implemented by the Senior Vice President of ED&CS with input from Energy Delivery senior management. The Senior Vice President of ED&CS establishes a business plan which contains the strategic objectives and long-range plans of the Company as they pertain to managing construction projects on the distribution system assets. The business plan includes a vision and mission of safety and reliability, as well as specific initiatives and performance measures used to measure the successful execution of the plan.

3. Organizational Structure

The construction project and management control function is led on a corporate level by Director, Energy Delivery Project Management, and the Director, Energy Delivery Asset Management, both of whom report up to the Vice President, Asset Oversight who reports to the Senior Vice President of ED&CS.

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Management Policies, Practices, and Organization

SFR Reference: (a)(viii) Construction Project Management and Control

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making & Controlling Process

Decisions are made at all levels involved in the construction project and management control function. Such decisions include: when to schedule a construction project, how to manage construction material and labor costs, how to examine and review plan outlines and work in progress, and the proper use and control over contractor work. The Senior Vice President of ED&CS maintains the overall responsibility for all decisions. The Vice President, Asset Oversight is responsible for the development, maintenance and communication of the process, practices and policies to be used by the Company. The President, Ohio Operations, is responsible for the execution of the process, practices, and policies associated with the Company's distribution system assets.

5. Internal and External Communications

The construction project and management function is communicated internally through documents made available on the FirstPlace intranet site. There are also periodic meetings among various levels of management. These meetings are an opportunity to discuss new policies, procedures, best practices, and to receive feedback on execution issues.

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2****Management Policies, Practices, and Organization**

SFR Reference: (a)(ix) Research and Development

(ix) Research and Development**1. Policy and Goal Setting**

The cost and quality of the services and products that the Company provides reflects the processes, procedures and technology used in their production. Technology improvements, new analyses and improved methods have historically contributed to the reduction of such costs and quality improvements in the industry. A commitment to innovation is essential to sustain continuous improvement in our effectiveness for our customers and shareholders and achieve our corporate and business unit objectives. As a result, the Company supports a technology management process and program of Research, Development and Demonstration (RD&D) and also encourages a cost-effective application of innovative technologies which have the potential to:

- Add value to the energy supply and delivery to our customers
- Reduce the cost and risk of producing, delivering and using electricity in an environmentally responsible manner
- Enhance the reliability, efficiency and capability of the electric generation and delivery system

The Executive Vice President and Chief Operating Officer has responsibility for setting the policy and direction for RD&D program activities. The Director, FE Technologies has responsibility for implementing the technology management process and RD&D program.

2. Strategic and Long-Range Planning

The Company has a centralized RD&D philosophy that reflects corporate portfolio management with decentralized decision making, where targeted research decisions are made through a collaborative process between the business units and corporate staff with senior management approval. The corporate strategy for the overall RD&D portfolio provides the long term research perspective to address the emerging challenges faced by the Company and the utility industry.

Collaborative research and technology transfer are primarily conducted with participation in the Electric Power Research Institute (EPRI), a non-profit research collaborative for the electric utility industry. This is a cost-effective means to significantly increase leverage of the technology investment for large scale, long term research and development needs. Additional research objectives are sourced through other industry organizations, universities, and vendors.

The strategic focus for the RD&D program is to create a balance of research to meet near term objectives, especially those with an impact on the reliability and cost of service affecting our customers, along with long term research focused on the industry challenges particularly in environmental areas.

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Management Policies, Practices, and Organization

SFR Reference: (a)(ix) Research and Development

3. Organizational Structure

The RD&D program is managed by the FE Technologies group. The FE Technologies group is led by the Director, FE Technologies who reports to the Vice President, Environmental. The Vice President, Environmental reports to the Executive Vice President and Chief Operating Officer.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Decisions are made at the business unit level and coordinated through FE Technologies. The business units identify the specific programs and projects they need to meet their business goals. Each business unit is responsible for the application of research to meet its own objectives. The Director, FE Technologies maintains the overall responsibility for all research and development decisions.

FE Technologies is organized to support the business units and includes a RD&D central staff responsible for coordinating information and technology transfer, review of research proposals, corporate administration for EPRI and other research organizations, and the development of research demonstration projects to apply innovative technologies. Research work that is sponsored by other groups or departments is coordinated with the RD&D central staff to avoid duplication and assure access to research results as appropriate under the standards of conduct.

5. Controlling Process

FE Technologies manages the RD&D program by partnering with EPRI and other research organizations to address research priorities, identify research projects and programs, align with business unit objectives, apply and measure results, and communicate value.

Given the diversity of programs and projects, no single set of standards of performance can be applied. Rather, expected values and specific performance measures are applied in advance on an individual basis. The criteria are established by the business unit representative or project manager. From a corporate perspective, FE Technologies is responsible for assessing the portfolio of research activities as they relate to corporate goals.

6. Internal and External Communications

RD&D project communications use a variety of tools including project opportunities notices, progress reports, technical updates, webcasts, research reports, presentations, trip reports and other documentation as needed. Information is distributed through the FE Technologies staff and directly from EPRI. The Company also maintains a professionally staffed technical library and access to major on-line technical information services. EPRI maintains a web accessible electronic database to facilitate the transfer of information.

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Management Policies, Practices, and Organization

SFR Reference: (a)(x) Environmental Management

(x) Environmental Management

1. Policy and Goal Setting

FE has adopted the following overarching environmental policy which guides the Company's day to day operations:

"FirstEnergy is committed to providing energy and energy-related services to our customers in a manner that is consistent with environmental policies, laws, regulations and rules. We will achieve this objective by effectively managing the environmental impact of our activities, using natural resources wisely, improving our environmental performance, enhancing our environmental stewardship, and supporting research on environmental technologies."

The Company's environmental goals are established by the FE Environmental Steering Committee, with the input and support of the regional operating units and environmental staff. The purpose of the FE Environmental Committee is to provide executive-level oversight and support for environmental compliance and corporate environmental strategies; provide oversight and support for implementing the Company's environmental policy and programs; establish support and direction in order to meet the Company's environmental goals and objectives; and raise visibility and understanding of the Company's environmental commitment. The Committee conducts meetings on a quarterly basis with periodic reports made to the Chief Executive Officer and the Chief Operating Officer, and to the Board of Directors as appropriate.

2. Strategic and Long-Range Planning

The Company's environmental strategy development and long-range planning is coordinated by the Environmental group, in consideration of the Federal, State and local laws and ordinances which bear on the Company's operations. Strategic plans are developed with the input and consideration of the regional resource needs and capabilities.

3. Organizational Structure

The Company's environmental oversight is managed by the FE Environmental Steering Committee. The Committee consists of members designated by the Chief Executive Officer, including representation from the following areas:

- Executive (Chief Operating Officer)-Committee Chair
- Legal (General Counsel)
- Nuclear Operations
- Energy Delivery Operations
- Fossil Operations
- Strategic Planning and Operations
- Operations Strategy and Development
- External Affairs
- Environmental
- Corporate Risk
- Governmental Affairs

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Management Policies, Practices, and Organization

SFR Reference: (a)(x) Environmental Management

The Vice President, Environmental, administers FE Environmental Committee activities and prepares the agenda and meeting materials, unless otherwise directed by the Chairman of the Board of Directors.

The Environmental Department, consisting of professional and technical staff employees, reports directly to the Vice President, Environmental.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

At the Energy Delivery regional operations level, environmental compliance policies, procedures and programs are overseen on a day-to-day basis by regional environmental coordinators, who report directly through the line management in each regional operations organization. Technical environmental guidance which bears on regional operations is developed in a coordinated effort between Environmental, regional operations, and the technical staff of the Energy Delivery organization.

5. Controlling Process

A variety of complementary processes are utilized to control, manage and document environmental compliance.

Environmental policies and programs are developed at the corporate level with the input of regional operational professionals, and are communicated in the corporate Environmental Guidance Manual. This manual is distributed to each of the regional operations coordinators, and is accessible on the FirstPlace intranet site. Topic specific updates are distributed to the organization as needed.

Environmental training is accomplished through periodic dedicated training programs, annual refresher training, and daily tracking sessions prior to the start of work.

Compliance oversight is monitored, optimized and reinforced through an internal environmental "audit" process, known as the Compliance Assistance Program.

Compliance is managed and documented for Sarbanes-Oxley purposes through our corporate Environmental Management and Information System.

The program is governed by the Vice President, Corporate Secretary and Chief Ethics Officer and the Corporate Compliance Program, including policies addressing Code of Business Conduct.

6. Internal and External Communications

Internal communications include routine monthly progress reports, newsletters, updates, special reports and memos. Periodic meetings and discussions with various specialists,

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Management Policies, Practices, and Organization

SFR Reference: (a)(x) Environmental Management

task forces, workgroups and discussions with various levels of the organization are accomplished as needed.

Internal communications are accomplished through the typical business vehicles including email, phone, voicemail, paper mail, the intranet, audio visual aids and meetings. Emergency communications are augmented by the use of cell phones and pagers, and through standing after-hours and call-out lists for internal specialists and vendors.

External communications consists of reports as well as verbal and written communications with employees, customers, the general public, the media, public officials and regulators. In addition, the Company actively participates in industry groups such as EPRI, Edison Electric Institute ("EEI"), Utility Air Regulatory Group, Utility Solid Waste Activities Group, Utility Water Act Group and Ohio Electric Utility Institute ("OEUI"), as well as various professional and civic organizations.

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Management Policies, Practices, and Organization

SFR Reference: (b)(1) Cash Management

b. FINANCE AND ACCOUNTING

(i) Cash Management

1. Policy and Goal Setting

The Companies cash management is administered by the Cash Operations group. The Cash Operations group's goal is to efficiently utilize the Company's funds while maintaining established safeguards to corporate liquidity. This goal is accomplished through the daily monitoring and concentration of cash receipts and disbursements and the determination of optimal short-term borrowing and investment arrangements.

Short-term investments are made in accordance with FE's Investment Policy, approved and maintained by the Assistant Treasurer, Vice President and Treasurer and Senior Vice President and Chief Financial Officer. The Vice President and Treasurer, Assistant Treasurer and department managers may from time-to-time develop additional investment and financing goals and objectives to meet the Company's on-going need for liquidity.

2. Strategic and Long-Range Planning

The Cash Operations group's strategic and long-range planning focuses on cash forecasting and liquidity management. The Treasury Department develops a monthly cash forecast utilizing the Company budget and a daily cash forecast from the monthly cash forecast. The Cash Operations group utilizes the daily forecast to determine the optimal short-term borrowing and investment arrangements. The daily forecast is continually updated to reflect actual receipts and disbursements. The monthly cash forecast is also updated to reflect actual results and updates to the Company budget.

Cash forecast information is also used in planning the amount and timing of short-term and long-term financings and to monitor compliance with regulatory guidelines for short-term borrowings.

3. Organizational Structure

Cash management is part of the Cash Operations group. The Cash Operations group is led by the Supervisor, Cash Operations and reports to the Assistant Treasurer. The Assistant Treasurer reports to the Vice President and Treasurer.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making and Controlling Process

The level at which decisions are made within the Treasury Department and the amount of control exercised by individual department personnel are in many cases specified in resolutions approved by the Board of Directors and by controls put in place by the Controller and Auditing Groups. Certain activities within the Treasury Department, such as the Investment Policy, further delineate decision making authority within the Treasury Department.

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Management Policies, Practices, and Organization

SFR Reference: (b)(i) Cash Management

The Cash Operations group maintains a high level of accuracy on various key activities, which include, but are not limited to, cash position, borrowing and investing activities and journal entries. The Cash Operations group is regularly reviewed by both internal and external auditors and is required to respond to data requests during audits and Sarbanes Oxley testing and review. In addition, the General Accounting group performs monthly reconciliations of all bank and investment accounts to the related General Ledger accounts.

5. Internal and External Communications

Department meetings are held periodically to update Treasury Department employees on goals, accomplishments, major work projects and other items. Additionally, a monthly department letter providing details on Treasury Department activities is prepared and distributed to all Treasury Department employees and senior management. Monthly letters from other departments, such as Controllers, are distributed to department managers for their information and review of items that may impact Treasury Department activities.

Daily interaction is maintained among the Vice President and Treasurer, Assistant Treasurer, department managers, and employees. In addition, the Cash Operations group maintains continual communication with other internal groups such as Accounts Payable, Payroll, Customer Service Group including Remittance Processing, General Accounting, Tax, Internal Auditing and others. The activities of these groups or departments have a direct impact on the cash management function and frequent communication ensures that overall cash management objectives and compliance are met.

External communications are maintained with commercial and investment banks, credit rating agencies, and industry peers. Additionally, the Cash Operations group participates in various professional organizations as well as industry round table discussions to exchange information, share ideas and best practices.

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Management Policies, Practices, and Organization

SFR Reference: (b)(ii) Accounting Systems and Financial Reporting

(ii) Accounting Systems and Financial Reporting

1. Policy and Goal Setting

The accounting and financial reporting function for the Company is centralized in the Controller's Group. The accounting and financial reporting system assists management in exercising financial and cost control over corporate operations while complying with various regulatory and other requirements. The Company uses an integrated Enterprise Resource Planning system ("SAP") that includes applications for the general ledger, consolidation reporting, Federal Energy Regulatory Commission ("FERC") regulatory reporting, work management, supply chain, human resources and customer care processes.

The Controller's Group sets policies, as necessary, to comply with the Financial Accounting Standards Board ("FASB"), Securities and Exchange Commission ("SEC"), FERC and state regulatory commission requirements. These policies are generally developed within the Group, taking into account specific practices, industry standards and requirements, and processes developed through past experience.

Group goal setting is designed to support the overall corporate and business units' key objectives. Each section of the Group develops annual operational Key Performance Indicators ("KPI's") that are reviewed and approved by the Controller. Progress towards achieving the Group's annual goals is reported on a quarterly basis.

2. Strategic and Long-Range Planning

Company strategies and long-range planning objectives are formulated and reviewed each year by FE Executive Council and the Board of Directors. The Group's plans, in support of the corporate mission, objectives and programs are developed by the Controller's Group and reviewed by the Senior Vice President and Chief Financial Officer. Group objectives for each year are aligned with the annual Company and business units' objectives. The Controller's Group assists in preparing the annual operating budget.

The Group's strategy focuses on fostering Company profitability and corporate shareholder value by working through a close partnership with our customers; reducing transactional activity time to allow more time for higher-value activities; building the right capabilities and skill sets into the Group's organization; and using technology to increase efficiency and provide consistent, useful financial information across the Company.

Performance management is key to accomplishing this strategy. As part of the Finance Group, the Group's strategic objectives are summarized below.

1. Financial: Meet Earnings Targets and Deliver Consistent Financial Results
 - Facilitate collaborative effort to set financial targets and generate greater corporate shareholder value
 - Partner with business units to achieve Company goals
 - Maintain dialogue in closing financial and operational performance gaps
 - Engage in applying risk management principles to identify, measure and evaluate risk; develop risk management strategies; and implement effective controls

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2. Customer: Create Partnerships and Promote Financial Thinking
 - Be a true business partner
 - Take action proactively
 - Promote financial understanding among all employees
 - Provide high-quality information and common financial data set
3. Internal Processes: Pursue Continuous Improvement in All Aspects of the Business
 - Maximize the cost efficiency on delivery of services
 - Understand business unit strategies and operations
 - Provide direct and indirect support to maximize capabilities of SAP
 - Support multi-year budgeting/forecasting processes
 - Comply with all requirements of Sarbanes-Oxley Act of 2002
4. People & Technology: Recognize Employees and Information as the Company's Greatest Assets
 - Continuously refresh employee skills to keep pace with increasing job requirements and provide for successful succession planning
 - Provide rotational and cross-organizational experiences for employees
 - Communicate effectively and succinctly
 - Create a desirable and rewarding workplace
 - Leverage technologies to enable faster availability of financial and operational information and promote consistent understanding of this information

3. Organizational Structure

Accounting systems and financial reporting is part of the Controller's Group. The Controller's Group consists of six sections: Accounts Payable, Accounting Research, Financial Reporting, General Accounting Services, Property Accounting Services, and Tax Services. The Controller's Group is led by the Vice President, Controller and Chief Accounting Officer who reports to the Senior Vice President and Chief Financial Officer.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The decision making process for the Controller's Group involves delegation of responsibility and authority for routine matters and joint deliberation for non-routine decisions. Personnel research accounting issues as needed and formulate preliminary decisions which are communicated to the Managers, Assistant Controllers, Directors and/or Controller for concurrence.

Overall direction on the broad concepts for reflecting accounting and financial information and disclosure is provided by the Controller. The Directors, Assistant Controllers and Managers assign responsibilities to the appropriate personnel, monitor progress on the completion of assigned projects, plan work assignments for new projects on an ongoing

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basis, and provide specific guidance to personnel in the Controller's Group on a daily basis.

Technical and tactical decisions requiring joint deliberation are made as needed at periodic meetings of individual managers/supervisors or at monthly joint staff meetings (e.g. pre-closing meetings) and at other meetings where specific issues and recommendations are discussed. Input is solicited from other departments or groups within the organization. As needed, the input from outside experts (i.e., the independent public accountants, legal counsel and other consultants) is duly considered. Actions are taken to comply with current accounting pronouncements and legal and regulatory requirements, which are monitored through various means.

5. Controlling Process

The Controller's Group publishes calendars that describe the various dates for the monthly closes, quarterly and annual reporting requirements and tax return due dates. These calendars, along with data requests, are communicated throughout the Company and include specific requests for financial and operational information to be included in the respective processes.

For the monthly close process, the Controller's Group holds a pre-closing meeting with individuals across the finance and business unit organizations a few days before the month end to review: (1) events from the previous month's close; (2) the current closing schedule and responsibilities; (3) specific financial and operational items for the current month; and (4) changes or new items for the close. The actual data entry process is controlled through a combination of automated sequential processing steps within SAP, manual journal entries and oversight applied by the Controller's Group.

External financial reports are prepared and filed by the Controller's Group. In preparation of the quarterly and annual reports filed with the SEC, the disclosure requirements are reviewed and researched by the Accounting Research staff for amendments, interpretations or other clarifications provided by the FASB, SEC or other regulatory agencies that would modify disclosures in prior periods or result in a new disclosure. A disclosure checklist is reviewed and completed by the Accounting Research and Financial Reporting staffs to ensure all required disclosures are included in the draft financial statements. Each quarter, the Assistant Controller distributes individual representation letters to key departments and business units requesting verification of the financial and operational data included in the financial reporting process is complete and accurate.

Draft financial statements are prepared and reviewed by the Assistant Controller and the Vice President, Controller and Chief Accounting Officer, and then forwarded to the Disclosure Committee members for their review. During the Disclosure Committee meeting, members evaluate the effectiveness of the Company's disclosure controls and procedures, evaluate the adequacy of the financial information disclosed and provide comments to the Assistant Controller and the Vice President, Controller and Chief Accounting Officer. At the conclusion of the meeting, subject to the proposed changes, the Disclosure Committee recommends that the Chief Executive Officer and Chief Financial Officer sign the certifications. The final draft of the financial statements is forwarded to the Chief Executive Officer and Chief Financial Officer for their review and

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certification. A certification meeting is held to review the recommendation by the Disclosure Committee and review the draft financial statements and answer any questions. A draft copy of the financial statements is also provided to the Audit Committee members for their review. Once the SEC registrants' reports are certified by the Chief Executive Officer and Chief Financial Officer, the Controller's Department files them with the SEC.

The Tax Group's compliance deadlines are determined by federal, state, and local statutes, which govern due dates and filing requirements for various returns and payments. The Tax Group utilizes a computerized tax calendar to assist in managing this responsibility.

Periodic group meetings are conducted to review the progress of the returns and payments and to assign research projects or special projects. Tax strategies, planning opportunities and issues are reviewed and approved at the appropriate level.

The Internal Auditing Group conducts audits of various corporate operations and reports its findings and recommendations to appropriate levels of management. The Director of Internal Auditing reports functionally to the Audit Committee of the Board of Directors and administratively to the Senior Vice President and Chief Financial Officer.

In addition to the internal reviews and controls on implementing accounting and tax changes, compliance on accounting is monitored by internal audit, independent auditors, and/or regulators. Also, compliance with tax changes is assured through periodic audits conducted by representatives of the various taxing authorities.

6. Internal and External Communications

Group Communications

The coordination and policy-making role for corporate accounting and financial reporting requires extensive daily communications within the organization through individual or conference telephone calls and meetings. Data and information is also transferred through computer interfaces. Informal meetings supplement more formal periodic reviews and staff meetings. Monthly Activity Reports are prepared and submitted to the Controller's Group which updates progress on the group objectives; communicates work in support of other departments related to the corporate objectives; and provides other information.

The Vice President, Controller and Chief Accounting Officer and his staff meet monthly to provide updates of events which have transpired that affect accounting operations and corporate initiatives, the progress of projects and discussions involving personnel matters. Those items and events affecting the operations of the Controller's Group are communicated to all employees. Once a year, the entire group will meet to discuss current corporate matters, objectives and other items of relevance.

Frequent communication is also required with the employees in the business units in order to provide assistance in both accounting and tax related matters and to stay informed of business activities.

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External Communications

External communications involve routine and periodic contact with the independent auditors, regulators (FERC, PUCO, Pennsylvania Public Utility Commission, New Jersey Board of Public Utilities and SEC), the Internal Revenue Service and state and local tax administrators, accounting pronouncement bodies (FASB, Emerging Issues Task Force), trade associations (EEI, OEUI), management groups (Financial Executives Institute and Corporate Executive Board's Controller's Leadership Roundtable) and professional organizations to develop input for planning and decision making and to address current business issues or requirements.

Corporate Communications

A Monthly Financial Performance Review Report is prepared by the Integrated Business Planning Group highlighting actual monthly and year-to-date results with budget and current forecast comparisons for executive-level management. A Report to the Board of Directors is also prepared monthly highlighting financial results and a summary of corporate performance goals/measures. The Chief Financial Officer presents a summary of the monthly results at the Board of Directors meeting.

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Management Policies, Practices, and Organization

SFR Reference: (b)(iii) Budgeting and Forecasting

(iii) Budgeting and Forecasting

1. Policy and Goal Setting

The Company's planning policy, which includes budgets and forecasts, is designed to enable management to evaluate operational and financial opportunities, allocate resources to accomplish strategic and tactical objectives, and assess results in a timely manner to enable corrective action and/or adjustments to plans as needed. Budgets and forecasts are produced at established intervals (budget annual; budget reforecast quarterly; long term forecasts annually) and on an as needed basis to accommodate business-related needs. The Senior Vice President, Strategic Planning and Operations is responsible to the Chief Executive Officer for timely completion of all corporate-level budgets and forecasts and oversees the development of special-purpose forecasts as needed.

2. Strategic and Long-Range Planning

The forecast and budget of the Company are valuable tools that directly aid in the development of corporate and business unit strategies, objectives and long-range plans. The forecast is prepared and refreshed throughout the year, but particularly in advance of executive management and Board of Directors strategy and planning sessions. Utilization of the forecasts and budget at these sessions aid in helping the executives and Board of Directors make informed decisions about the allocation and utilization of the Company's financial resources to grow and sustain the business.

3. Organizational Structure

The Budgeting Section is led by a Manager. The Manager reports to the Director, Integrated Business Planning Group who in turn reports to the Vice President, Business, Development, Performance and Management, who in turn reports to the Senior Vice President, Strategic Planning & Operations.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Decision making around the annual budget begins well in advance of the formal budget preparation process. The current year budget has its origins in the long-term forecast. The long-term forecast process engages all business units in consideration of a rolling five-year planning horizon. The forecast that results from this process helps to highlight the major revenue, expense, and capital drivers that facilitate executive and Board of Director level discussion about management strategies and appropriate operational and financial targets. These discussions lead to decisions about plans to achieve these targets. The first year of the five-year forecast rolls off each year to become the starting point for the annual budget process and a new year is then added to the long-term forecast.

A preliminary budget is developed in the September/October timeframe each year. This budget is based on the long-term forecast adjusted for any changes in revenue, expense,

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and capital items. The budget is then scrutinized by the Budgeting Section and the business units for accuracy and completeness. The Senior Vice President, Strategic Planning and Operations and the Chief Financial Officer are also apprised of the budget at this point. After this review is complete the budget is submitted for review and approval to the Operations Leadership Council chaired by the Chief Operating Officer. The purpose of this review is to ensure the operating side of the budget is consistent with the plans and objectives of the operating groups. Once through this process, the budget is submitted to the Executive Council, chaired by the Chief Executive Officer, for final approval before discussion with the Board of Directors. All throughout this review process, decisions are made that adjust near-term plans. These decisions ultimately affect the allocation of financial resources across the enterprise. Throughout the year, periodic forecasts are prepared that compare expectations with the original budget. Operating decisions can then be made in the context of managing variances to the budget.

5. Controlling Process

The Integrated Business Planning Group publishes annual budget guidelines and communicates these guidelines throughout the Company. The guidelines lay out the budget schedule, roles and responsibilities, contact personnel, and specific procedures for creating labor, other-than labor, and capital budgets. The budget data entry process is controlled through a combination of automated sequential budget processing steps and oversight applied by the Integrated Business Planning staff and members of the Controller's Group. The Integrated Business Planning Group publishes an annual calendar that describes the dates for the budget process, the quarterly reforecast of the budget, and the annual long-term forecast. This schedule is communicated throughout the Company.

6. Internal and External Communications

Communication around the budget and process is achieved through publication of the budget preparation guidelines discussed above. Once the budget is approved, the Budgeting Section provides executive-level management and the Board of Directors, monthly reports that itemize significant variances between actual results and budget. The variance explanations are obtained by Budgeting Section personnel through regular meetings with the financial staff in each of the principal business units and throughout business units. In addition, each business unit prepares detailed business unit performance reports that fully describe business unit variances. These reports are discussed at regularly scheduled meetings of business unit staffs. These meetings are attended by business unit management and management of the Budgeting Section. Communication around forecasts follows a similar path.

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Management Policies, Practices, and Organization

SFR Reference: (b)(iv) Financial Planning Process and Objectives

(iv) Financial Planning Process and Objectives

1. Policy and Goal Setting

Financial Planning is the joint responsibility of the Chief Financial Officer, and Senior Vice President of Strategic Planning and Operations. It involves these executives and the skills of specialized sub-departments including Rates and Regulatory Affairs, Treasury, Business Performance and Management, and Controller's.

The Company's overall financial management process strives to strike a balance across all key stakeholder interests, which include customers, regulators, corporate investors, business units and employees.

2. Strategic and Long-Range Planning

The Chief Financial Officer and Senior Vice President of Strategic Planning and Operations provide senior management with insights into the overall desired financial direction, and marketplace impacts affecting the Company into the future. From these, targets and guidelines are developed to lead the business planning and forecasting process.

3. Organizational Structure

The Strategic Planning and Operations Group is led by the Senior Vice President of Strategic Planning and Operations. Groups reporting to this Senior Vice President, which contribute to the financial planning and objectives process, include the Business Performance and Management Group and the Rates and Regulatory Affairs Group.

The Financial Group is headed by the Chief Financial Officer. Groups reporting to this Chief Financial Officer, which contribute to the financial planning and objectives process, include the Treasury and Controller Groups.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making and Controlling Process

The process is deeply intertwined with the budgeting and forecasting process. With Company guidelines and objectives in mind, business units develop business plans that are quantified in the five-year rolling forecast (as described in Budgeting and Forecasting.)

This rolling forecast then goes through a series of reviews with the Chief Financial Officer, Senior Vice President of Strategic Planning and Operations, Executive Leadership Team and the Finance Committee of the Board of Directors. Throughout these reviews, the following key areas are studied: operational or strategic initiatives; financing plans, dividend policy and capitalization structures; rate and regulatory impacts. Further actions are recommended and adopted for the next update of the rolling forecast.

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SFR Reference: (b)(iv) Financial Planning Process and Objectives

The culmination of this process is a plan that balances stakeholder interests, and preserves the financial integrity of the Company.

Financial Planning and objectives are subject to the approval of the Chief Executive Officer and executive management. The Board of Directors reviews operating budgets/forecasts and approves capital spending. Execution of the initiatives within financial planning is the responsibility of senior management.

5. Internal and External Communications

Internal communications involve a number of different channels including email, voicemail, phone contact, and face-to-face communication. Plans are reviewed by Executive Council, typically around mid-year, and are typically reviewed with the Board of Directors in the fall. Additionally, the Finance Committee of the Board of Directors meets quarterly to discuss and communicate the going-forward financing plan. In addition, periodic staff meetings are used as a medium to coordinate work efforts and communicate information to relevant internal stakeholders.

External communications occur with a number of different audiences which include: periodic meetings with institutional investors, rating agencies, security and research analysts, and commercial banks. Typically, the Chief Financial Officer, Vice President of Treasury, and/or Investor Relations team will be the lead in these communications.

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Management Policies, Practices, and Organization

SFR Reference: (b)(v) Materials and Inventory Management and Control

(v) Materials and Inventory Management and Control

1. Policy and Goal Setting

The Company's materials and inventory are managed and controlled by the Supply Chain Group. The policies regarding materials and inventory management and control are established through contracts at the business unit level and approved by the Legal Group, the Internal Auditing Group, and Risk Analysis Group. Upon approval of the contract language, these documents are posted to the FirstPlace intranet site, and are also made available to all Supply Chain employees through links in email messages. These policies, which establish guidelines by which Company employees are expected to conduct business, are supported by Supply Chain's Corporate Services business unit. In addition, employees of the Supply Chain Corporate Services business unit are required to adhere to all corporate policies directly relating the various materials and contract services functions.

The annual goals for the Supply Chain Group are established jointly between the business units and the Supply Chain Group through mutual agreement. Goals are linked to the goals of the Energy Delivery business unit goals, which support the overall Company goals.

2. Strategies and Long-Range Planning

Supply Chain Services utilizes a 5-year planning process that is updated annually during the annual budgeting process, and during the strategic planning process to determine inventory levels, personnel requirements, and facilities and equipment needs. The business units provide similar information through their planning and budgeting processes to assist the Supply Chain Group in planning decisions regarding the sourcing of materials and services.

The Supply Chain Group's goals that support the Company business plan include:

- A safety driven, customer focused culture that emphasizes the right material at the right price, delivered on time.
- Maintaining a streamlined organization focused on internal customer satisfaction and continuous improvement that delivers a low cost, high value portfolio of goods and services.

3. Organizational Structure

The Supply Chain Group is led by the Vice President and Chief Procurement Officer who reports to the Senior Vice President, Strategic Planning and Operations. The regulated business units of the Supply Chain Group include: Energy Delivery Supply Chain, Corporate Services Supply Chain, and Investment Recovery and Corporate Transportation.

Energy Delivery Supply Chain supports the Energy Delivery business unit within the company. Energy Delivery Supply Chain is organized into two major functions:

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- Strategic Sourcing (including the purchasing function);
- Energy Delivery Supply Chain Operations (including a dotted line oversight association with the Energy Delivery business unit warehousing and materials management functions).

The Corporate Services Supply Chain, and the Investment Recovery and Corporate Transportation Departments support the regulated business units, with costs charged on an allocated basis.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Recommendations for materials and parts to be placed into inventory are made in the various operations departments. Specifications are approved by Energy Delivery Design Standards, Corporate Engineering, and Safety Services when appropriate. Quantities ordered are determined by the appropriate business unit warehouse personnel based on sound materials management practices and system support requirements, if applicable.

5. Controlling Process

The level of management approval for procurement is determined by the value of the material being procured in accordance with Company procedures.

The Supply Chain Group coordinates the purchase commitment, which generally begins with the purchase requisition. Purchase requisitions are automatically forwarded to Strategic Sourcing after receiving the appropriate electronic approvals. Approval requirements are based upon the value and nature of the procurement request. With the assistance of Energy Delivery Supply Chain Operations when necessary, Strategic Sourcing reviews each purchase request and seeks competitive bids for the materials, equipment, or services unless there is a compelling business reason for alternative processes.

Physical inventory counts are performed periodically at all inventory stocking locations to conform to FERC requirements.

The Energy Delivery Supply Chain Department has the following control responsibilities:

- Ensuring that parts, materials, and services are available when needed and on an expedited basis when necessary.
- Negotiate and initiate cost-effective contracts with suppliers of materials and services for on-going use by the Energy Delivery business unit.
- Develop and enforce guidelines for the maintenance and control of inventory levels sufficient to meet customer service and user requirements, while safeguarding against the physical deterioration and unauthorized removal of inventory items.

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SFR Reference: (b)(v) Materials and Inventory Management and Control

- Develop performance measures to be reviewed and authorized by the Executive Leadership Team. Performance against the standards is reviewed monthly.

6. Internal and External Communications

Communications are conducted through monthly letters, periodic staff meetings, activity reports, interdepartmental meetings, the FirstPlace intranet site, and other means as required.

The Supply Chain Group staff meetings between the Chief Procurement Officer and his directors are held on a monthly basis. Topics concerning personnel, operations, facilities, equipment, goals and processes are discussed as necessary at each staff meeting. Direct reports are encouraged to hold similar meetings with their staffs shortly thereafter to disseminate information as appropriate.

The Director of Energy Delivery Supply Chain attends regular meetings with the directors of the various Energy Delivery business units to absorb and disseminate relevant information.

The use of e-mail for internal and external communication is commonplace and is encouraged as a fast, efficient means of communicating but not as a replacement to personal, face-to-face interaction.

The Supply Chain Group publishes an online quarterly report of their performance metrics, and progress toward meeting established goals. A link to this report is distributed to Supply Chain management and is also available to all Company employees through the FirstPlace intranet site.

External communications with the Company's suppliers occur on a daily basis through a variety of means. Bid quotes are obtained through use of the RFx tool as a controlled, on-line means of exchanging information, drawings, and questions, and ultimately of obtaining pricing from suppliers. On occasion an oral or written quote may be accepted by purchasing personnel, but only in limited situations. Quarterly delivery performance metrics are applied to top tier materials as part of the Company's vendor performance management program.

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Management Policies, Practices, and Organization

SFR Reference: (b)(v) Internal Auditing

b. FINANCE AND ACCOUNTING

(vi) Internal Auditing

1. Policy and Goal Setting

The purpose, authority and responsibilities of the Internal Auditing Group of the Company are established in FE Business Practice- Internal Auditing. The Business Practice is reviewed and approved annually by the Audit Committee of the Board of Directors.

The Internal Auditing Group prepares an annual audit plan (the "Annual Plan") that is presented and approved by the Audit Committee. This plan incorporates the group's goals and objectives as well as the scope of audits to be conducted during the year.

2. Strategic and Long-Range Planning

The Annual Plan is prepared in conjunction with various levels of management input plus a risk assessment process to prioritize projects. The plan focuses on financial, compliance and operational topics which exhibit the highest potential risk and/or opportunity for improvement. Historical coverage of corporate activities and the frequency of review are evaluated in light of potential risk to ensure that on-going operational topics are not excluded.

Long-range planning occurs during the fall of each year with the proposed plan being reviewed with senior management. An update is provided to the Audit Committee at their May meeting in conjunction with the status of the Annual Plan. The status is reviewed to determine if an adjustment in staffing allocations, re-prioritizing of audits or if additional audits need to be completed in order to adequately assess any emerging risks.

3. Organizational Structure

The Internal Auditing Department reports functionally to the Audit Committee of the Board of Directors and administratively to the Chief Financial Officer.

The Internal Auditing Department is composed of three audit teams. Each team is organized along areas of business expertise. The teams are given authority to schedule assigned audits, formalize specific audit plans with internal clients, draft and coordinate the issuance of reports, resolve issues, follow up on recommendations and respond to client requests. Teams meet periodically to discuss their work, audit issues and schedule and assign new projects.

In addition, two work groups are established to address the Sarbanes-Oxley Act and ethics activities. These work groups focus on tasks associated with planning the scope of work, coordinating activities, monitoring completion of tasks and the execution of tests or investigations.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

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SFR Reference: (b)(vi) Internal Auditing

4. Decision Making

Decision making is evident in several aspects of the auditing process: planning, coordinating, executing and reviewing results and following up on open issues. The Annual Plan is prepared by members of the Internal Auditing Group and reviewed and approved by auditing management, senior management and the Audit Committee of the Board of Directors. The auditing management team meets weekly to monitor the progress of the Annual Plan and coordinate work priorities.

The Audit Committee meets in private with management (including the Senior Vice President and Chief Financial Officer and the Vice President, Controller and Chief Accounting Officer) and the Director of Internal Auditing. In addition, they meet privately with the external auditors at each regular meeting.

5. Controlling Process

The implementation of the Annual Plan is the joint responsibility of the auditing management team and the audit teams.

Specific guidelines have been established for planning and controlling each audit. These guidelines include: developing an audit plan, scheduling assignments, communicating with audit clients, executing the audit plan, preparing work papers, reviewing work papers, evaluating results, writing reports, following up on recommendations, reporting time and training staff.

Results of each audit performed are documented in the form of an audit report which is reviewed by the Director, Internal Auditing, and Company management.

These reports identify the purpose and scope, assessment of internal controls, findings, recommendations and overall conclusions concerning the audit subject matter. Specific corrective actions agreed upon at the conclusion of the audit are monitored by the Internal Auditing Group quarterly to ensure implementation and effectiveness.

An overview evaluation of the direction of internal auditing is accomplished through periodic meetings with management, senior executives and the Audit Committee. These meetings focus on the plans and objectives plus updates on specific problem areas noted during the course of audits performed. In addition to these formal sessions, auditing management can initiate unscheduled meetings with any level of management whenever circumstances dictate.

A results analysis report is prepared annually to compare the Annual Plan to specific performance achieved. The analysis compares the Annual Plan with the results in several categories: coverage, budget versus actual audit hours, audits performed versus planned, results achieved, and the Internal Auditing Group budget cost and staff work product. Each of these areas is evaluated by management and the Audit Committee of the Board of Directors for any necessary corrective actions, such as shift in audit area emphasis, staffing and/or time allocations.

Quarterly assessments of financial reporting controls are reviewed by the Sarbanes-Oxley Steering Committee, the Disclosure Committee, the Audit Committee, and finally

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SFR Reference: (b)(vi) Internal Auditing

signed-off by the President, Chief Executive Officer and the Senior Vice President and Chief Financial Officer. The Internal Auditing Group participates in each of these meetings providing an assessment of financial reporting controls.

6. Internal and External Communications

Communication between the Internal Auditing Group and Company management include, but are not limited to: audit reports, monthly performance reports, periodic auditing team and auditing management meetings, Annual Plan, annual budget planning reports and various other documents.

Periodic group meetings occur to coordinate routine personnel, training and audit activities. These meetings involve the auditing teams and auditing management.

Externally, the Internal Auditing Group is represented on several professional organizations: EEI Internal Auditing Committee, Institute of Internal Auditors, American Institute of Certified Public Accountants, Association of Certified Fraud Examiners and Information Systems Audit and Control Association.

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Management Policies, Practices, and Organization

(c)(i) The System or Program for Managing Rate Related Operations and Rate Reform Projects

c. RATES AND TARIFFS

(i) The System or Program for Managing Rate Related Operations and Rate Reform Projects

(a) Objectives of the Rate Program (Policy & Goal Setting/Strategic & Long Range Planning)

The objectives for Company's rate program are designed to foster implementation of the overall corporate Strategic Vision and Mission. Specific objectives of the rate program include:

- Establish and implement rates sufficient to meet revenue requirements in order to help achieve the Company's financial goals and integrity so that it may achieve its goal of providing reliable electric service to meet the needs of its customers.
- Ensure that rates are designed to be fair and equitable among classes of customers and reflective of all costs associated with providing such service.
- Design rates with appropriate price signals to encourage customers to make rational energy consumption decisions, thereby promoting efficient use of available generation and natural resources in meeting their energy needs.

The Rate Program policy and objectives are reviewed and updated during the planning process or as the need arises. The policy and objectives are established utilizing a collaborative effort on the part of the Vice President, Rates & Regulatory Affairs, the Director, State Regulatory Affairs, the Director, Rate Strategy, and the Director, Tariff Analysis, Forecasting and Settlement. The Executive Council provides guidance as to the Company's strategic vision, mission and objectives.

(b) Process and Procedures for Achieving the Stated Objectives

With appropriate consideration given to the need of our customers to have reliable and reasonably priced electricity and to the need of the Company to have sufficient revenue to maintain financial viability, the following processes and procedures are in place to help accomplish the stated objectives:

- The State Regulatory Affairs Department, the Rate Strategy Department, and the Tariff Analysis Forecasting & Settlement Department are collectively referred to as the Rates Function. The Rates Function and the Legal Group have overall responsibility for advising senior management on the corporate strategy for rate-related proceedings before the PUCO. Specifically, the Rates Function evaluates the Company's overall revenue requirements based upon operating expenses and a fair return on the utility investments, develops the appropriate jurisdictional allocations based upon the delineation of our retail vs. wholesale business, advises management on the timing for rate filings, identifies necessary testimony and witnesses to support the Company positions, obtains the necessary corporate support and prepares rate case filings, coordinates PUCO Staff audit and intervenor discovery responses, and actively supports and participates at rate hearings.

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Management Policies, Practices, and Organization

(c)(i) The System or Program for Managing Rate Related Operations and Rate Reform Projects

- *The Rates Function develops overall rate design theory and prepares detailed rate design. The Rates Function develops a Cost of Service Study to categorize all applicable investment and operating expenses as being customer, demand, or energy related. These cost components are allocated to the various customer classes utilizing allocation ratios which recognize the specific characteristics of each customer class and its responsibility for such costs. Load research studies, customer billing data, and property cost component studies are utilized to determine the allocation relationships. Utilizing the costs allocated to each customer class and the demand and energy projections for each class, the Rates Function then employs rate design techniques to produce the needed rate structures to ensure fair and equitable rates for our customers and provide sufficient revenue production from those rate structures.*

The Rates Function will utilize the cost of service study, load research data, and rate design principles addressed above in item 2 to develop a rate structure that reflects the principle of cost-causation and thus contains appropriate price signals to encourage customer consumption patterns which promote the efficient use of existing distribution facilities, generation and resources. Additionally, the Company also utilizes various forms of communication to convey the message of efficient and wise use of energy to the consumer.

(c) Organization Structure & Available Resources

The Vice President, Rates & Regulatory Affairs along with the Director, State Regulatory Affairs, the Director, Rate Strategy, and the Director, Tariff Analysis, Forecasting and Settlement have responsibility for defining and managing the corporate policy and long-range strategies with respect to rate related issues. The State Regulatory Affairs Department and Rate Strategy Department have responsibility for coordination of Commission investigations, development and communication of Company positions on regulatory initiatives, development of base rate filings, and coordination of rate case activities. The Tariff Analysis Forecasting & Settlement Department has responsibility for load research, sales and revenue forecasting, and tariff analysis. The Directors of these three Departments report directly to the Vice President, Rates & Regulatory Affairs, who in turn reports to the Senior Vice President, Strategic Planning & Operations.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

A wide variety of resources are available to manage rate related operations and programs including, but not limited to: the skills, knowledge, and studies (e.g. load research, cost of service, etc.) produced by the employees within the Rates Function; access to records, personnel, and studies throughout the corporate organization; regulatory standards; computer programs; and various reference materials. The Rates Function relies on the Executive Council for guidance and additional resources. The employees of the Rates Function have broad educational and work experience backgrounds including, but not limited to the areas of accounting, finance, engineering, marketing, auditing, and law. Among the organizational elements that work closely with the Rates Function in the development of rate programs and filings include Treasury,

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(c)(i) The System or Program for Managing Rate Related Operations and Rate Reform Projects

Controllers and other Finance departments, Legal, Energy Delivery & Customer Service, Business Development, and Information Technology. Relevant regulatory standards are utilized as guiding principles and are available through the Ohio Revised Code, the Ohio Administrative Code, the Code of Federal Regulations, and prior decision of the PUCO and FERC. Some of the primary studies or reference materials utilized in the preparation of rate filings include load research studies, cost of service studies, depreciation studies, lead/lag studies, rate of return studies, load forecasts, sales and financial forecasts, the corporate budget, accounting records and customer billing records.

(d) Decision Making & Communications

Decisions regarding the contents of rate filings and programs are made by the Director, State Regulatory Affairs, the Director, Rate Strategy, and/or the Director, Regulatory Analytics & Forecasting based on consultations, when appropriate, with Regulatory Legal Counsel, the Vice President, Rates & Regulatory Affairs, Senior Vice President, Strategic Planning and Operations, and the Executive Council.

(e) Internal and External Communications

Internal communications related to rate filings and programs include periodic Staff meetings, day-to-day management/employee interaction, and a wide variety of memoranda, reports, and meetings.

External communications related to rate filings and programs include providing routine and special filings with the Commission and signatory parties to our rate agreements; sponsoring periodic meetings with Commission Staff and other involved external parties such as customer representative groups; and the frequent formal and informal communications that occur in the normal course of business with industry and PUCO/FERC representatives. External communications regarding rate filings are also managed by Communications, Investor Relations and Controllers regarding communications with the public, the investment community and financial regulators. ED&CS staff manage external communications regarding rate matters with specific customers and communities. External resources utilized to keep current on changing conditions, the regulatory environment, and technological improvements include the OEUI, EEI Rate Research Committee, various regulatory seminars sponsored by such organizations as NARUC, FERC, PUCO, PAPUC, or NJBPU, surveys of regulatory activities, and regulatory publications such as EPRI. These references provide a valuable service in enabling the conduct of the rate function in a way that provides high quality service at the lowest possible cost.

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(c)(ii) Rate Program Analytical Process

(ii) Rate Program Analytical Process

(a) Planning

Strategic and long range plans for rate program activities are reviewed and updated during the Company's annual planning process or as the need arises. Plan development appropriately considers both the needs of our customers to have reliable and reasonably priced electricity and the needs of the Company to have sufficient revenue to maintain financial viability and achieve financial goals. Specific plans thus reflect forecasted financial conditions and perceived customer needs, and are designed to support implementation of the overall corporate strategic vision, mission and objectives. In addition to the development of the rate program objectives, the planning process also evaluates the necessary level of resources required to perform the analytical activities needed to effectively implement the rate program. Progress on plan implementation is monitored throughout the year and plans are adjusted as necessary due to changing business or customer conditions.

Specific rate program plans and objectives are established by way of a collaborative effort on the part of the Senior Vice President and General Counsel, Senior Vice President of Strategic Planning and Operations, and the Vice President, Rates & Regulatory Affairs. The Executive Council provides guidance as to the Company's strategic vision, mission and objectives.

(b) Operating Impact Evaluation

The Rates Function is responsible for coordinating the evaluation of operating impacts caused by current or proposed rate programs or designs. The principles of engineering economics are utilized in the analysis of rate program activities with the primary objectives being to recover costs of service and to earn a fair return on utility investment, while maintaining operating efficiency and reliability. Specific operating impact evaluations could involve analysis of the effect on load factors; customer, customer class, and system load curves; sales forecasts; revenue requirements; customer acceptance; operating capacity; and administrative requirements. Load research, market research analysis, cost of service studies, load forecasts, and technical feedback from ED&CS and Controllers are utilized to determine operating impacts.

(c) Cost Analysis

The Rates Function is responsible for the cost analysis efforts associated with the rate program analytical process to determine the overall costs involved in providing electric service and the customer class responsibility for such costs.

The Rates Function has overall responsibility for the evaluation of the Company's revenue requirements. This is accomplished through the analysis of current and forecasted operating expenses, analysis of rate base investments, development of the Company's cost of capital, and determination of the appropriate jurisdictional allocations. Proper evaluation of the revenue requirements is necessary to ensure that the

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(c)(ii) Rate Program Analytical Process

Company's financial integrity is maintained and financial goals are met so that it may continue to provide reliable service to meet the needs of its customers.

Cost analysis for class rate design is the responsibility of the Rates Function. This is accomplished by way of cost of service studies by which all applicable investment and operating costs are first categorized as being customer, demand or energy related and then allocated to specific customer classes based on their responsibility for such costs. This type of study utilizes customer load research, system load statistics, operating expense and asset balances by functional accounts, and cost allocation methods which characterize the relationship between usage and cost.

(d) Benefit Analysis

The Rates Function works closely with ED&CS and representatives of various customer groups in evaluating the benefits of various rate program options. Specific benefits hoped to be achieved through implementation of the various rate programs include full recovery of the cost of service, revenue stability, a fair and equitable rate structure among classes of customers, customer receptiveness, local economic growth or stability, expansion of customer base, and operational efficiency.

(e) Data Collection

The data necessary to establish and evaluate specific rate proposals includes a wide variety of financial, operational, and customer specific information, all of which is collected from various corporate sources. Budgeting, accounting, tax, and property records used in determining revenue requirements and cost allocations are obtained from various elements within the Company. System load data and statistics, sales forecasts, and customer billing data used in load research and cost study applications are provided to the Rates Function internally by the Tariff Analysis, Forecasting & Settlement Department and externally by Energy Delivery & Customer Service. The Rates Function determines customer energy consumption patterns and maximum demand data for cost of service and rate design activities by conducting load research activities. Customer specific information and feedback used in rate design activities are obtained from the Customer Service representatives who are in daily contact with customers throughout our service territories.

(f) Risk Assessment

The primary responsibility for risk assessment in the Rates area rests with the Vice President, Rates & Regulatory Affairs after consultation with several other areas of the Company. Factors which are considered include the balancing of revenue requirements against the effects on rates, customer receptiveness, service reliability and operational efficiencies.

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(c)(ii) Rate Program Analytical Process

(g) Revenue and Earnings Stability

Review and analysis of revenue and earnings stability associated with the overall rate program is the responsibility of the Rates Function. The rate activities associated with *attempting to achieve revenue and earnings stability include evaluation of the Company's* revenue requirements, comparison of the results with forecasted sales and revenue levels, and development of rate structures which promote revenue and earnings stability. In the analysis of alternative rate structures, particular attention is paid to means of maintaining appropriate earnings and cash flow streams without the necessity for abrupt, major pricing changes. Consideration must be given to the short and intermediate term cost of service perspectives and rate structure acceptance of the customer in all rate *design considerations, allowing new consumption patterns to evolve over time by* gradually modifying current consumption patterns through rate reform.

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(c)(iii) Implementation Management

(iii) Implementation Management

(a) Implementation Management Process for Rate Reform Projects

The Company's rate reform ideas are generated from within the Rates Function based on inputs of other corporate elements such as ED&CS, from customers, or from the regulatory arena. Load research, cost of service and revenue impact studies are conducted by the Rates Function to monitor customer usage patterns and evaluate the continued appropriateness of rates and the feasibility of alternative rate options. Recommendations for rate reform projects are reviewed by the Rates Function Directors and the Vice President, Rates & Regulatory Affairs and Regulatory Legal Counsel as appropriate. Rate reform project proposals having significant modifications from existing rates are also reviewed by the Senior Vice President, Strategic Planning and Operations, and the Senior Vice President and Legal Counsel, and the Executive Council for consistency with the Company's Strategic Objectives. Other corporate elements are actively involved in the process as well as the need arises.

Upon corporate approval of a rate reform project, the Rates Function is responsible for contacting the PUCO staff and explaining the new rate along with its intended objectives. Tariff applications are then submitted to the PUCO for approval; upon approval, appropriate tariff sheets are filed as well. The External Communications element is notified of any changes for possible mass media announcements. Customer Service personnel are also informed to ensure they are prepared to respond to customer inquiries. Information Technology staff are responsible for the billing process to implement new rate structures. Once implemented, the new rate is monitored for its operational and financial impacts on the Company, as well as for customer response and satisfaction.

(b) Significant Projects in Progress

The Company has agreed to implement a demand side management ("DSM") program through 2008 for residential customers within its Ohio service territories. This program was included in the Supplement Stipulation and approving Order to PUCO Case No. 05-1125-EL-ATA et. al. and consists of a Home Performance with Energy Star program and an A/C Direct Load Control program. Additionally, the Company has developed a Green Energy program. This program, if approved by the PUCO, will allow customers to purchase renewable energy certificates in order to obtain generation from retail electric suppliers providing energy from qualifying "green" and/or renewable resources.

(c) How Projects are Intended to Meet Stated Program Objectives

The residential DSM program is designed to promote energy conservation and support electric system reliability within the Company's service territories through a bona fide whole-house approach of home energy inspections and evaluation, diagnostic testing and "best practice" installation, and quality assurance, as well as providing incentives to residential customers to allow the Company to cycle air-conditioners. The Green Energy program will help make the public more aware of overall environmental issues of which conservation is a part.

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SFR Reference: (c)(iv) Customer Involvement

(iv) Customer Involvement

1. Policy and Goal Setting

The Company's overall policy regarding customer involvement is to meet the needs and expectations of our customers, to communicate frequently and openly with our customers in an effort to achieve a better understanding of the relationship between the price of electricity and the value of reliable electricity and quality service, and to be receptive to customer suggestions on designing rates and developing customer service practices.

2. Strategic and Long-Range Planning

Existing strategic and long-range plans call for utilization of various vehicles that strive to maintain open and productive dialogue between Company representatives and our customers, each of whose goal is to improve customer satisfaction. Some of the key vehicles implementing our customer involvement plans include:

- Maintaining open and responsive communications with the Service Monitoring and Enforcement Department of the PUCO in resolving customer inquiries.
- Providing a tariff structure incorporating, where possible, input from Customer Service representatives having frequent customer contact as well as from the various customer representative groups.
- Being prompt, courteous, and responsive to customer billing inquiries.
- Communicating rate changes and customer service issues and associated rationale.
- Attending speaking opportunities utilized to inform customers of rate related issues.
- Attending public hearings to respond to inquiries and evaluate customer reaction to proposed rate changes.

3. Organizational Structure

Responsibility for customer communications associated with rate related issues rests with the Vice President, Communications, Vice President, Rates & Regulatory Affairs, the Directors of the Rates Function, as well as with the customer contact and other support elements of the Energy Delivery & Customer Service group.

Please refer to the organization chart in the Supplemental Filing Requirements section (B), item (10)(a).

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Management Policies, Practices, and Organization

SFR Reference: (c)(iv) Customer Involvement

4. Decision Making & Controlling Process

Decisions regarding the recognition of customer involvement in rate communications, rate design and service practices are typically made by the Vice President, Communications, and the Vice President, Rates and Regulatory Affairs, with input from ED&CS.

5. Internal and External Communications

Internal corporate communications associated with customer involvement includes various corporate elements by way of periodic Staff meetings, day-to-day management/employee interaction, and miscellaneous memorandums, reports, and meetings.

External communications with regulatory commissions, customers and customer groups occur through direct dialogue, public speaking engagements, direct mailings, and telephone conversations

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Management Policies, Practices, and Organization

SFR Reference: (c)(v) Commission and Staff Reporting

(v) Commission and Staff Reporting

1. Policy and Goal Setting

The Company's policy for PUCO Commission and Staff reporting is to meet or exceed the regulatory reporting requirements established by law or Commission Order, to respond accurately and timely to Commission or Staff inquiries and requests for information, and to be forthright in notifying appropriate elements of the Commission and Staff concerning regulatory matters which should be brought to their attention. This policy is accomplished through the fulfillment of the Standard Filing Requirements and other regulatory filing guidelines, compliance with financial and operational reporting commitments associated with prior Commission proceedings, provision of cooperative support for all Commission and Staff initiated audits and investigations, participation in Commission sponsored workshops, notification of special events such as emergency power outages, communication of Company's Plans such as with the Long Term Forecast Report, and perhaps most importantly, the frequent formal and informal communications with the Commission and Staff that occur as part of our normal, everyday business activities.

The goal of the reporting policy is to provide the Commission and its Staff with the necessary information for the effective discharge of their responsibility.

The PUCO Commission and Staff reporting policy is maintained by the Vice President, Rates & Regulatory Affairs, with guidance from Regulatory Legal Counsel. The policy is reviewed periodically to ensure that changes to the regulatory environment and reporting requirements are being appropriately addressed.

2. Strategic and Long-Range Planning

Strategic and long range planning by the Rates element is performed on a periodic basis and is structured to foster implementation of the overall corporate Strategic Vision, Mission, and Objectives. The long-range strategies related to Commission and Staff reporting include: to develop and foster effective, efficient and trustworthy working relationships with the Commission and Staff, to keep abreast of changes to the regulatory reporting requirements, and to identify and recommend changes to the regulatory reporting process where efficiencies can be achieved.

Strategic and long range planning is prepared on a periodic basis by the Rates Function and Regulatory Affairs, the results of which are reviewed and approved by Senior Vice President and Legal Counsel, Senior Vice President, Strategic Planning and Operations, and the Vice President, Rates & Regulatory Affairs.

3. Organizational Structure

Responsibility for reporting to Commission and Staff reporting rests with the Vice President, Rates & Regulatory Affairs and the Rates and Legal Functions. The State Regulatory Affairs Department and Rate Strategy Department have responsibility for coordination of Commission investigations, development and communication of Company positions on regulatory initiatives, development of base rate filings, coordination of rate case activities, and development and implementation of all retail pricing matters. The

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Management Policies, Practices, and Organization

SFR Reference: (c)(v) Commission and Staff Reporting

Tariff Analysis, Forecasting and Settlement Department has responsibility to assist in the previously mentioned efforts along with the responsibility to prepare load research, sales and revenue forecasts, and tariff analyses. The Directors of these three Rates Departments report directly to the Vice President, Rates & Regulatory Affairs, who in turn reports to the Senior Vice President, Strategic Operations & Planning.

Please refer to the organization chart in the Supplemental Filing Requirements section (B), item (10)(a).

4. Decision Making

Decisions regarding reporting to Commission Staff are made by the Directors of the Rates Function, based on consultations, when appropriate, with Regulatory Legal Counsel, the Vice President, Rates & Regulatory Affairs, and the Executive Council.

5. Controlling Process

Various management controls are in place to help ensure that the regulatory requirements and established reporting policies are being met. Some of the controls in place include the development of a schedule identifying known filing requirements and their reporting frequency, the assignment of individual topic areas to specific Rates and Legal personnel responsible for ensuring associated reporting requirements are being met, establishment of contact personnel throughout the Company to stay abreast of issues that may need to be brought to the attention of the Commission or Staff, and centralization of responsibility for all PUCO-corporate communications within the Rates' and legal elements. Senior management is kept abreast of all ongoing and upcoming Commission and Staff reporting through periodic Staff meetings and day-to-day formal and informal communications.

Actual performance against reporting policy objectives is monitored through the management oversight process. Performance is compared to standards which strive to meet all regulatory reporting requirements in an accurate, thorough and timely manner. Performance standards and management controls are reviewed and modified when necessary.

6. Internal and External Communications

Internal communications associated with meeting the Commission and Staff reporting policy include periodic Staff meetings, day-to-day management/employee interaction, and miscellaneous memorandums, reports, and meetings.

External communications include providing routine and special filings with the Commission and signatory parties to our rate agreements; sponsoring periodic meetings with Commission Staff and other involved external parties such as customer representative groups; participating in Commission and Staff-sponsored workshops, hearings, audits, and investigations; and the frequent formal and informal

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Management Policies, Practices, and Organization

SFR Reference: (c)(v) Commission and Staff Reporting

communications with the Commission and Staff that occur as part of our normal, everyday business activities. The Company also subscribes to regulatory publications, maintains active membership in regulatory organizations such as the Edison Electric Institute, and participates in regulatory seminars sponsored by such organizations as NARUC.

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Management Policies, Practices, and Organization

SFR Reference: (d)(i) Customer Service and Information

d. COMMUNICATION AND PUBLIC AFFAIRS

(i) Customer Service and Information

1. Policy and Goal Setting

The responsibility of providing customer service and information to the customers of the Company rests with the Customer Service and Service Area Development (CS&SAD) business unit.

Policy making occurs at the department level within CS&SAD and through consultation of the CS&SAD Vice President and CS&SAD Department Directors. Policies and procedures are documented in a Lotus Notes Database entitled C-Net. C-Net is available for use and review by all CS&SAD employees as they deliver services to the customers of the Company.

CS&SAD policies are communicated to CS&SAD employees through department and section staff meetings, issuance of revisions and additions to C-Net, and through distribution of policies via email directly to employees.

Goal Setting occurs at the department level within CS&SAD and through consultation of the CS&SAD Vice President and CS&SAD Department Directors. The CS&SAD business unit maintains a five year business plan that documents the most critical goals of the business unit. The Vice President of CS&SAD meets with the CS&SAD Department Directors annually to revise the goals of the business unit. Department Directors then propose KPI's that measure attainment of the goals. Employees of each department are compensated in part based upon the attainment of these KPI's. The results of performance against the KPI's are also provided to senior management.

The CS&SAD goal setting process is evaluated based on the following criteria:

- Do business unit's goals support the corporate goals/objectives
- Do goals support the business unit's vision of being recognized as leaders in cost effectively providing superior customer service, innovative customer programs, and career opportunities for employees together with a safe work environment
- Are appropriate KPI's and measurements established to evaluate success
- Do goals effectively serve both external and internal customers.

Within our Contact Centers our employees are eligible for an annual incentive compensation payment based on average speed of answer, customer satisfaction, and safety performance. All CS&SAD employees have incentive compensation goals based on customer satisfaction.

2. Strategic and Long-Range Planning

The strategic plan of CS&SAD is set forth in its business plan which contains initiatives that support the business unit's vision, goals, and KPI's. The management team of CS&SAD reviews the progress of these KPI's on a monthly basis and makes course

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corrections in strategy as needed. The business plan initiatives are typically set for a 6 to 24 month time period.

Examples of past business plan initiatives include: engineering the CustomerFirst Program, implementing the advanced speech recognition automated phone system, and updating our Customer Service website.

The CustomerFirst Program was established in order to place increased focus on the delivery of high quality services to our customers. The program included customer service training for all field employees, improvements to the street light outage restoration process, creation of a complaints team to focus on the root cause of customer complaints and implement necessary improvements, and a spotlight award program to recognize employees for delivery of superior customer service. The CustomerFirst program has played an important role in higher customer satisfaction results as measured in the JD Power Residential Study, and the Contact Center transactional satisfaction study.

The Company's advanced speech recognition automated phone system enables customers to perform a number of self-service options such as pay by phone, make payment arrangements, confirm bill due date and amount due, and report a power or street light outage.

The 2006 update to our Customer Service Website added many new features to the website to improve its usability and to provide customers with additional information. The updated website includes access to an energy calculator where customers can create a profile of their current household energy use, calculate the energy used by a variety of household appliances and identify ways to reduce consumption and improve efficiency. The energy calculator also provides customers with an energy smart library with detailed information about energy-related topics including weatherization, heating, cooling, lighting, water heating and food storage.

Other strategic planning initiatives focus on improving employee productivity, meter reading read rate, and employee safety performance.

3. Organizational Structure

CS&SAD is led by a Vice President who reports to the Senior Vice President of ED&CS who in turn reports to the Executive Vice President and Chief Operating Officer. CS&SAD is made up of six departments: Contact Centers, Customer Services, Revenue Operations, Meter Reading, Consumer Products, and Economic Development. Each department is led by a director who reports directly to the Vice President.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The Vice President of CS&SAD holds monthly staff meetings with the Department Directors to discuss and review recent internal and external developments to the

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business unit. Decisions are made at these meetings, when appropriate, which enhance overall business unit operations.

Directors in turn hold meetings with their staffs where decisions about department activities are discussed and made. Decisions that affect the workforce are discussed by department managers and supervisors with the employees in small group meetings and feedback is solicited and received.

Day-to-day decisions as they relate to various jobs in CS&SAD are often made by the employees performing the jobs. Employees are provided with training and various procedures to help them in the decision making process. Supervisors monitor each employee's work to assist the employee as needed with decisions and ensure that decisions are consistent with policies and procedures.

Significant or critical decisions are made by department supervisors, managers, or the Directors. The Vice President of CS&SAD may be consulted on such decisions.

5. Controlling Process

There are various controls in place to ensure that the systems and procedures utilized are functioning properly. Several examples of these controls are described below:

- Customer bill accuracy is verified daily by means of a bill calculation program that randomly selects bills for recalculation outside of the Company's SAP billing system;
- The Contact Center telephone system provides statistics about each representative's daily activities. Supervisors monitor these statistics and provide coaching to improve employee performance. Customer calls processed by telephone representatives are also monitored on a random basis to ensure that service quality is high and policies and procedures are followed;
- The Company's FieldNet meter reading system provides controls that assist meter readers in avoiding meter reading errors. The system also provides data related to employee activities during the workday and assists managers in ensuring employee productivity is high; and
- The Company's Remittance Processing Center processes customer payments received by U.S. Mail and through various electronic channels. Controls are employed to ensure that all customer payments are accurately credited to customer's accounts.

6. Internal and External Communications

CS&SAD communicates internally with employees through meetings, e-mail, department newsletters, the Company newsletter (The Employee Update), and C-Net procedures. CS&SAD also utilizes bulletin board postings at all locations to provide information to employees. Periodically the Company's senior leadership holds satellite broadcasts to update all employees on the Company's progress and to communicate important messages to employees. Employees are invited at such broadcasts to ask questions of the Company's senior leadership team. The Senior Vice President of ED&CS also

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SFR Reference: (d)(i) Customer Service and Information

periodically holds similar satellite broadcasts, as well as ED&CS management team meetings where information, strategy, and new programs are discussed with the management team.

External communication occurs through a variety of channels including the following:

- Bill messages
- Bill inserts
- E-mail
- Internet Newsletter to large commercial customers
- Letters to customers
- Automated Phone System
- Calls to our Contact Centers
- Newspaper Ads

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SFR Reference: (d)(ii) Credit and Collections

(ii) Credit and Collections

1. Policy and Goal Setting

The Company has established a credit policy designed to protect corporate shareholder interests, provide employees with guidance in credit issues, and implement credit decisions for our customers and applicants for service in compliance with applicable Federal and State laws and all PUCO regulations.

2. Strategic and Long-Range Planning

The policy addresses the Company's position on various credit activities with our customers and applicants. Our employees implement this policy by following the applicable Company procedure(s) appropriate for the credit activity. Our Company procedures are reviewed, at a minimum, on an annual basis to ensure that any necessary revisions to these procedures are completed and communicated.

3. Organizational Structure

Revenue Operations is led by the Director, Revenue Operations, who reports to the Vice President of CS&SAD.

Ohio Revenue Operations is organized into three business units, each headed by a manager. These departments are:

- Ohio Operations
- Vendor Services
- Strategy

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The Vice President, CS&SAD is accountable for Energy Delivery's regulated receivables. Regulated financial statements can be positively or negatively affected by regulatory or credit decisions. The Director and managers of Revenue Operations are accountable for avoiding, accepting, transferring or otherwise mitigating the credit risks associated with regulated transactions.

Day-to-day decisions are normally made by the employees performing the jobs, who are most knowledgeable about the particular situation. Supervisory oversight assists employees in decision making and helps to ensure that decisions are consistent with Company policies and procedures. Less routine operational decisions are made by the responsible supervisors and managers. Unusual events are reviewed with the Director, Revenue Operations.

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SFR Reference: (d)(ii) Credit and Collections

5. Controlling Process

Performance standards are used to determine the degree of goal attainment and include customer satisfaction, timely resolution of problems and effective employee engagement with internal and external customers.

Performance criteria are established by the Vice President of CS&SAD and the Directors.

Performance indicators include safety performance, customer satisfaction, average phone answering speed, employee productivity statistics, receivables management, uncollectible expense, days sales outstanding, and energy theft recoveries. Performance results are reported and reviewed monthly. Performance indicators are updated annually or as needed.

6. Internal and External Communications

Revenue Operations Management communicates internally with employees through meetings, email, voicemail, written procedures, and regular performance reports. Monthly staff meetings are conducted by the Director of CS&SAD and the managers to review recent developments. Plans to enhance the operations are reviewed and discussed. Meetings are also conducted on an as-needed basis in each work group to discuss issues or changes of concern to that group.

External communications to customers include the following:

- Proactive calls to customer
- Visits to customers premises
- Letters to customers
- Bill messages and inserts
- Electronic messages via the internet
- Attendance at public hearings and meetings
- In-person, written and telephone contact with regulators and other agencies

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Management Policies, Practices, and Organization

SFR Reference: (d)(iii) Customer Conservation Programs

(iii) Customer Conservation Programs

1. Policy and Goal Setting

The Company's Customer Conservation Program is referenced as the Ohio Demand Side Management Program ("DSM Program"). The general policies and goals for the DSM Program are set by the DSM Program project group in compliance with the Supplemental Stipulation and approving Order in Case No. 05-1125-EL-ATA, et al. which provides that the resulting DSM Program will meet a Total Resource Cost test.

2. Strategic and Long-Range Planning

The general policy and goals are developed and reviewed by the Vice President of Rates and Regulatory Affairs along with the DSM Program project group, which includes, but is not limited to, implementation team managers and a project group lead. Annual internal goals are set based on the ability of the selected implementation contractors to meet targets and goals.

3. Organizational Structure

The Vice President of Rates and Regulatory Affairs, reports to the Senior Vice President of Strategic Performance and Operations.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The operational decision making process for the DSM Program is the responsibility of the DSM program project group lead. Such decision making process shall be guided by the overall management goals in combination with the DSM Program initiatives as developed with input from contractors, the PUCO Staff and the Ohio Consumers' Counsel. Any strategic changes to the policy or goals of the DSM Program require approval by the Vice President of Rates and Regulatory Affairs.

5. Controlling Process

The DSM Program establishes responsibility and performance goals consistent with the Total Resource Cost test. Aspects of the overall DSM Program will be monitored in the following manner:

- Monthly report indicating the status of DSM Program activities related to the program
- Monthly expenditure reports
- Issue driven meetings to address a particular situation
- Total resource review scheduled near year end 2008

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SFR Reference: (d)(iii) Customer Conservation Programs

6. Internal and External Communications

Internal communication within the DSM Program project group consists of monthly reports and bi-weekly staff meetings with implementation team managers. In addition the DSM Program project group will interface with Customer Support, Rates, Communications and Business Development on matters concerning the DSM Program.

External communications to customers are coordinated through the Communications Department utilizing the most cost effective communication channels. Channels can include mass media, advertisements in publications and trade shows, the internet, bill inserts, and direct mail. Additionally, the Company maintains communications with various industry, community, consumer and governmental organizations.

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Management Policies, Practices, and Organization

SFR Reference: (d)(iv) Marketing

(iv) Marketing

1. Policy and Goal Setting

For purposes of responding to this section of the SFR, "marketing" is defined as the Company's regulated advertising. Policies and objectives that guide the Company's advertising efforts are set by the Advertising Director in the Company's Communications Group, working closely with the Vice President of Communications. From time to time, paid communications can help the Company share key messages with customers on issues such as service reliability and environmental protection. On an ongoing basis, we use advertising and bill inserts to provide customers with basic information on service and billing, energy efficiency, hiring efforts and legal notices.

2. Strategic and Long-Range Planning

Overall, the Advertising Director works with the Communications Department staff and, in certain cases, external vendors to develop advertising campaigns that express the Company's commitment to providing reliable and responsive service as well as its strong support to local communities – including economic development and community relations activities. Advertising objectives and planning vary, based on the specific goals of each campaign. Activities can include broadcast and/or print advertising, outdoor, bill inserts, direct mail and other channels, depending on the target audience.

3. Organizational Structure

The Advertising Director reports to the Vice President of Communications, who reports to the Senior Vice President and General Counsel.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Decisions involving advertising plans, creative design, execution, and purchasing, are made by the Advertising Director, working closely with the Vice President of Communications. These decisions are based on the specific objectives of each campaign, the target audience and budgetary considerations. Campaigns are designed to reach the target audience as cost-effectively as possible.

5. Controlling Process

The effectiveness of the Company's advertising is, in some cases, determined by specific results – for example, the number of customers who request a specific product or service or who request information on energy-saving tips online. The Director also uses the results of the Company's quarterly customer surveys to gauge customer attitudes regarding corporate image and service reliability and responsiveness.

Survey results – and, in some cases, advertising focus groups – are used to fine-tune messages and the use of specific media to reach customers.

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Management Policies, Practices, and Organization

SFR Reference: (d)(iv) Marketing

6. Internal and External Communications

Internally, the Director meets regularly with contacts within the Company to help identify key objectives and the most effective advertising strategies to achieve those objectives.

Externally, the Director maintains positive working relationships with media sales representatives and maintains memberships in major industry and trade organizations at both the local and national level.

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SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (d)(v) External Relations

(v) External Relations

1. Policy and Goal Setting

The Company's Public Relations section supports the Company's many interfaces with external audiences – providing counsel and writing support to Company business units that have external contact, responding to media inquiries, and providing accurate, timely and helpful information about the Company to its customers and other stakeholders.

Policy for the section is established by the Director of Public Relations, working closely with the Vice President of Communications.

2. Strategic and Long-Range Planning

The section's key objective – both short- and long-term – is to provide customers and other stakeholders with key information on Company activities that affect service, employment and shareholder investments. Those activities include major infrastructure improvements, financial performance, environmental investments, benefits and workforce planning and development.

In the short term, overall strategy and planning are conducted on an annual basis by the Director of Public Relations and the Senior Vice President and General Counsel and are designed to support the Company's annual objectives.

3. Organizational Structure

The Director of Public Relations reports to the Vice President of Communications, who reports to the Company's Senior Vice President and General Counsel.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The Public Relations section monitors industry developments and emerging public policy to help determine the Company's positions on major issues and communicate those positions to external and internal audiences. Depending on the relative importance of an issue, senior executives are involved as appropriate.

5. Controlling Process

Several measures – both formal and informal – are used to determine the effectiveness of the section's efforts. They include the timeliness of the section's response to external and internal customers, including those involving media inquiries; customer satisfaction as measured by the Company's quarterly customer survey; and the Company's ability to meet its key annual objectives.

The Director also conducts bi-annual reviews of staff performance and provides specific career development plans for individual employees.

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SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (d)(v) External Relations

6. Internal and External Communications

Internally, the Director communicates regularly with section employees to discuss the progress of various public relations initiatives and to gain staff input. The Director and staff also meet regularly with key contacts within the Company to fine-tune strategy and ensure they have the latest information on Company policies and developments.

Externally, the Director and staff communicate regularly with media representatives and opinion leaders via phone, editorial boards, executive interviews and other channels. In addition, the Director and staff participate in several local and national trade, community and charitable organizations.

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SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (e)(i) Transportation

e. ADMINISTRATIVE AND CORPORATE SUPPORT SERVICES

(i) Transportation

1. Policy and Goal Setting

Corporate Fleet Services sets the policies and procedures to be used within the Fleet Services Department of the Company. The manager of the Company's Fleet Services Department establishes annual goals and objectives each year, with assistance from the Corporate Fleet Services Department and the Business Services Department with final approval coming from the Director of Operations Support. Management also sets annual goals and objectives for the Company's Fleet Services Department.

2. Strategic and Long-Range Planning

Mission Statement for Fleet Services

- We excel in providing safe, reliable and available transportation.
- We satisfy the operational needs of our customers at a low cost.
- Empowered Fleet Services employees are proactive in ensuring timely delivery of quality mobile tools and transportation solutions.
- Fleet vehicles are the image of our Company to our customers.

Corporate Fleet Services works with the Business Services Department to prepare a 5 year budget projection each year not including the current year. The 5 year budget projection includes the replacement of vehicles projected out 5 years. The 5 year budget and vehicle replacement projections are reviewed and updated annually as needed.

3. Organizational Structure

Corporate Fleet Services governs over the Company's Fleet Services Department providing strategic policies, procedures and strategic direction. The Company's Fleet Services Department is part of the Energy Delivery Section. The Company's Fleet Services Department consists of a Manager, Supervisors, Support personnel and Mechanics.

The manager of the Company's Fleet Services Department reports to the Director of Operations Support.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The Company's Fleet Manager is required to complete a certification program. The Fleet Manager must show a thorough understanding of the subject matter set forth in the program. Subject matter includes, but is not limited to, general safety; communications process; administrative forms, reports and analysis; job briefings; vehicle and equipment maintenance; storm process; budgeting; time reporting; fuel use; purchasing; licensing and permits; and vehicle disposal and replacement. The certification program ensures

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Management Policies, Practices, and Organization

SFR Reference: (e)(i) Transportation

that Company Fleet Managers have the subject matter knowledge to make sound business decisions.

The Fleet Manager reports to the Director of Operations Support and receives feedback on decisions made and operating practice.

5. Controlling Process

The Company Fleet Director and Manager receive and review monthly Operation Performance Measures used to measure their annual goals and objectives. The Operations Performance Measures include:

- Direct vs. Indirect Labor Comparisons
- Preventive Maintenance Overdue
- Preventive Maintenance Per Mechanic
- Budgeted vs. Actual Costs per Unit
- Fleet Availability %
- Low Utilization

Operation Performance Measures are reviewed annually to determine standards and revisions are made as necessary.

6. Internal and External Communications

Internal communications within the department are frequent during the day whether by email, phone or person to person. The Fleet Manager, Supervisors, and staff are on call for emergency purposes after normal working hours. Mechanics are available for emergency purposes after normal working hours according to Company and/or union contract rules.

Internal communications with Managers, Supervisors and other personnel from other departments occur on a person to person basis at the maintenance locations and by email or phone.

Corporate Fleet Services holds a quarterly Fleet Manager meeting to discuss multiple fleet related topics and issues such as equipment issues, performance discussions, vendor presentations, etc. These meetings are held over a two day period at different Company locations throughout the year. All the Fleet Managers attend and are able to bring along any of their staff.

Monthly conference calls are held where all the Fleet Manager's discuss topics and issues that arise between the quarterly Fleet Manager meetings.

External communications include EEI conference, Electric Utility Fleet Manager's conference, NAFA membership, Maximus-M5 User Group conferences, and utilization of utility or fleet related publications.

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Management Policies, Practices, and Organization

SFR Reference: (e)(ii) Legal

(ii) Legal

1. Policy and Goal Setting

The Company has adopted a Corporate Compliance Program to assist all business units and their employees in complying with all applicable laws, regulations and policies. The establishment of the underlying corporate policies to ensure compliance with such laws and regulations is done in consultation with the Legal Department. The Legal Department likewise consults and advises business units on a daily basis on interpretation and administration of such policies.

The Legal Department, through the Senior Vice President and General Counsel and the Vice President, Legal, also maintains various internal policies to ensure the effective administration of legal services for the Company and its business units. These include a corporate business practice placing responsibility for the retention of outside counsel with the Legal Department; a department policy for ensuring compliance with SEC Attorney Conduct Standards; a department policy with respect to appropriate billing standards and practices for outside counsel, a department policy with respect to ensuring that applicable business records are held and maintained while litigation is pending; and, a department procedure for the internal reporting of material legal commitments and contingencies.

Goals or KPI's are established for the entire department, for the various sections within the department and for individual attorneys, paralegals and administrative assistants. Threshold, target and maximum levels of achievement are established for each such goal. All members of the department are evaluated every six months by their direct supervisors.

2. Strategic and Long-Range Planning

Senior management of the Company has the primary responsibility for establishing the Company's overall strategic plan. As part of that process, the Legal Department maintains a five-year business plan that is updated each year. That plan outlines the department's key business issues and planning assumptions for each section within the department; identifies any significant risks to these planning assumptions and the likelihood and impacts of such risks being realized; summarizes the demographics of the department for transition and planning purposes; outlines the performance metrics, goals or key performance indicators to gauge the performance of the department; and establishes a projected near and long-term budget.

3. Organizational Structure

The Legal Department is directed by the Vice President, Legal, who in turn reports to the Senior Vice President and General Counsel. It is a mostly centralized function located in the Company's general office in Akron. The department is broken down into four general sections, each headed by an Associate General Counsel. Those sections are:

State Regulatory Matters: This section is responsible for all legal matters relating to state utility regulation in Ohio, Pennsylvania and New Jersey.

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SFR Reference: (e)(ii) Legal

Federal Regulatory Matters: This section is responsible for all legal matters relating to federal utility regulation, including matters before the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission.

Corporate I: This section is responsible for various general corporate matters, including corporate governance and Board of Directors issues, human resources and labor relations, including employee benefits and executive compensation issues, and financing transactions.

Corporate II: This section is responsible for various general corporate matters including mergers, acquisitions and divestitures, supply chain and other commercial transactions, including fuel procurement, and tax and real estate matters. The Corporate Claims department, which is responsible for the adjustment and resolution of all major claims matters, reports to this section of the Legal Department.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Decision making rests, generally, with the business unit and organizational level within such unit best situated to take and implement effective action. It is the Legal Department's role to serve in an advisory capacity to all business units and their employees to help ensure that all such decisions are based on Company policies, procedures and directives as well as in compliance with all applicable local, state and federal laws and regulations. The Legal Department discharges its duties in this regard through its staff attorneys, their supervisors (Associate General Counsels), the Vice President, Legal and, ultimately, the Senior Vice President and General Counsel. As noted above, the Legal Department is responsible for retaining outside counsel and ensuring that such counsel comply with internal policies. Outside counsel is managed directly by staff attorneys or, in the case of outside counsel retained to handle claims matters, by claims department staff.

5. Controlling Process

The Senior Vice President and General Counsel holds bi-weekly meetings with the Vice President, Legal and the Associate General Counsels to review significant upcoming and on-going issues as well as to discuss and review various departmental matters, including compliance with internal policies and budget matters. These meetings are supplemented by bi-weekly meetings between the Vice President, Legal and each Associate General Counsel as well as the many informal meetings that occur within a given week. Significant upcoming and on-going matters are in turn monitored through staff meetings held by each Associate General Counsel on a weekly or bi-weekly basis with his or her staff. These, too, are in addition to the frequent informal meetings held between each Associate General Counsel and individual members of his or her staff. Department meetings with all staff are held at least quarterly. Yearly, an off site retreat is conducted under the direction of the Senior Vice President and General Counsel and the Vice President, Legal. The retreat generally includes presentations from various business units regarding upcoming business initiatives and key outside counsel on emerging legal

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Management Policies, Practices, and Organization

SFR Reference: (e)(ii) Legal

issues. The retreat also includes activities designed to enhance team-building within the department.

Pending matters are maintained through a database that tracks the matter by such identifiers as case name, jurisdiction, type, etc.

Procedures are in place generally within the Company and within the Legal Department in particular with respect to the various certifications required by Sarbanes-Oxley. An Associate General Counsel has been assigned the task to review internal legal control procedures quarterly and attest to their accuracy and/or report on any issues. Also, each Associate General Counsel and the Vice President, Legal is required quarterly as part of the preparation of the Company's financial statements to provide a certification to the Senior Vice President and General Counsel on any reportable events or instances of fraud. Also, as noted above, an internal departmental policy is maintained and administered by each Associate General Counsel to ensure compliance with SEC Attorney Conduct rules.

Budget reports are prepared monthly by the department's budget coordinator and provided to the Senior Vice President and General Counsel, the Vice President, Legal and each Associate General Counsel. These reports identify the department's actual spend each month and year-to-date and compares those figures to the department's budget. Reports also are provided that break down the amount of the spend with each outside law firm as well as the amount of expenses incurred for outside legal services by subject matter and Associate General Counsel section.

6. Internal and External Communications

The primary method of internal communications within the Legal Department is through the various meetings described previously. Members of the Legal Department often attend as well as present at interdepartmental meetings. Legal advice and consultation is provided either verbally or in writing, depending on the particular situation. With respect to external communications, the Company maintains a business practice that vests responsibility for all official external communications with the Communications Department.

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Management Policies, Practices, and Organization

SFR Reference: (e)(iii) Data Processing
SFR Reference: (e)(iv) Management Information Systems

(iii) Data Processing

The Company's Information Technology Department does not maintain "Data Processing" as a separate support service. The following section, (iv) Management Information Systems, encompasses a description of that function.

(iv) Management Information Systems

1. Policy and Goal Setting

The vision of the Company's Information Technology ("IT") Department is to deliver easy to use, reliable business systems and information with current and future technology that provides the highest value to the Company at the speed of our changing business.

The IT Department mission is to provide high quality support and thought leadership in the technology solutions for the Company in the following areas: business applications and processes, emerging technologies, voice and data communications, personal computing capabilities, and cyber security. Thought leadership is the shaping of what and how technology, new and existing, is best used to realize the goals of the corporate enterprise as guided by the IT Governance Committee. IT thought leadership incorporates best practices in the development of policies, practices and procedures.

The IT Department values recognize the importance of our employees in providing quality services to foster and drive leadership in technology through: teamwork, a knowledgeable workforce, proactive communications, change leadership, and accountability and ownership. Change Leadership refers to the process of managing change so that people are prepared to perform their jobs to the level that optimizes the benefits of the project as well as to comprehend and realize the risk and rewards associated with individual and group efforts toward adopting the change.

IT Department annual goals are developed by the IT Leadership Team. They are aligned with the corporate goals, which are updated annually. Each section within the IT Department establishes its objectives to support the achievement of the IT Department objectives. All employees within the IT Department develop Individual Performance Objectives to support their respective business goals.

The IT Department is responsible for the IT Security Policies that control the corporate computing environment. In order to protect the information and computing assets of the Company, its customers and its employees a set of security policies, standards and procedures have been established. A sample includes, but is not limited to, FirstEnergy Enterprise Cyber Security Policy, FirstEnergy Computer and Network Use Policy, Electronic Use Policy, Remote Access Standard, Electronic Mail Security Standard. Security processes are in place to monitor the Company network twenty-four hours a day.

2. Strategic and Long-Range Planning

The strategy of the IT Department is to work collaboratively with the Company's business units and vendor strategic partners to continuously update our technology road maps and

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Management Policies, Practices, and Organization

SFR Reference: (e)(iv) Management Information Systems

maximize our investment by bringing the greatest value to the Company. The IT Department focuses on projects and initiatives that add value to its customers and provides secure and reliable systems, hardware, networks, facilities and processes while continually improving productivity. These efforts are executed in line with the overall strategic plan that supports the Company's business, thus ensuring that business unit value through technology is consistent with the overall technology environment that enables the Company to achieve its goals and enables business units to achieve their strategic objectives.

The IT Department participates in the Company's long-range planning process led by the Integrated Business Planning group. The IT Business Plan addresses the following areas: Strategic Alignment, Risk Analysis, IT Strategy, IT Governance and Strategic Objectives & Initiatives. The IT Business Plan is updated at least annually and is adjusted as the business environment changes. Information contained in the IT Business Plan represents a five-year look at our key strategies, projects and objectives.

The IT Department has a continuous Strategy Process that serves two functions. The first is to work with the Company's business units to identify technology needs and to provide solutions that support business unit efforts in achieving long-term goals. The second is to identify new enterprise technologies that will benefit the entire organization. The Strategy Process also includes updates to the Enterprise Technology Road Map and the Key Events Timeline.

3. Organizational Structure

The IT Department is led by a Vice President and Chief Information Officer who reports to the Senior Vice President of Strategic Planning and Operations. The Chief Information Officer and IT Directors comprise the IT Leadership Team.

The Company utilizes a centralized organizational model for the IT Department.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

IT Department decisions are made at two distinct levels: strategic and operational. Strategic decisions involve the business unit and the IT Department, while operational decisions are made by the IT Department. The operational decisions ensure a safe and reliable computing environment while meeting all requirements for mandated compliance and promoting IT best practices. Enterprise strategic decisions are made by the IT Governance Committee with input from the individual business unit and IT Steering Committees. IT strategic decisions are made by the IT Leadership Team. Operationally the IT business unit support managers' work with the business unit leadership in less formal settings. To maintain operational consistency there are two teams that review application and architecture changes.

These committees and teams are held accountable for their decisions through the KPI's that are established and updated annually.

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Management Policies, Practices, and Organization

SFR Reference: (e)(iv) Management Information Systems

At the highest strategic level, the IT Governance Committee provides: guidance on IT principles that impact business units, direction on the development of technology strategies, guidance on IT investments for the organization, and an understanding of how business units and IT can focus on leveraging and investing in technologies across the enterprise. This Committee meets bi-monthly and consists of the Vice President Information Technology, Corporate Security and Chief Information Officer and eight business unit vice presidents who represent the major business unit areas.

Also at the strategic level, the leadership of the business units meets regularly with the IT Department Directors in Steering Committee meetings to provide the following: oversight and governance of the business unit applications, vision and direction for the business unit - IT initiatives, prioritization of projects, issue resolution and risk mitigation. Capital funding decisions are escalated to the senior leadership of the business unit for approval before entering the corporate capital review process.

The IT Leadership Team meets weekly. When decisions are required to support the business of IT the IT Leadership Team acts as its own Steering Committee. The IT Leadership Team addresses enterprise applications, infrastructure, network and IT strategic decisions.

Operationally the IT Department Business Support Managers meet regularly with the business unit to discuss the status of projects, enhancements, initiatives and escalated break-fix concerns. They establish the priority of the day-to-day work requests and ensure that resources are assigned to the highest value work in a given time period.

The Architecture Review Board develops standards for data, applications, infrastructure and networks. This group meets quarterly to review exception requests and to prepare recommendations for new standards. The IT Leadership Team approves the new standards.

The Application Design Review (ADR) team provides a process to have multiple IT domain principles evaluate application changes when non-standard technology is used or when it is a new application/technology. The ADR approves requests and offers mitigating strategies for exceptions to maintain the integrity of the system architecture. The ADR monitors compliance to the exceptions.

5. Controlling Process

The IT Department is responsible to meet the Sarbanes-Oxley requirements for the IT General Controls and the Entity Level Controls specific to IT services. The controls are audited at least annually by the Internal Audit Group and by the external auditors. The IT Department is also responsible to comply, as applicable, with the Entity Level Controls of other departments such as Human Resources, Internal Auditing and Integrated Business Planning.

IT Security is a centralized function within the IT Department that develops, communicates and implements IT Security Policies. They also monitor IT Security compliance.

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Management Policies, Practices, and Organization

SFR Reference: (e)(iv) Management Information Systems

The Company utilizes a systematic approach to implementing new technologies in the environment. The Application Development Methodology (ADM) consists of five phases: (1) Define Project, (2) Requirements Analysis, (3) Design, Construct and Test, (4) Implementation and (5) Post-Implementation. There are controls within the ADM that must be met before an application/technology will be allowed to move into a production environment.

The IT Change Management team follows a defined protocol to make changes in the production environment. Changes are reviewed, discussed and approved before being scheduled. This allows for communication with the impacted business unit to mitigate risks from an interruption of service.

An IT incident management system is used to respond quickly to problems with an IT asset. Once an incident has been received from an employee or an automated IT monitoring system, an incident ticket is generated. The incident will remain open until it is resolved and closed.

Disaster Recovery plans are in place for critical applications. These plans are reviewed and updated on a regular schedule with the business unit owners. The IT Department maintains its own Business Continuity Plan as part of the enterprise Business Continuity Plan process.

The performance of the IT Department relative to achieving their KPI's is evaluated on a quarterly basis. The measurement criteria is determined as part of the objectives. The Directors report their achievement status to the Vice President Information Technology, Corporate Security and Chief Information Officer. Group objectives are then reported to the Senior Vice President of Strategic Planning and Operations.

6. Internal and External Communications

Internal Communications - Within IT

The Vice President Information Technology, Corporate Security and Chief Information Officer holds quarterly broadcasts with the entire IT Department in order to deliver a consistent message to the staff that are in many locations. This is one of the forums for change leadership relative to active initiatives. Other topics may include organizational updates, status of KPI's, strategy updates and open questions.

The Vice President Information Technology, Corporate Security and Chief Information Officer holds a quarterly expanded staff meeting for directors and managers. These meeting serve as a communication forum across the multiple disciplines within IT.

A weekly IT Bulletin is published via email to the IT Department staff. The IT Bulletin contains summary information on a variety of topics of interest to the IT Department employee.

An IT Community is located on the FirstPlace intranet site. The content contains IT Operational Information, IT Organizational Performance, IT Strategic Information, IT Projects and Initiatives, Professional Enrichment and IT Organizational Information.

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Management Policies, Practices, and Organization

SFR Reference: (e)(iv) Management Information Systems

Internal Communications - Within the Company

Annually the Vice President Information Technology, Corporate Security and Chief Information Officer makes a presentation to the Board of Directors. The presentation reviews risks and mitigating strategies about the IT Department operations and strategies.

Information that needs to be communicated to the corporate enterprise staff is done through the processes and mediums provided by the Communications Department. The IT Security portal community gives access to all employees so they can view the policies and standards that are applicable to them.

The Cyber Security Forum meets regularly to expose senior management to the issues that surround a secure network and the specific challenges that the Company encounters. Cyber Security training is provided for staff that connects to the network.

External Communications - Outside IT

The IT Department is engaged with its primary vendors to leverage support for the products that we have with them. The IT Department participates in the User Groups sponsored by various vendors. By special arrangement the IT Department will agree to be a reference for the vendors' products.

Industry Partners provide a research service and educational opportunities. IT Department participation with these industry partners dialogs and activities improve our position as an IT organization in pursuit of best practices.

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SCHEDULE S-4.2****Management Policies, Practices, and Organization**SFR Reference: (e)(v) Insurance

(v) Insurance**1. Policy and Goal Setting**

The Company's policy with regard to insurance risk management is to continually identify, measure, and evaluate exposures to loss. If such exposure cannot be eliminated or materially reduced, and the risk associated with such exposure could substantially impair assets, insurance coverage is obtained based on sound economic considerations and commercial availability. It is the Company's policy to purchase insurance which will meet contract requirements, as well as applicable laws and regulations.

2. Strategic and Long-Range Planning

The strategic and long-range planning is developed and implemented by the Manager, Insurance Risk Management under the leadership of the Vice President, Corporate Risk and Chief Risk Officer. The goal is to avoid financial loss through the systematic elimination of risk and the prudent use of insurance. Long-range strategies are an on-going function of Insurance Risk Management and are reviewed as appropriate by the Senior Vice President and Chief Financial Officer.

3. Organizational Structure

Insurance Risk Management is a section in the Corporate Risk Department. The personnel performing the insurance risk management function are dedicated exclusively to it and report to the Vice President, Corporate Risk and Chief Risk Officer, who in turn reports to the Senior Vice President and Chief Financial Officer.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The Insurance Risk Management section develops recommendations for attaining the policy and goals. Recommendations for acquiring, revising, or terminating all types of insurance are based on business judgment, corporate and industry loss experience, loss control inspections, requirements of certain contracts, applicable laws, costs and deductibles, and regulatory requirements. The recommendations are reviewed by the Vice President, Corporate Risk and Chief Risk Officer and submitted to the Senior Vice President and Chief Financial Officer for approval. If approved, implementation is carried out by the Insurance Risk Management section.

5. Controlling Process

Company guidelines require that all occurrences of loss and significant changes to loss exposure be reported to Insurance Risk Management so that insurance claims or coverage modifications may be made. The Insurance Risk Management section utilizes written, oral and electronic communications to inform key employees about the corporate insurance program and about their responsibilities for reporting losses. Insurance Risk Management maintains summaries of property values, insurance coverage, costs, loss experience and other components of the Company's insurance program.

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Management Policies, Practices, and Organization

SFR Reference: (e)(v) Insurance

Exposure to loss in all areas and operations of the Company are examined by Insurance Risk Management personnel and/or representatives of outside inspection or insurance organizations to ascertain where and how existing exposure can be reduced and whether or not specific risks are properly insured. Insurance coverage includes physical damage, public liability, fidelity, fiduciary liability, directors and officers, outage, workers' compensation, and nuclear property and liability. Required surety bonds are also placed by Insurance Risk Management.

6. Internal and External Communications

Internal insurance communications consists of regular meetings with the Vice President, Corporate Risk and Chief Risk Officer and the Senior Vice President and Chief Financial Officer, monthly activity reports, quarterly insurance coverage summaries, periodic presentations to the Finance Committee of the Board of Directors, and FirstPlace intranet site postings.

External communications consists of regular contact with consultants, insurance brokers, and other utility insurance risk management professionals. Such outside contacts are maintained through participation in meetings conducted by Nuclear Electric Insurance Limited, Associated Electric & Gas Insurance Services, Energy Insurance Mutual, Factory Mutual, EEI and other similar organizations.

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Management Policies, Practices, and Organization

SFR Reference: (e)(vi) Land Management

(vi) Land Management

1. Policy and Goal Setting

The Real Estate and Facilities Department is responsible for land management policies and goals. Policy making and goal setting occur at the department level with guidance and direction from the Department Director and the managers.

The Real Estate and Facilities Department maintains a five year business plan that documents the most critical goals of the Department. The Department Director meets with the Manager, Real Estate Services and the Manager, Facilities Services annually to revise the goals of the Department. The Department Director and the Vice President, Corporate Secretary and Chief Ethics Officer then propose KPI's that measure attainment of the goals.

The Real Estate and Facilities Department goal setting process is evaluated based on the following criteria:

- Do Department goals support the corporate goals/objectives;
- Do goals support the Department's objective of providing real estate services to the Company for the acquisition, leasing, management and disposition of facilities, and to maintain the land and land rights necessary for the efficient operation of the Company;
- Do goals support the Department's objective of providing timely service within budgetary requirements; and
- Are appropriate KPI's and measurements established to evaluate success.

2. Strategic and Long-Range Planning

The strategic plan of the Real Estate and Facilities Department is set forth in its business plan which contains initiatives that support the Department's vision, goals, and KPI's. The Department Director and managers review the progress of these KPI's on a quarterly basis and make course corrections in strategy as needed. The business plan initiatives are typically set for a 12 to 24 month time period.

The strategy includes plans to acquire, lease, manage, and dispose of facilities, land and land rights to meet the goals of the Company.

The long-range plans of The Real Estate and Facilities Department involve a strategic collaboration with a variety of sectors within the Company. The Department directly partners with the Engineering group and the Energy Delivery group to assess future needs. Long-range plans typically include an assessment and plan for, facility needs, substation sites, and acquisitions of rights of way.

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Management Policies, Practices, and Organization

SFR Reference: (e)(vi) Land Management

3. Organizational Structure

The Director, Real Estate & Facilities reports directly to the Vice President, Corporate Secretary and Chief Ethics Officer.

The Real Estate & Facilities Department is divided into two sections; the Real Estate Services Section and the Facilities Services Section. Each Section has a manager and each manager has supervisors and staff reporting to them.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Routine, day-to-day decisions are normally made by the employees performing the jobs, who are most knowledgeable about the particular situation. Supervisory oversight assists employees in decision making and helps to ensure that decisions are consistent with the standard practices exemplified in approved form documents. Less routine operational decisions are made by the responsible supervisors and managers. Unusual events are reviewed with the Director, Real Estate & Facilities who, when appropriate, reviews the matter with the Vice President, Corporate Secretary and Chief Ethics Officer.

5. Controlling Process

The Real Estate and Facilities Department has a fairly detailed controlling process that ensures that decisions that are made are in the best interest of the Company. An example of this process pertaining to the purchase of land is as follows: The process begins with a request from a operating unit for the Real Estate and Facilities Department to negotiate an option agreement. The Real Estate and Facilities Department utilizes various internal and external resources to negotiate an option agreement that is most favorable to the Company. The Real Estate and Facilities Department then notifies the operating unit that an option agreement is in place. The completion of the option agreement triggers a due diligence period in which operating unit personnel investigate the property to ensure that it is suitable for the required purpose. The requesting operating unit notifies the Real Estate and Facilities Department when they have completed their due diligence and approves the site. The Real Estate and Facilities Department exercises the option and completes the transaction. The Director, Real Estate & Facilities signs all options and purchase agreements. In a transaction that involves the disposition of property the deed must be signed by two officers of the Company.

6. Internal and External Communications

Internal communications consists of calls, meetings and correspondence with the Company and other departments along with periodic project review meetings.

External communications consists of calls, contacts and correspondence with developers, real estate brokers, appraisers, title companies, private property owners, other utility companies and local, state and federal governmental agencies.

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (e)(vii) Records Management

(vii) Records Management

1. Policy and Goal Setting

The Company's records retention policy provides guidance and criteria for the uniform implementation of an enterprise-wide, records management program. The program ensures that business records are appropriately retained for legal, regulatory, and business compliance, and when appropriate, properly dispositioned.

The policy is established and periodically reviewed as necessary based on government regulations, quality assurance requirements and Company objectives. Policy is found in FirstEnergy Business Practice- "Records Accuracy and Management," and Corporate Policy, "FirstEnergy Records Retention," and Enterprise Records Management retention schedules.

While the primary goal of records management is regulatory and policy compliance, secondary goals are utilized to drive process and service improvement. Enterprise Records Management goals are reviewed and updated as needed annually by the director and manager of these services. Goals are measurable and reported monthly.

2. Strategic and Long-Range Planning

Strategic and long-range planning are elements of a five-year business plan that is reviewed and updated annually. Enterprise Records Management strategy is to monitor and use industry best practice, government regulations, industry standards and internal requirements to ensure proper capture, storage, maintenance and disposition of records. The objective of long-range planning is to chart actions that provide for adequate facilities and systems.

3. Organizational Structure

The Company's records management responsibility is managed by the Records & Information Compliance Department. The Department is led by the Director of Records & Information Compliance, who reports to the Vice President, Corporate Secretary and Chief Ethics Officer. The Vice President, Corporate Secretary and Chief Ethics Officer reports to the Senior Vice President and General Counsel.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Authority and responsibilities for decision making are defined in the FirstEnergy Business Practice Manual, "Records Accuracy and Management." The Records & Information Compliance Department is responsible for decisions regarding records management practices. The Legal Department provides guidance on the retention periods for business records and the legal hold process.

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Management Policies, Practices, and Organization

SFR Reference: (e)(vii) Records Management

5. Controlling Process

Company procedures for retrieval, storage, protection and retention of records are founded in government regulations, industry standards and best practices. Periodic training of Company employees reinforces Company policies and procedures for records management.

The Company's records retention schedule controls the retention duration for each type of business record. Electric utility record retention periods are specified by PUCO Rule 4901:1-9-06, effective January 1, 1988. Nuclear power plant record retention periods are specified in various documents, including the American National Standard Institute N45.2.9-1974, the American Nuclear Insurers ("ANI"), the Nuclear Regulatory Commission ("NRC"), and the American Society of Mechanical Engineers Code. The schedule of records and periods of retention contained in the FERC regulations are used as a supplementary guide.

The Legal Department controls the legal hold process and the Records & Information Compliance Department manages the process to suspend and preserve business records relevant to the respective legal holds.

6. Internal and External Communications

Internal communications such as retention policy practices, destruction notification, destruction suspension, and record retrievals are communicated by the Records & Information Compliance Department. All legal holds are communicated by the Legal Department.

All external communications are handled by the Communications Department. External communications are received by various agencies such as the PUCO, FERC, the NRC, ANI and communications with other utilities.

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (f)(i) Salary and Benefits Administration

f. HUMAN RESOURCES

(i) Salary and Benefits Administration

1. Policy and Goal Setting

The Benefits Department is responsible for designing, implementing and maintaining comprehensive benefit programs that are competitive with comparable utilities and local industries and doing so in a manner that is cost effective. It is the goal of the Benefits Department to develop plan designs that provide a total benefits package which is both market-competitive and sustainable. Providing competitive benefits is essential to attract and retain high caliber talent.

Benefit programs, plans and policies are designed to provide flexible, affordable health care options that allow for balance in work and family life. Summary Plan Descriptions are developed to outline policies related to the standard procedures and administration of the benefit plans.

The goal of the Compensation Department is to attract, motivate, retain and reward employees whose performance, contribution and behaviors help drive the Company's success. The foundation of this philosophy is to pay employees commensurate with their performance in base and variable pay programs. These programs provide the basis for sound, consistent and competitive compensation administration across the Company.

Overall, compensation programs, plans and policies are designed to provide the Company the flexibility to accommodate the individual needs of all employees. The goal of the policies is to encourage desired performance, contributions, behaviors and results. It is also the Company's policy to deliver rewards in a nondiscriminatory manner, to provide compensation plans that can be easily understood and administered by management, and to foster equity and consistency in its compensation programs.

The base pay compensation program is designed to achieve individual base pay levels that represent a proper balance between an employee's internal value and the external market. The Compensation Department is responsible for developing, implementing and administering all compensation programs and auditing results to ensure compliance with all legal and regulatory standards. In addition, the Compensation Department is responsible for evaluating market rates, establishing merit budgets and administering both the merit review and Incentive Compensation Plan processes. Regional management, along with the Compensation Department, is responsible for ongoing pay management and ensuring that salaries are managed on a nondiscriminatory basis.

Executive compensation & benefits policies and practices are established by the Board of Directors and administered by the Compensation and Benefits Departments of Human Resources. The effectiveness of the benefits and compensation programs can be determined by the Company's retention levels and ability to attract new talent. Management and the Compensation/Benefits Committees review the compensation programs on an annual basis to ensure they continue to align with Company goals and that the Company remains competitive in the market.

2. Strategic and Long-Range Planning

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Long-range benefits administration strategies are developed to encompass a forward looking 3-5 year window. Annual benefit plan design and health care initiative reviews are conducted to ensure that long-range plans are fluid enough to absorb shifts in the market and to align with any changes in business goals. Benefit plan design strategies focus on cost effectiveness and target national trends to ensure the Company's benefits remain competitive. Extensive research is conducted to explore what comparable electrical utility companies are providing and how the Company plan designs compare. The Company partners with coalitions of local businesses in order to maximize our leverage when accepting bids from vendors for administration of benefit programs such as prescription, dental and vision. In addition, benefits staff members review and analyze detailed utilization and eligibility reports in order to collect data that will assist in decision-making processes.

The long-range salary administration strategy is to provide a competitive total compensation package to employees. The Compensation Department establishes the value of non-union jobs through an accepted compensation method referred to as market pricing. Market pricing incorporates the comparison of Company jobs to similar jobs with other electrical utilities and, where applicable, to similar jobs with companies in other industries who have similar demographics and revenue size. This comparison is done on a regular basis to ensure the Company's standard pay rates remain competitive. The Company endeavors to provide compensation at the median or 50th percentile market rate, with the opportunity to earn above-median compensation for strong Company and/or individual performance.

The Compensation Department is also responsible for base pay compensation planning and the development of the annual Employee Incentive Compensation Plan. The Incentive Compensation Plan provides incentive awards to employees whose contributions support the successful achievement of Corporate Financial and Operational KPI's.

The long-term incentive program rewards executives for achievement of Company goals which ultimately result in an increased stock price. The program provides executives with award opportunities based on the long-term performance of the Company. This program is equity-based to align the long-term interests of executives with those of shareholders. Similar to the short-term incentive program, the Compensation Committee annually reviews executives' long-term incentive opportunities to ensure competitiveness with the Company's target market and makes any adjustments as appropriate, generally during the first quarter.

The Company also employs independent benefits and compensation consultants and internal consultants to analyze our plan designs and advise on regulatory/legal matters. The Benefits and Compensation Committees rely on the consultants to review executive compensation practices, plan designs, implementation plans and trends at other organizations to ensure the Company is paying a competitive total compensation package. The review encompasses benefits, base pay, annual incentives, long-term incentives, and perquisites.

3. Organizational Structure

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Management Policies, Practices, and Organization

SFR Reference: (f)(i) Salary and Benefits Administration

The Benefits Department has the following reporting structure: Benefits staff, Supervisor of Benefits Administration, Supervisor of Human Resource Service Center, Supervisor of Compliance, Benefits Consultant, Manager of Employee Benefits & Compliance, Director of Human Resources, Vice President of Human Resources, Senior Vice President of Human Resources.

The Compensation Department has the following reporting structure: Compensation staff, Supervisor of Compensation, Manager of Employee/Executive Compensation & Payroll, Director of Compensation and Retirement Programs, Senior Vice President of Human Resources.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The Benefits and Compensation staff make decisions within policy guidelines. Benefits team members make decisions on a daily basis within standard program parameters. Decision making that may not fall into standard operating procedures are escalated to the Supervisor level first and up the chain of command as the need arises. Major benefit plan or design decisions must be approved by the Benefits Steering Committee, which consists of Executive Officers. Changes made to the Benefits Human Resources Information System program are consistently tracked and evaluated to ensure validity and accuracy.

Daily operational decisions on compensation departmental matters are routinely made by the Supervisor of Compensation. Recommendations for changes to policies and procedures for the salary administration process are developed by the Compensation staff. These recommendations are reviewed and approved by the Supervisor of Compensation, Manager of Employee/Executive Compensation & Payroll, and final approval by the Director of Compensation and Retirement Programs and/or Senior Vice President of Human Resources. Recommendations involving executives are presented by the Director of Compensation and Retirement Programs and/or the Senior Vice President of Human Resources to the Compensation Committee of the Board of Directors for appropriate action.

5. Controlling Process

- Human Resources Service Center maintains benefit election and eligibility data via the Human Resources Information Systems. This team is responsible for processing routine changes to the system as needed within standard operating procedures/guidelines
- Department Professional Human Resources Representatives are assigned to specific insurance carriers and act as a liaison between the Company and the insurance carrier to assist with escalated benefit billing/claims issues as well as to ensure insurance carriers are administering programs according to the terms of the contract
- Regularly scheduled meeting are conducted with vendors/carriers to discuss concerns and/or to implement changes
- Third party vendors are used to maintain day-to-day program administration

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SFR Reference: (f)(i) Salary and Benefits Administration

- *Third party vendors are asked to assist with monitoring & auditing benefit program costs for delivery trends and insurance carrier performance*
- *Statistical data is collected from various sources (both internal and external) and reviewed to quantify key areas regarding performance indicators*
- *Continual review of benefit programs & plan designs to ensure adherence to performance standards and achievement of strategic goals*
- *Ensure compliance with financial reporting as it relates to the Sarbanes-Oxley Act*
- *Review protection of personal health information and legal obligations pertaining to the Health Insurance Portability and Accountability Act*
- *Preparing statistical data as needed for the Industrial Relations Department*

Compensation:

- *Developing, implementing and administering the total compensation program for the Company*
- *Facilitating external comparisons for non-union jobs, annual compensation planning and compensation practices to remain competitive in the industry while maintaining internal equity*
- *Coordinating and administering the Employee Incentive Compensation Plan and the Annual Merit Review Process*
- *Administering long-term incentive plan for executives and assisting in preparation for Compensation Committee meetings*
- *Preparing statistical data as requested for the Industrial Relations Department*
- *Consulting with management on all compensation practices, policies and procedures*
- *Maintaining the job titling and organizational reporting structure*
- *Administer Family Medical Leave, military time-off, leave of absences, vacation, holidays, Fair Labor Standards Act and all other regulatory required programs*
- *Ensure compliance with financial reporting as it relates to the Sarbanes-Oxley Act*

6. Internal and External Communications

Face-to-face internal communications, phone conferences, email and Sametime sessions within the individual departments occur frequently during the work day. Communications to other departments generally occurs in person, via email, Sametime, or by phone in order to provide necessary services to other business units. Internal training occurs in person and via Sametime sessions as needed. Policy changes are generally communicated from the Director of Human Resources to Senior Management and department leadership. Topics affecting virtually all employees are communicated using various mediums, including Employee Update publications, meetings in person, and postings on the Company intranet site or mailings to employees' homes. The Benefits and Compensation Departments work with the Communications Department to develop the materials communicated through these mechanisms as needed.

External communication consists of phone conversations and in-person meetings with counterparts in other utilities and Human Resources consulting firms. Written external communications occur in the form of questionnaires, surveys and meetings. Members of both departments attend classes, workshops, seminars, training, conferences, and professional association meetings to stay informed of applicable laws and best practices as they apply to benefits and compensation.

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Management Policies, Practices, and Organization

SFR Reference: (f)(i) Salary and Benefits Administration

(ii) Recruiting and Selection

1. Policy and Goal Setting

It is the Company's policy to recruit, select, and employ the best qualified candidates available for job openings. All candidates must meet specific requirements to be considered for openings and advancement opportunities.

The Company's Equal Employment Opportunity/Affirmative Action Policy reaffirms the Company's commitment to provide equal employment opportunities for employees and applicants in all terms and conditions of employment and to take affirmative action to employ and advance in employment qualified individuals in accordance with the Company's affirmative action programs. It is the responsibility of Human Resources to provide qualified candidates to fill employment requisitions and to monitor our program on a continuous basis. Quarterly reports are sent to Human Resources showing all employment activity that occurred during that period, such as new hires, terminations, and promotions. This information includes a snapshot of the workforce which shows the race and gender information of all applicants. This information is compared to our goals and our progress is tracked.

The Human Resources Department is responsible for directing the overall company Equal Employment Opportunity/Affirmative Action Program, which includes developing policy letters, identifying problem areas, assisting managers in resolving problems, providing internal/external communications, evaluating recruiting programs and serving as a liaison with community, governmental and professional agencies. Furthermore, the Human Resources Department is responsible for informing candidates of the Company's Equal Employment Opportunity/Affirmative Action Policy.

2. Strategic and Long-Range Planning

The Company's long-term strategic plans are to:

- Recruit the best qualified candidates in the most effective manner.
- *Offer candidates an attractive opportunity that is challenging and competitively compensated.*
- Foster active recruiting programs that maintain good college, community, and professional relationships.
- Maintain an effective recruitment and selection program for both the present and future staffing needs with special attention to Equal Employment Opportunity/Affirmative Action.
- Maintaining a Workforce Planning Team that reviews, identifies and develops strategies for future openings.
- Continue to administer a successful succession planning program which identifies employees with future supervisory/management potential.

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Management Policies, Practices, and Organization

SFR Reference: (f)(ii) Recruiting and Selection

- Continue to participate in professional and trade organizations and network those sources for leads on attractive recruiting pools.
- Continue to attend and participate in community or diversity events that may provide candidates for our positions.
- Enhance the application process to ensure candidates provide the information that is the most useful for the Company to evaluate their candidacy.
- Use a proactive approach to reduce and control recruiting expenses by continuously evaluating the performance of our vendors.
- Upgrade the FE internet home page to make it more attractive to potential candidates.

Long-term recruitment planning is part of the annual budget and planning process. The strategies are developed by the Resourcing Department and submitted to the Director, Human Resources for approval. They are ultimately reviewed and approved by the Senior Vice President, Human Resources.

3. Organizational Structure

Recruiting is responsible for maintaining a centralized and standardized recruitment, selection, testing and placement processes. The Department is also responsible for administering the co-op education program and the internal job posting system.

The group is supervised by the Supervisor of Talent Acquisition, who directly reports to the Manager of Resourcing, who reports directly to the Director of Human Resources.

The Director reports to the Senior Vice President, Human Resources.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Recommendations regarding the recruitment and selection process are developed by the Resourcing Department with input from the respective regional Human Resources Managers. All Human Resources representatives attend bi-monthly Resourcing and Compliance meetings to discuss any recommended changes. There are strategic discussions which involve input from all regions and plants as well as the corporate recruiting staff. Ultimately, the Director, Human Resources has the final decision making authority, subject to the approval of the Senior Vice President, Human Resources.

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Management Policies, Practices, and Organization

SFR Reference: (f)(ii) Recruiting and Selection

5. Controlling Process

Performance standards that have been set to determine goal accomplishments are:

- To successfully recruit internal and external candidates to fill positions in the most cost effective and efficient manner.
- Develop, conduct and attend recruitment programs through college campus recruiting, community events and professional networking events.
- Managing a cooperative and intern education program.
- Appropriate use of existing recruiting standards such as job specifications, pre-screening questions, behavioral based interviews, starting salaries and performance appraisals.
- Develop and maintain recruitment contacts with state, local and diverse organizations to assure an adequate source of candidates.
- Maintain applications and resumes in electronic format in order to identify candidates for available positions.
- Interviewing and testing applicants and employees in order to determine their suitability and capability for particular positions;
- Coordinate the internal and external job posting systems.

6. Internal and External Communications

Internal communications include weekly Recruiting meetings and bi-monthly Resourcing and Compliance meetings with all Human Resources personnel.

Other internal communications occur through the creation of cross functional teams to develop specific recommendations regarding issues. Communications on topics relevant to other divisions also occur in person daily. External communications with other departments are normally on a personal basis or by phone in order to provide the necessary services to the department.

Significant changes occurring within the respective divisions are reported at staff meetings. Topics which apply to the entire organization are communicated through corporate communication materials such as FirstPlace intranet site and/or the Employee Update newsletter. Human Resources collaborate with the Corporate Communication Department to develop the written communications.

External communications also consist of oral communications with counterparts in other utilities, questionnaires, surveys, and participation in professional association meetings, seminars and workshops as well as industry committee meetings. Members of the Department also maintain consistent contact with governmental agencies.

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Management Policies, Practices, and Organization

SFR Reference: (f)(iii) Training and Career Development

(iii) Training and Career Development

1. Policy and Goal Setting

Training and career development are means to develop both individual and organizational capabilities. It is the Company's policy to provide high quality and cost effective business and management skills training programs that support business objectives. The Company provides employees with the training they need to do their jobs safely and efficiently. A fully trained workforce is essential to providing customers with economical and reliable power.

Talent Management, a department within the Human Resources Department, is one of seven training groups at the Company. Its course topics are designed to support employees across the Company and those areas that do not have their own training groups. Talent Management oversees and administers company-wide leadership and business skills training that are not business unit specific. Current statistics indicate that approximately 3,300 employees sign up for corporate training classes. Upon completion of a course, participants complete a survey to provide feedback on the class and instructor. This enables Talent Management to make adjustments to the content and delivery of the training.

Energy Delivery's Leadership Development and Employee Engagement Department is responsible for leading the strategic design and implementation of a comprehensive and integrated Leadership Development Program and championing employee engagement initiatives throughout ED&CS.

2. Strategic and Long-Range Planning

The Company is committed to providing development and career opportunities at all levels to its employees to ensure continued strong leadership for the Company's future. Attributes required for key leadership jobs (skills, knowledge, experience, and values) have been identified and employees are provided with development opportunities such as short-term assignments, challenging projects, job rotations and training. Examples include the Engineering Rotation Program, the Co-op/Intern Program, the Energy Delivery Excellence Project. Short (ready in 0 – 2 years) and longer-term (ready in 5 – 10 years) succession plans for key jobs have been established.

Developing leadership talent is a strategic imperative and as such, the Talent Management Department brings development programs into the Company to support leadership development efforts. This involves defining and centralizing leadership development, capturing current best practices, determining leadership development gaps, and developing a common leadership academy.

The Company partners with local community colleges and universities as well to offer technical training, offering opportunities for tuition assistance to those students who qualify for the Power Systems Institute (PSI) programs. These unique, two-year programs combine classroom learning with the hands-on training needed to open the door to opportunities as line or substation workers in the electric industry. Students earn associate degrees at the successful completion of the program. When they have finished their schooling, PSI students are qualified to work on energized secondary power lines. After two more years of on-the-job training, these students rise to journeyman level, capable of performing all energized distribution work. The PSI program is the Company's

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SFR Reference: (f)(iii) Training and Career Development

primary supplier of new line and substation workers. Participating schools in Ohio are as follows: Lakeland Community College - Kirtland, OH; Owens Community College - Toledo, OH; Stark State College - Canton, OH; Youngstown State University - Youngstown, OH.

As part of the Energy Delivery Excellence Plan, a new Energy Delivery functional area has been created, Leadership Development and Employee Engagement. This new area is responsible for leading the strategic design and implementation of a comprehensive and integrated Leadership Development Program and championing employee engagement initiatives throughout ED&CS. Principal accountabilities include:

- Provide a strategic vision for Leadership Development to ensure that development is linked to business goals and objectives.
- Build ED&CS bench strength.
- Integrate existing processes, offerings and tools into a single program and make improvements based on internal feedback as well as external perspectives/benchmarks.
- Partner with ED&CS leadership to ensure sponsorship, engagement, and support for development.
- Interface with Talent Management and Human Resources business partners to ensure alignment of development efforts.
- Assist in the development and implementation of employee engagement initiatives throughout ED&CS.

3. Organizational Structure

Talent Management oversees and administers leadership and business skills training company wide. This function reports to the Senior Vice President of Human Resources.

The Leadership Development and Employee Engagement Department is led by a Director who reports to the Senior Vice President of ED&CS.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

The extent to which each functional area attends business skills training developed and offered by Talent Management resides with department supervisors and managers. Talent Management staff may recommend curriculum changes to the business skills courses which will be reviewed and approved by the Director of Talent Management. Any recommended changes to the leadership curriculum is reviewed and approved by the Senior Vice President of Human Resources and the Executive Council.

The Leadership Development and Employee Engagement Department makes recommendations regarding Energy Delivery leadership initiatives. Recommended strategies are reviewed and approved by the Senior Vice President of ED&CS and the Energy Delivery senior management team.

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Management Policies, Practices, and Organization

SFR Reference: (f)(iii) Training and Career Development

5. Controlling Process

The Talent Management Department manages the soft skills training offerings for the Company. Records of training are entered into SAP and become part of the employee's "Talent Profile." These records can be viewed by both the manager and the employee. All training includes a written course evaluation which is analyzed to ensure effectiveness and relevance of course offerings.

The Energy Delivery Leadership Academy provides training to new supervisors to build management and leadership skills. The initial training consists of a curriculum which culminates in a practical demonstration of skills. After successfully completing the skills demonstration, new supervisors move through a succession of courses over the next two years.

The Company also established the Power Systems Institute (PSI) in 2000, a two-year training program that serves as a primary supplier of talent to fill substation and line worker jobs. The Company has partnered with 10 colleges across the organization's service territory to deliver the PSI program. The PSI Program is accredited through local colleges and universities.

The Leadership Development and Employee Engagement Department is responsible for leading the strategic design and implementation of a comprehensive and integrated Leadership Development Program and championing employee engagement initiatives throughout ED&CS. This group is dedicated to creating, refining, and implementing processes, tools, and models to establish methods by which we develop and measure our people across ED&CS.

6. Internal and External Communications

Internal communications provided by Talent Management include: a course catalog available in hardcopy and via FirstPlace intranet site; and semi-annual informational sessions between the Human Resource representative and appropriate Company staff communicating new training and development programs.

Internal communications provided by Leadership Development include: a monthly update meeting before an Executive Steering Committee who oversees activities resulting from the Energy Delivery Excellence Plan; participation in monthly teleconference discussions between all Energy Delivery Human Resource business partners; and, periodic presentations at operations services directors' meetings.

It is the role of field human resource offices to counsel and guide their local supervisors and employees on training and career development options. Members of the local Human Resources and above mentioned departments maintain frequent external communication with their counterparts at other companies to stay current on industry-wide trends and practices and subscribe to a variety of talent management trade publications. Membership in professional organizations include: the Organization Development Network, American Society of Training and Development, Executive

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Development Roundtable, Learning and Development Roundtable, and Society for Human Resource Professionals.

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Management Policies, Practices, and Organization

SFR Reference: (f)(iv) Performance Evaluation and Appraisal

(iv) Performance Evaluation and Appraisal

1. Policy and Goal Setting

It is Company's policy to ensure consistent and fair application of our performance evaluation and appraisal process across all business units and to link performance with pay, so that strong performance is recognized and rewarded through our compensation process. The Company utilizes a formal and documented "performance management" process to provide a basis for setting clear objectives, ensuring individual development plans, and evaluating performance.

To support consistent application of the performance management process across all business units, the Company provides training and tools through its Talent Management Department to both supervisors and non-bargaining unit employees. Supervisors are taught how to establish objectives that are specific and measurable, how to integrate corporate behavioral competencies into performance plans and how to determine actionable and meaningful development plans for their subordinates. Finally, they are taught how to assess and provide feedback on both performance and behaviors using a six-point rating scale. Employees are taught how to write objectives, the importance of aligning individual objectives to business objectives and how to identify stretch development goals.

Employees receive formal, documented performance feedback and ratings biannually, at midyear and at year end. Checks and balances are in place to ensure that goals are met:

- Discussion and rating deadlines are communicated to all supervisors.*
- Employees and supervisors must sign the performance evaluation form to acknowledge they have had a performance and development discussion.*
- Completion of performance management discussions is tracked electronically. All supervisors must indicate in a database when they complete their discussions; otherwise their managers are notified automatically.*

There is a process in place to ensure that ratings are equitable across all business units company-wide. Performance ratings are calibrated through local leadership reviews within business units; rating distributions are then reviewed and approved at the Executive Council.

2. Strategic and Long-Range Planning

Identifying and developing strong future leaders is critical to the company's continued success. To identify high-potential talent and future leaders, the Company looks at potential as well as performance. Talent Management is responsible for the Company's succession planning process, which focuses primarily on building strong succession pools for jobs that are essential to the delivery of business results.

As part of the succession planning process, individual business units hold Talent Talks to assess and identify top talent, emerging talent, high-performing females and high-performing minorities. During Talent Talks, the business units review their talent, name short-term and longer-term successors for key jobs, determine needed development for those individuals, and discuss performance and potential. Employees who have been

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SFR Reference: (f)(iv) Performance Evaluation and Appraisal

identified as high potential or emerging talent are identified to receive accelerated development opportunities, such as stretch assignments, special projects, special training and mentoring.

3. Organizational Structure

Talent Management, a department within the Human Resources business unit, owns the performance management process. The employees in Talent Management are performance management subject matter experts and provide counsel to Human Resources representatives throughout the Company, so that such representatives are equipped to answer questions and provide guidance to the supervisors and employees.

The members of the Talent Management staff responsible for performance evaluations and appraisals report to the Director of Talent Management. The Director of Talent Management reports to the Senior Vice President of Human Resources.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making

Daily performance management decisions are made by department supervisors and managers in accordance with Company policies, programs, and procedures. New policies, or modifications to existing policies, are drafted by Talent Management and are reviewed and approved by the Senior Vice President of Human Resources.

5. Controlling Process

Performance Management consists of three phases: performance and development planning, mid-year evaluation, and year-end evaluation. At both mid-year and year end, the employee receives a rating based upon overall performance. The rating is based on a 6-point scale: Exceptional, Highly Effective, Effective, Partially Effective, Not Effective and No Rating/New to Position. Performance ratings have standard definitions to help maintain consistency with usage.

- *Performance planning:* All non-bargaining employees, jointly with their supervisors, establish specific, measurable, time-based objectives for the calendar year. They also agree upon a development plan for the employee's professional growth. These activities occur in the first quarter of the calendar year or upon hire.
- *Mid-year evaluation:* From June through August each year, all non-bargaining employees are evaluated on their contributions against their performance goals as well as their behavior. A mid-year evaluation is written by the supervisor and a discussion is held with the employee.
- *Year-end evaluation:* All non-bargaining employees are evaluated against their performance objectives and their behaviors at year-end. An annual

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review is written by their supervisor and approved by the next level(s) of management. The review is personally discussed with the employee. There is a problem resolution procedure that can be utilized to appeal an annual review if the employee is dissatisfied with his or her rating.

6. Internal and External Communications

Internal communications include corporate newsletter (Employee Update) articles, the Company intranet site for supervisors, video releases, formal classroom training and timely email communication reminders for supervisors. These communications are intended to provide timelines, guidance and consistent messaging regarding performance planning and evaluation.

In addition, all Human Resources representatives attend semiannual expanded Human Resources meetings where the Company provides updates and training on company-wide practices and policies. Such Human Resources representatives are then, afterwards, responsible for application of corporate practices and policies.

Members of the Talent Management Department regularly communicate with their counterparts at other companies to stay current on external trends and practices. They also subscribe to various management publications and attend external conferences. Talent Management holds memberships in multiple professional organizations that address performance management, such as the Organization Development Network, American Society of Training and Development, Executive Development Roundtable, Learning and Development Roundtable, and Society for Human Resource Professionals.

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (f)(v) Work Force Productivity

(v) Work Force Productivity

1. Policy and Goal Setting

Energy Delivery's Workforce Development Department is responsible for workforce planning and development for Energy Delivery's technical, craft, and customer service jobs as well as some professional and leadership positions. This includes developing staffing strategies based on demographic analysis, current and forecasted status of key and critical job needs, and career development. The overarching corporate objectives of which all policies of the work force productivity planning process must support are: Pursue continuous improvement in all aspects of the business and attain vital hire and safety goals.

2. Strategic and Long-Range Planning

The Workforce Development Department's long-range planning involves forecasting attrition and hiring for jobs that are difficult to fill and/or require significant learning curves, with a focus on the specialized craft jobs. This Department is responsible for executing a comprehensive workforce plan to ensure that these jobs are filled, internally through succession planning or externally. In addition, they are accountable for the development of technical, craft, and customer service training curriculums and course delivery. The Workforce Development department consists of three sections: Planning and Strategy; Operations Skills Training, and ED&CS Systems Training.

Planning and Strategy

The strategic and long-range plan for this section is to develop and execute staffing and development programs in the areas of: recruiting; training initiatives; development programs; staffing strategies and succession planning; and grants. Within the Planning and Strategy section are three teams that focus on Talent Management; Power Systems Institute ("PSI"); and Information Support Services (ISS). The PSI team focuses on staffing and development solutions to the current and future needs of ED&CS. The PSI team supports in the attrition needs of the Company by recruiting a pool of candidates for entry into the PSI degree program. Recruitment takes place through seven different arenas: high schools, vocational-technical schools, booth events, job fairs, college partners, media, and internal Company employees.

Operations Skills Training

The strategic and long-range plan for this section is to develop, deliver, and evaluate the training for new hires and incumbent employees in all operations departments necessary to ensure competent performance in all areas of the ED&CS business unit. The focus of this section is to provide the core skills in the areas of: Line, Substation, Dispatching, Engineering, Meter Services, Fleet, Network and Warehouse functions. Additionally, this section provides training programs to support regulatory/compliance and storm process

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (f)(v) Work Force Productivity

activities.

ED&CS Systems Training

While the strategic and long-range plan of the Operations Skills Training section is focused on supporting the building of skills within ED&CS, the strategic and long-range plan of the Systems Training section focuses on system training that supports key processes. The ED&CS Systems Training section integrates key business processes with adequate system knowledge to promote the focus on continuous improvement, optimal performance, and regulatory compliance, while pursuing continuous learning and personal development to enhance skills, knowledge and capabilities. The training objectives of this section deliver end-to-end process and system and user training that impacts customer satisfaction and drive results through employees meeting or exceeding individual performance expectations established by ED&CS business units.

3. Organizational Structure

The Workforce Development Department is led by the Director, Regulatory Workforce Development who reports to the Vice President of Energy Delivery who reports to the Senior Vice President ED&CS.

Please refer to the organization chart in the Supplemental Filing Requirements Section (B), item (10)(a).

4. Decision Making and Controlling Process

Workforce Development leads the development of staffing strategies and creates the curriculum for all technical, craft, and customer services jobs. All recommended strategies are presented to and approved by Energy Delivery leadership.

Energy Delivery's Workforce Development Department has the responsibility to oversee the technical, craft, and customer service programs to the extent that KPI's measure compliance. For example, Workforce Development's incentive compensation is tied to achieving a KPI for the number of vital hires. Additionally, internal customer surveys are conducted to assure the training provided meets the needs of the customer.

5. Internal and External Communications

Internal communications provided by Workforce Development include: a monthly status report to the Energy Delivery management team; regular attendance and periodic presentations at operations services directors' meetings; regular attendance and periodic presentations at managers' meetings of different functional areas.

External communications consists of reports as well as verbal and written communications with employees, customers, the general public, the media, educational institutions, and event and job fair coordinators.

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

SFR Reference: (g) Integrated Resource Planning

g. INTEGRATED RESOURCE PLANNING

(Section waived pursuant to Commission Order in Case No. 07-551-EL-AIR, dated May 30, 2007)

**CASE No. 07-551-EL-AIR
SCHEDULE S-4.2**

Management Policies, Practices, and Organization

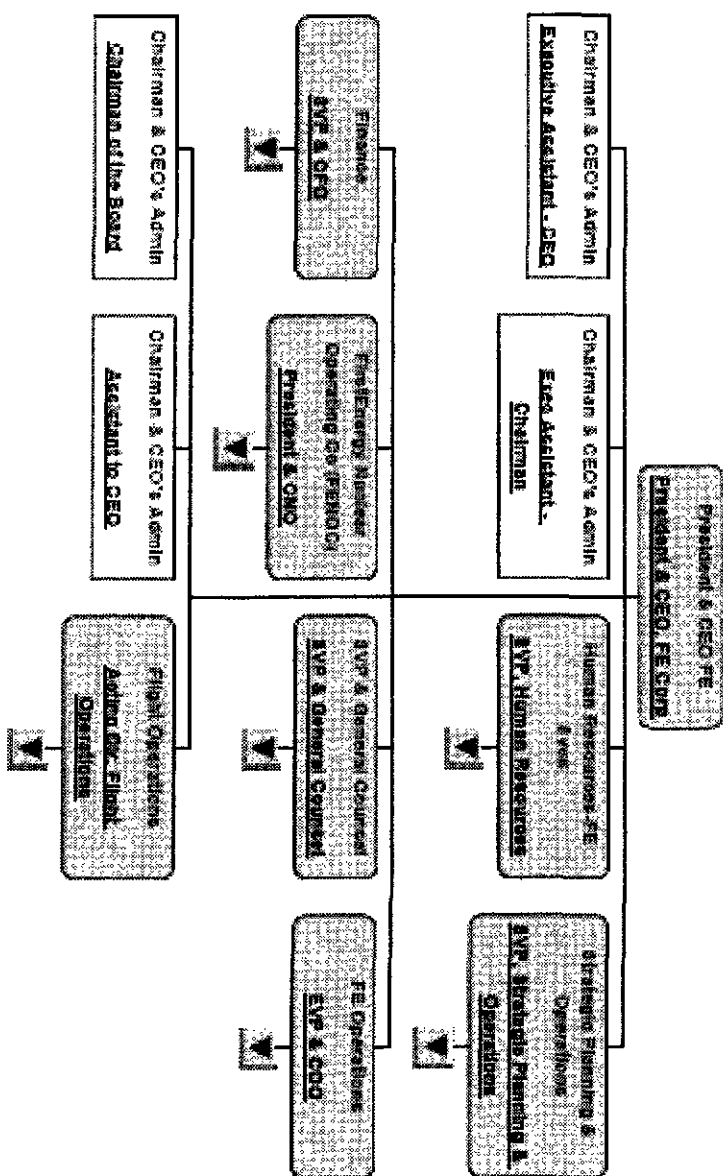
SFR Reference: Appendix

- (10) Appendix (Attached hereto)
 - a. Organization Charts, Diagrams, Flow-Charts
 - b. Performance Indicators and Quantitative Comparisons
 - c. Standards Of Performance
 - i. Criteria Established by the Company
 - ii. Generally Accepted Industry Standards
 - d. Prepared Direct Testimony of Applicant Utility Personnel or Other Expert Witnesses

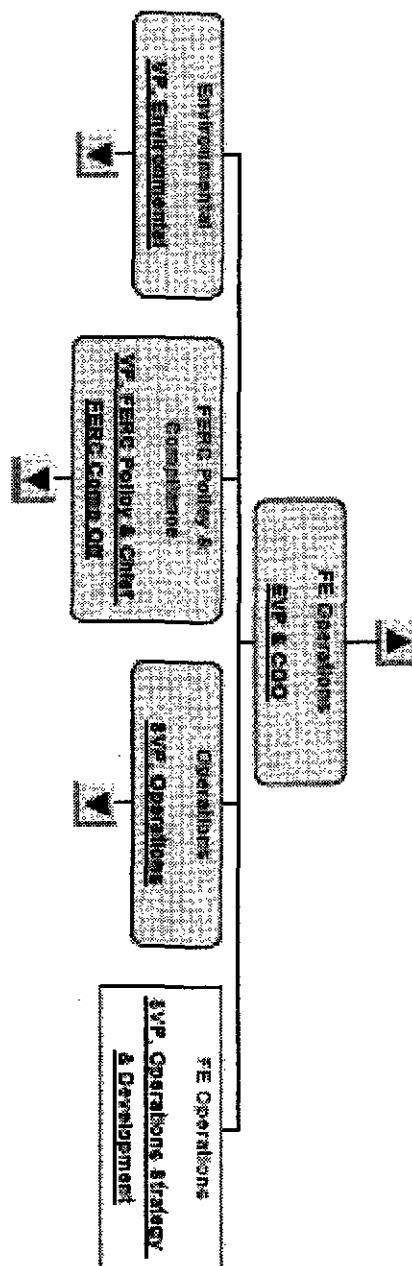
10(a)

Organization Charts, Diagrams, Flow-Charts

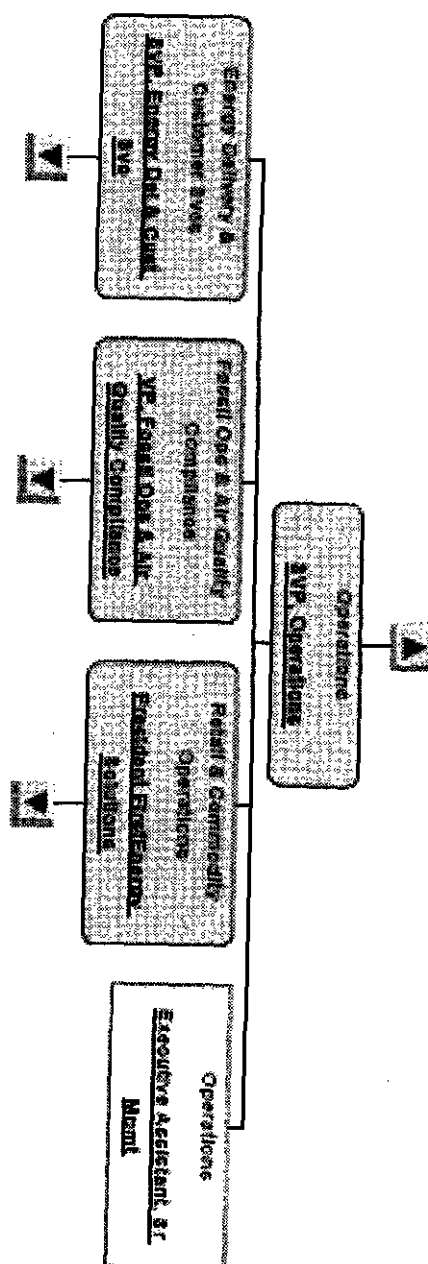
President & CEO



EVP - Operations



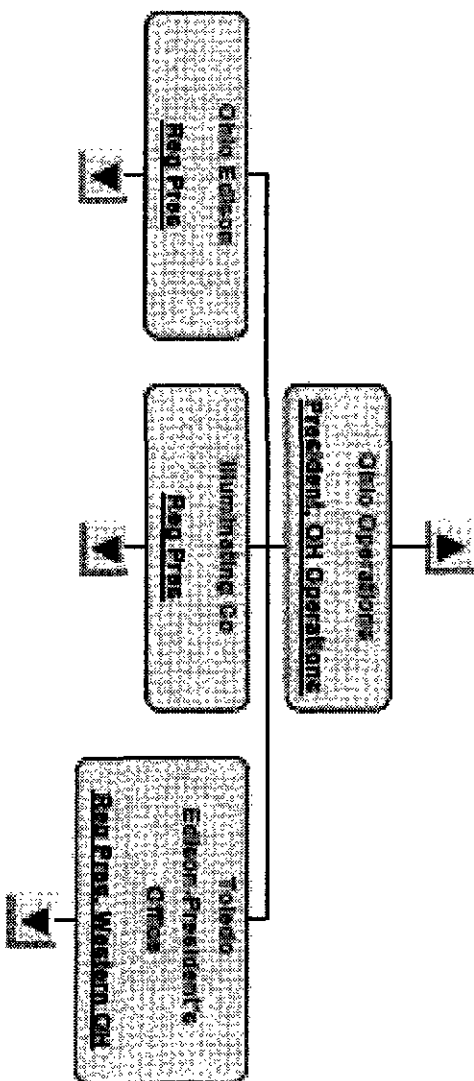
SVP - Operations



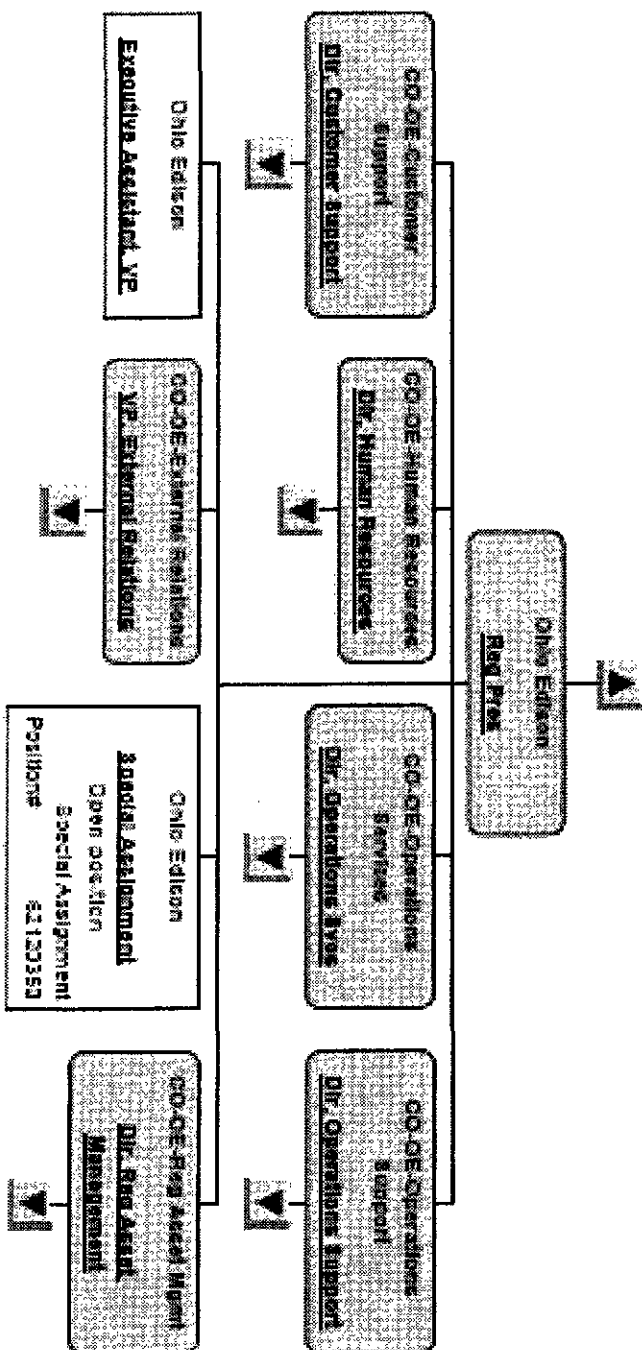
Appendix (10)(a) Organizational Charts



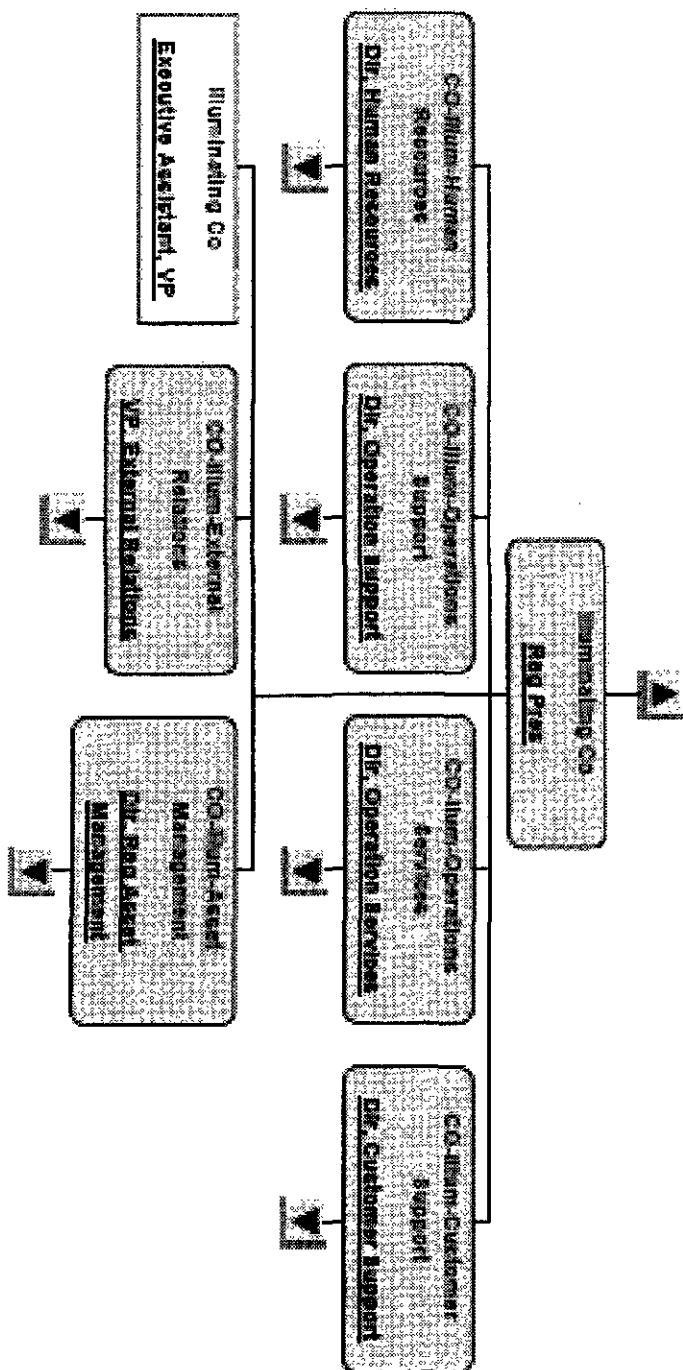
President, Ohio Operations



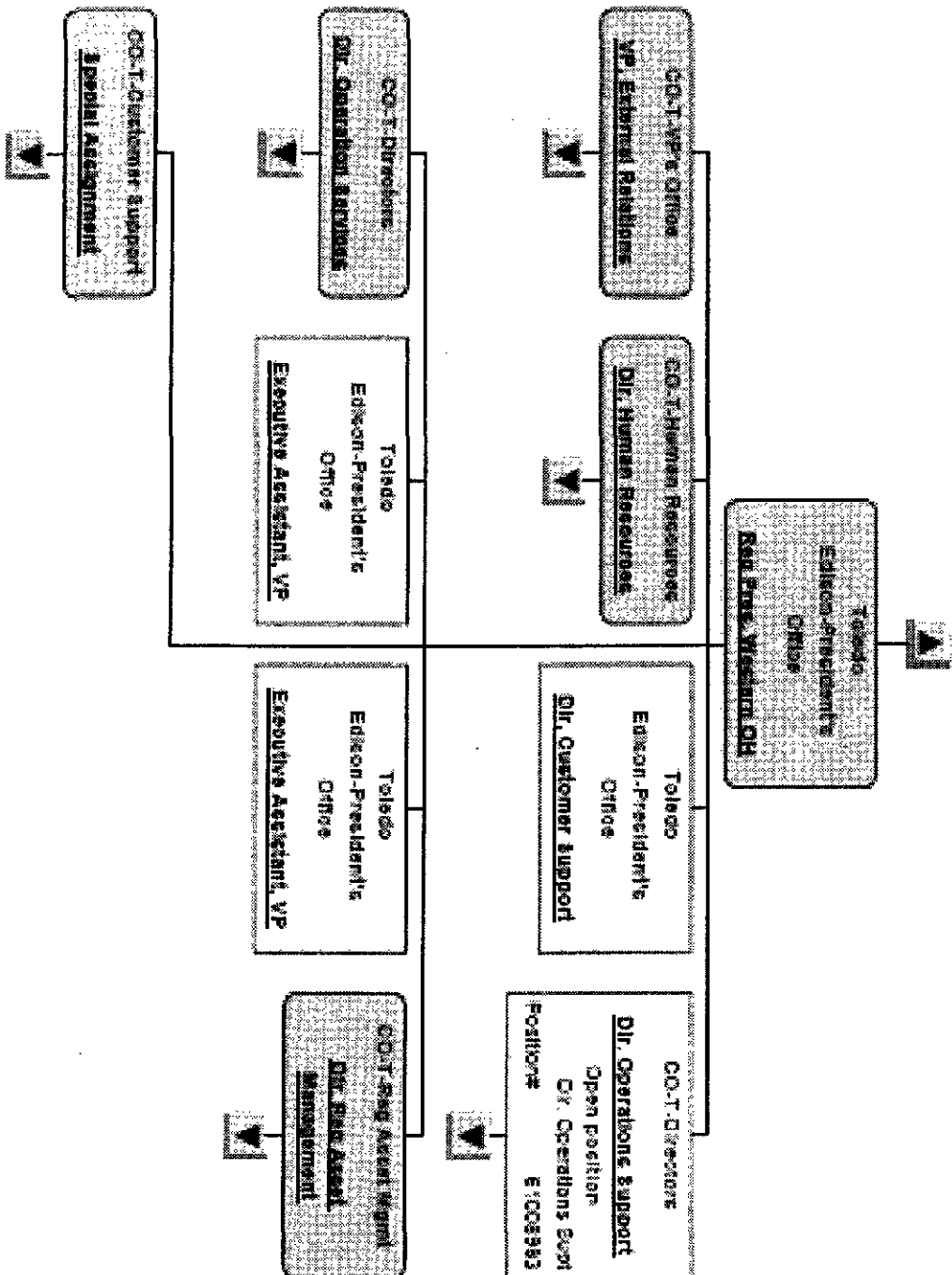
Ohio Edison



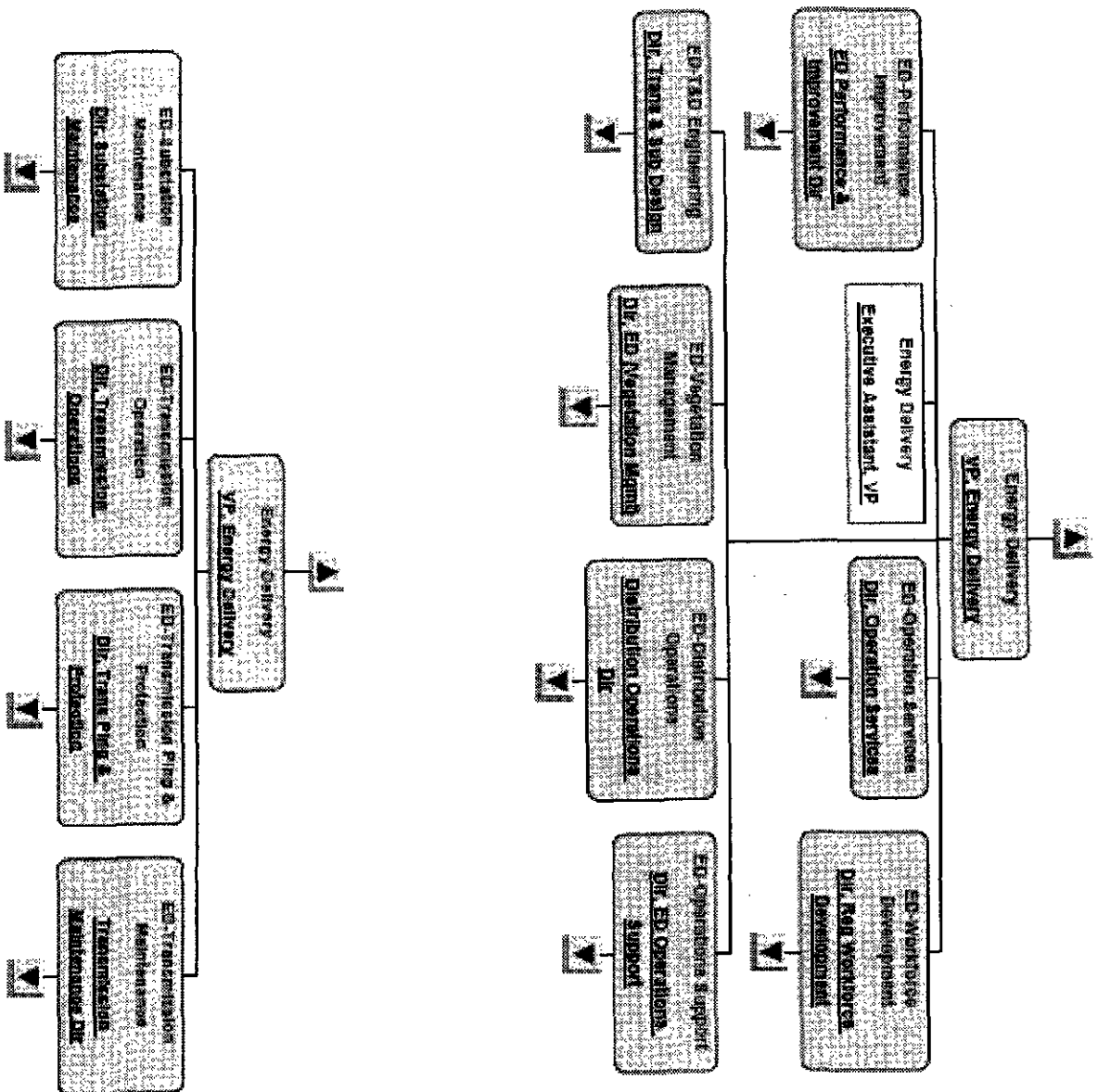
Cleveland Electric Illuminating



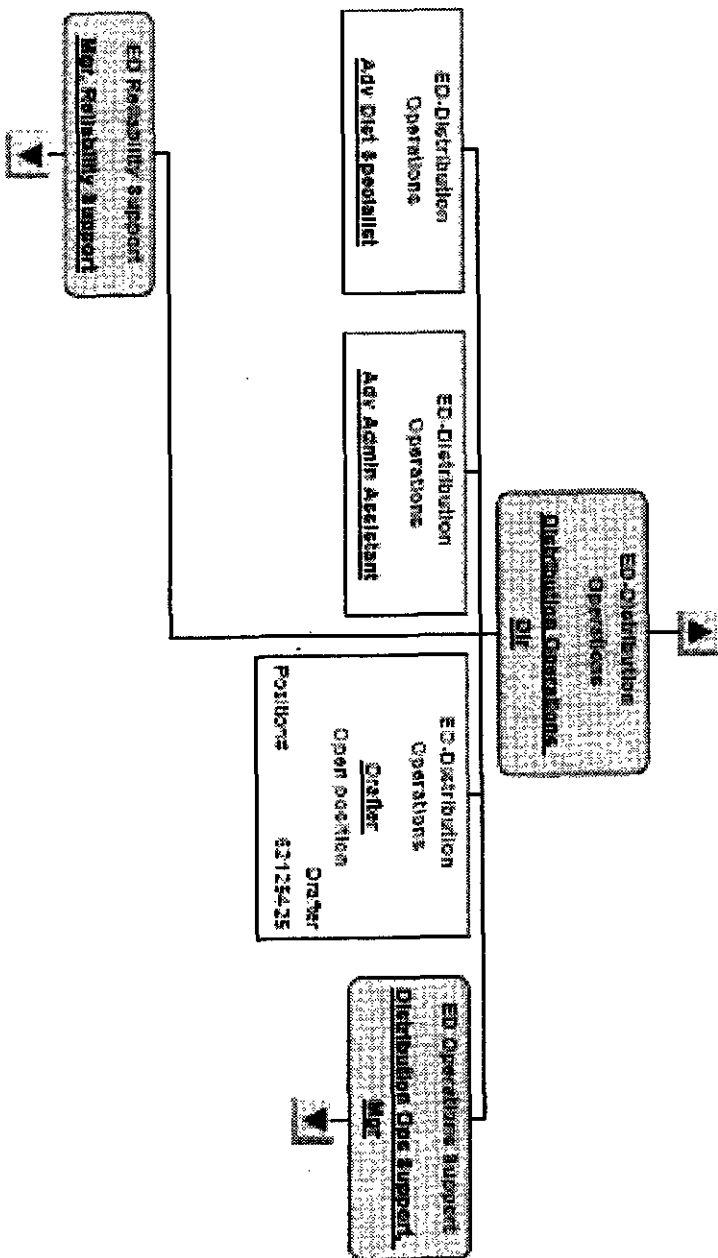
Toledo Edison



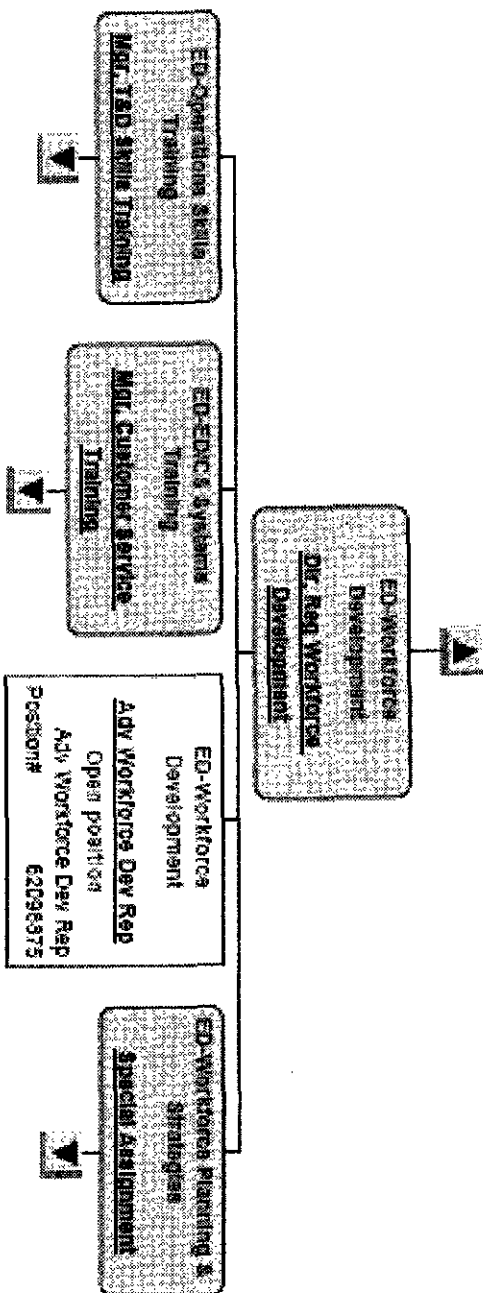
VP - Energy Delivery



ED – Distribution Operations



ED-Workforce Development



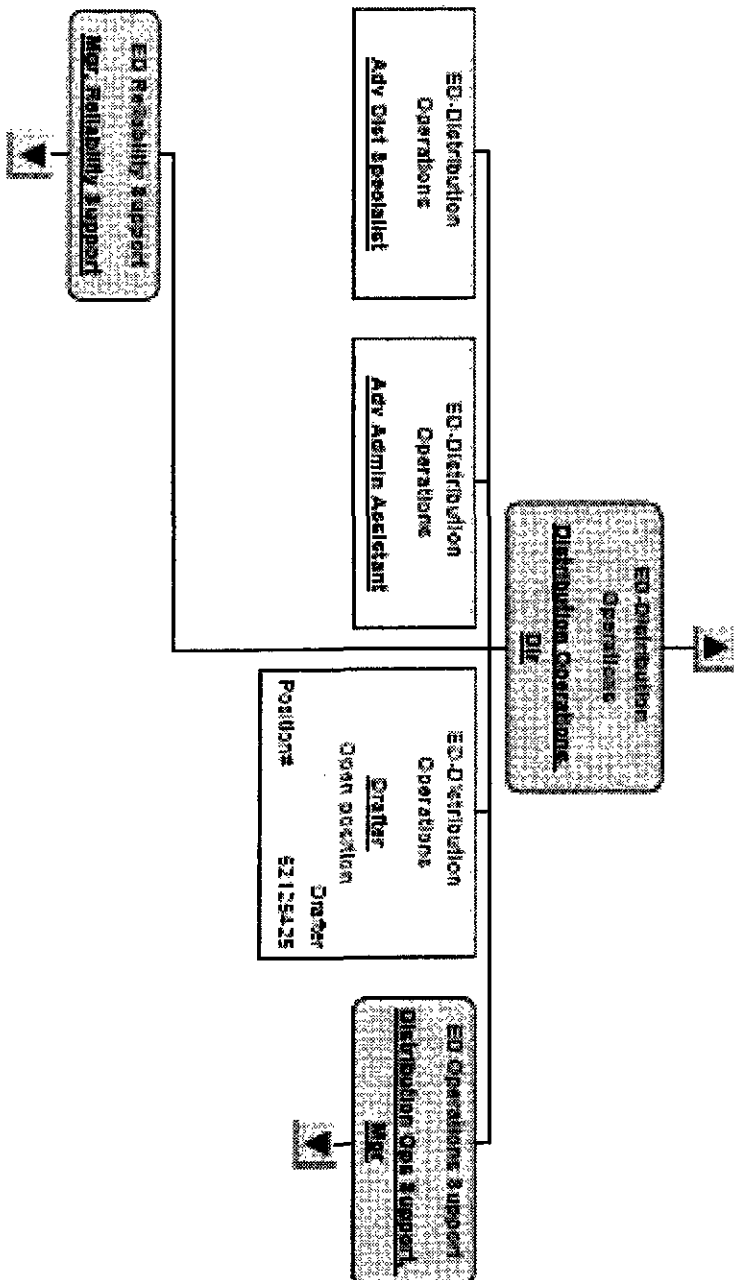

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graph TD
    A[Director, Department of Environment and Development] --> B[Dr. ED (Vegetation Mgmt.) Management]
    A --> C[ED-Vegetation Management]
    A --> D[ED-Restoration Project]
    A --> E[ED-Vegetation Management]
    A --> F[3rd Admin. Assistant]
    B --> G[Mrs. Forestry Eng.]
    C --> H[Mrs. Forestry Eng.]
    D --> I[Mrs. Forestry Eng.]
    E --> J[Mrs. Forestry Eng.]
    F --> K[Mrs. Forestry Eng.]
  
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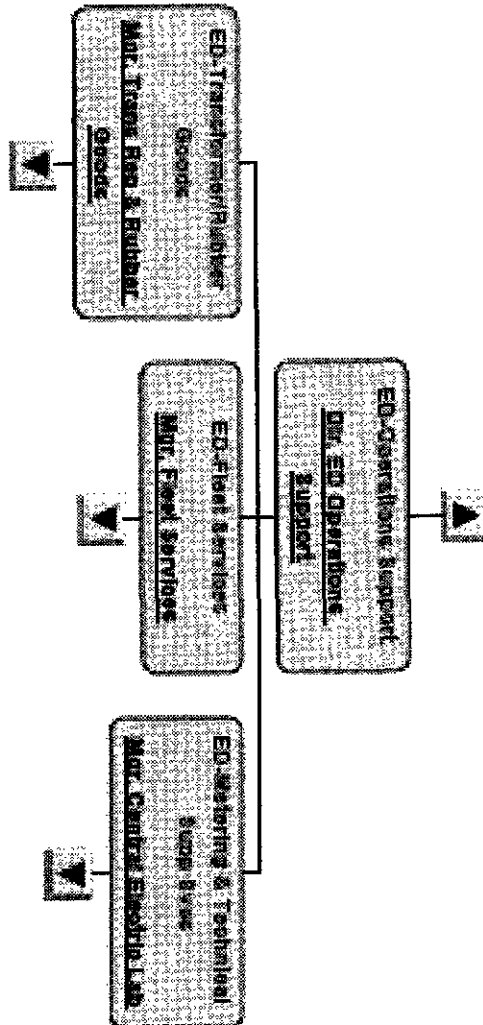
The organizational chart for the Department of Environment and Development is structured as follows:

- Director, Department of Environment and Development** (Top Level)
 - Dr. ED (Vegetation Mgmt.) Management** (Second Level)
 - Mrs. Forestry Eng.** (Third Level)
 - ED-Vegetation Management** (Second Level)
 - Mrs. Forestry Eng.** (Third Level)
 - ED-Restoration Project** (Second Level)
 - Mrs. Forestry Eng.** (Third Level)
 - ED-Vegetation Management** (Second Level)
 - Mrs. Forestry Eng.** (Third Level)
 - 3rd Admin. Assistant** (Second Level)
 - Mrs. Forestry Eng.** (Third Level)

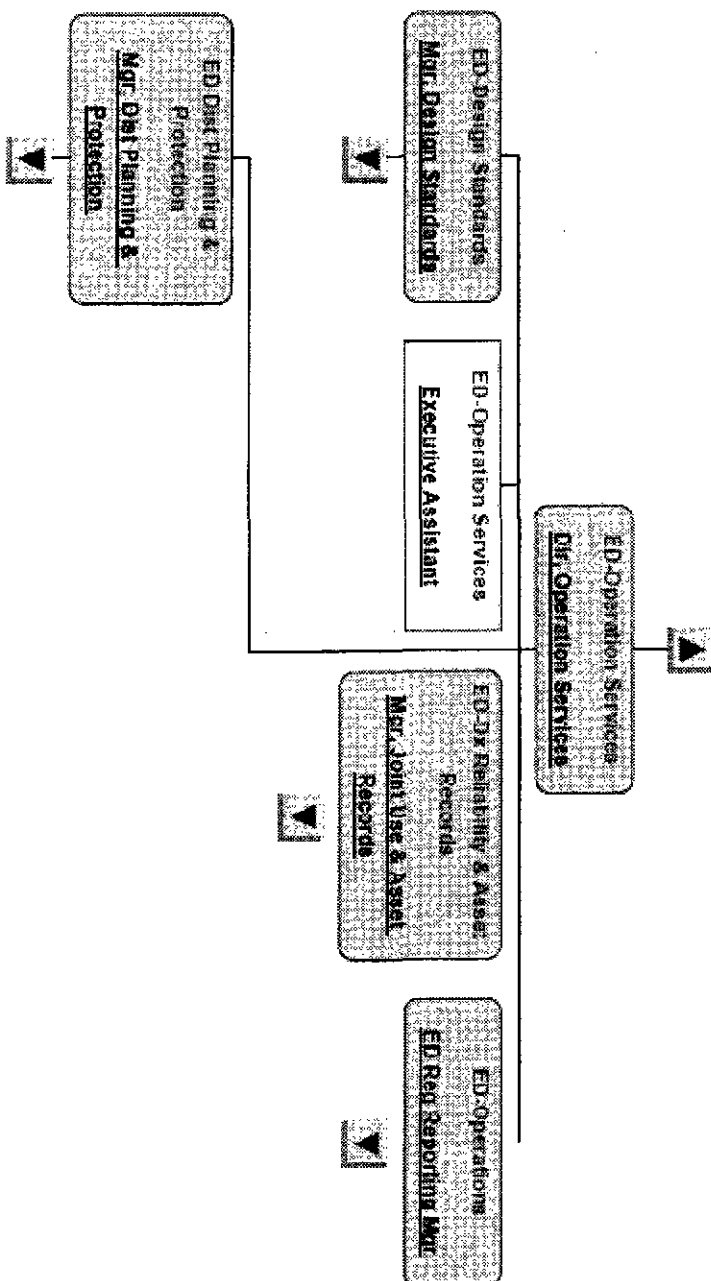
ED- Distribution Operations



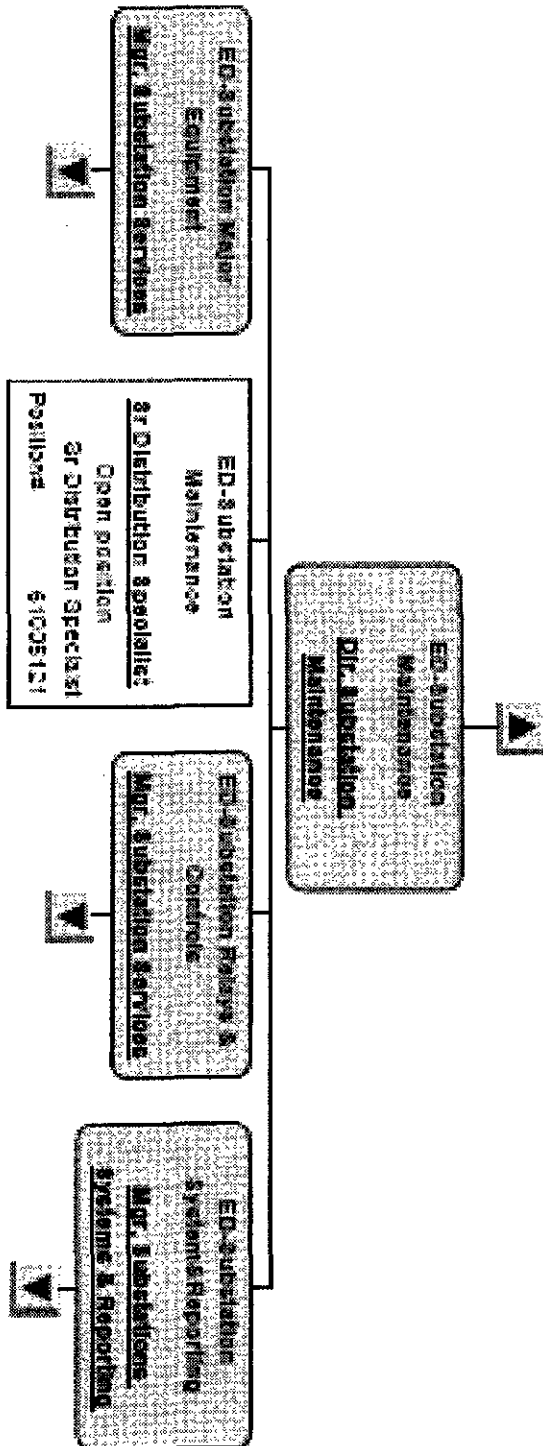
ED - Operations Support



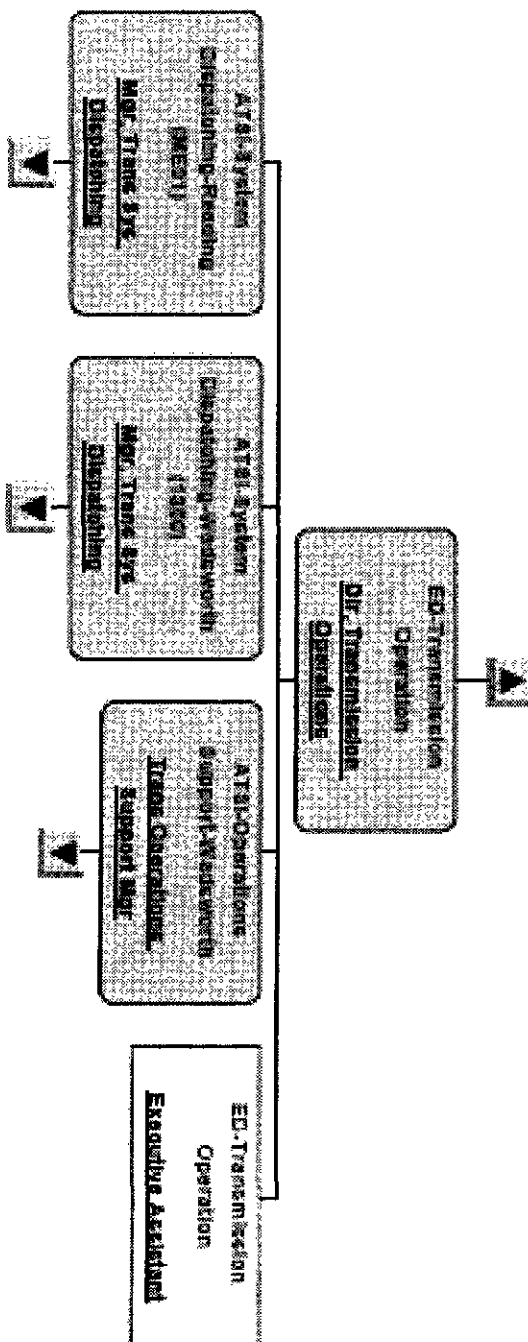
ED-Operation Services



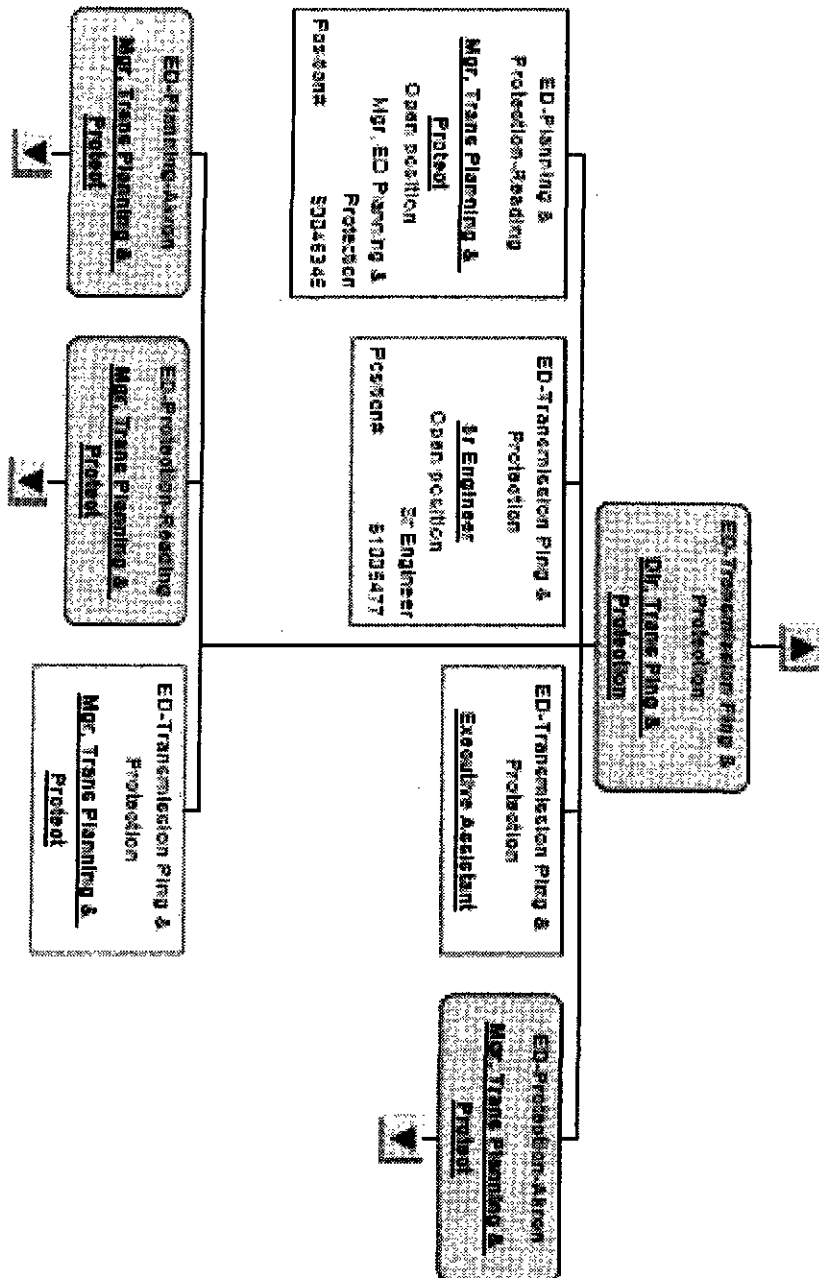
ED – Substation Maintenance



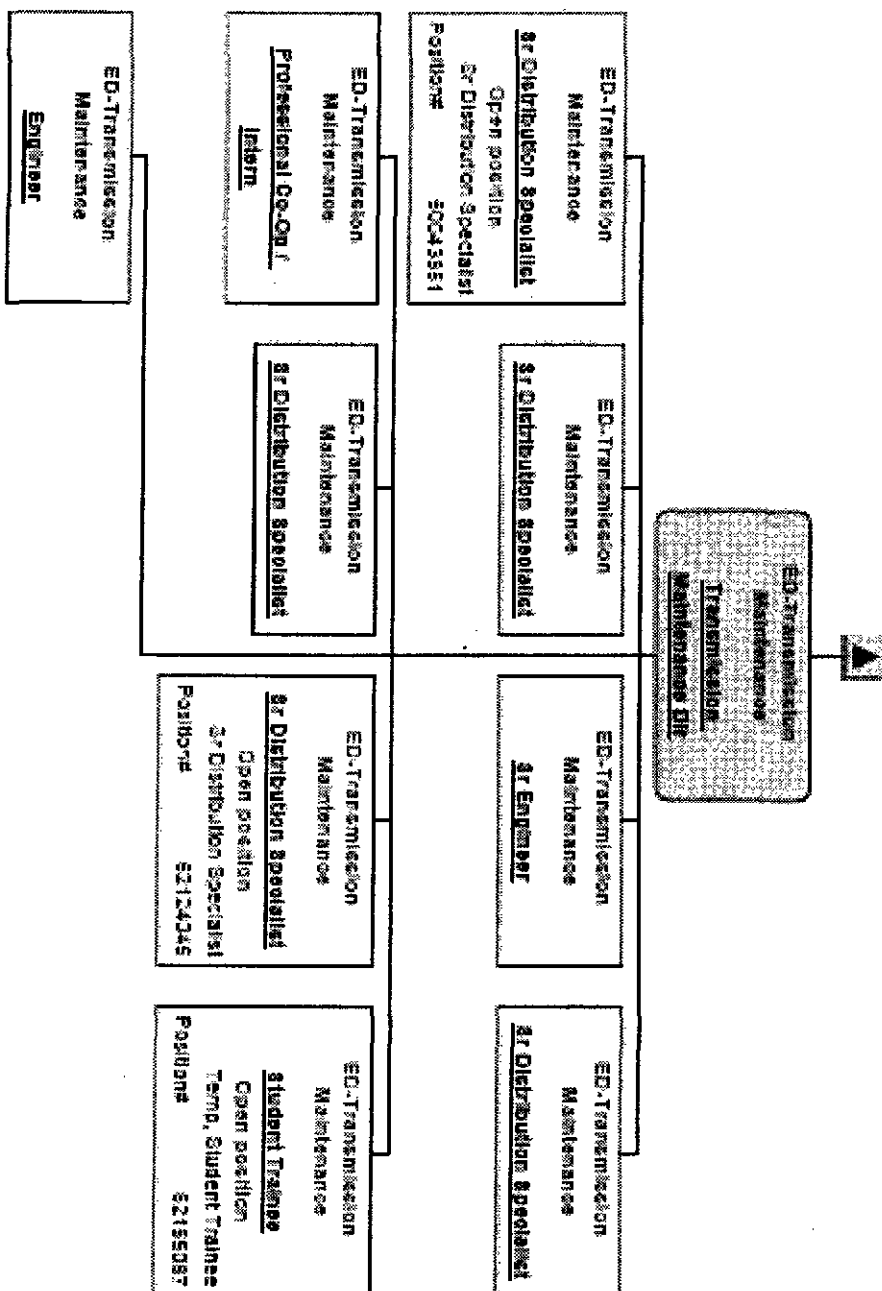
ED - Transmission Operations



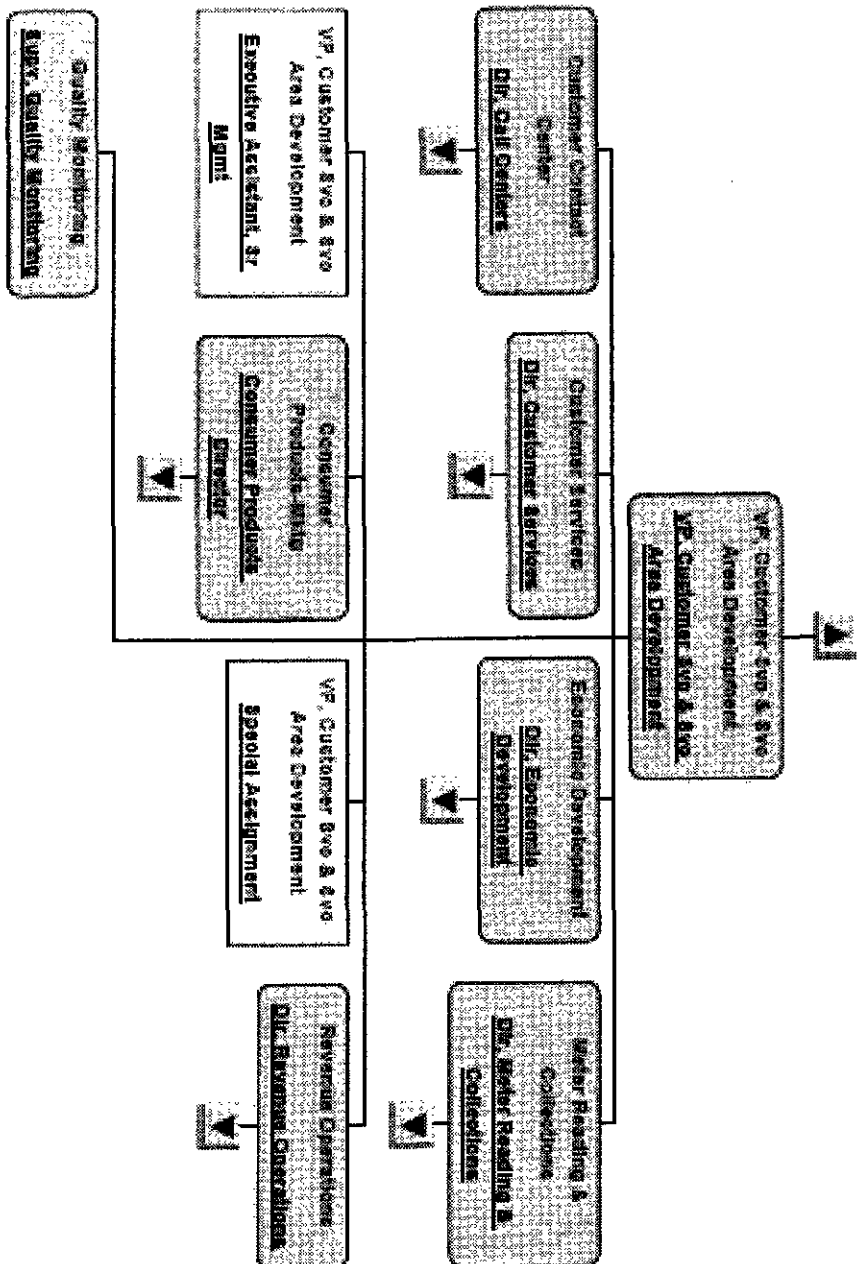
ED - Transmission Planning & Protection



ED - Transmission Maintenance

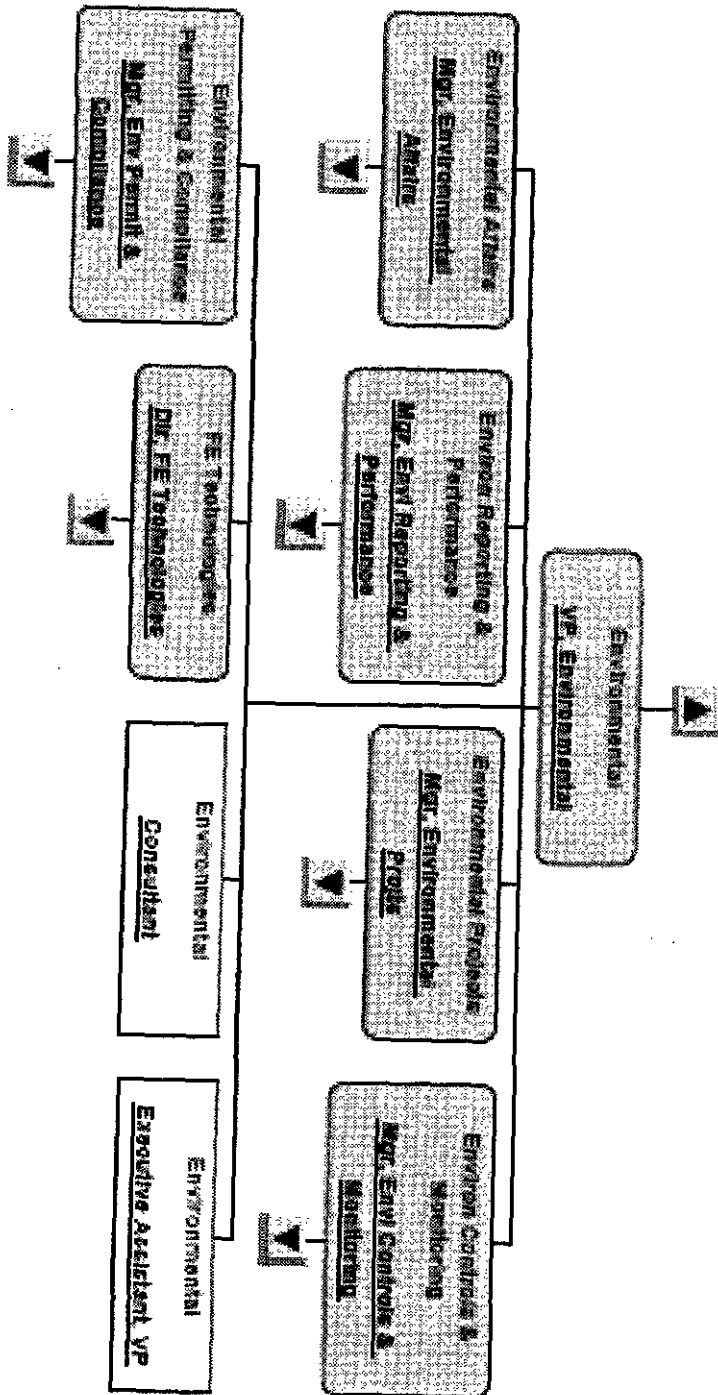


VP - CS & SAD

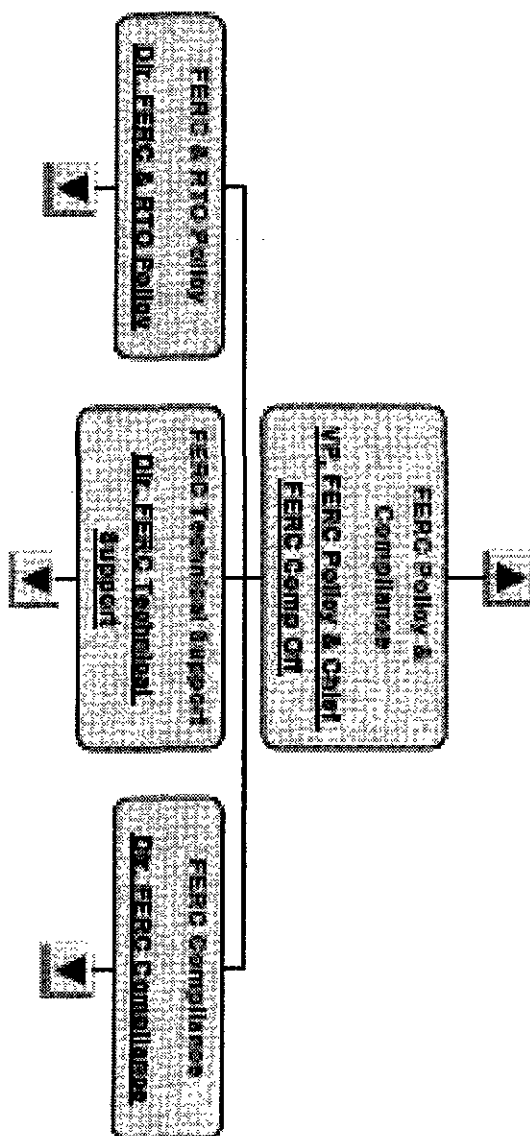


VP - Environmental

Appendix (10) a) Organizational Charts

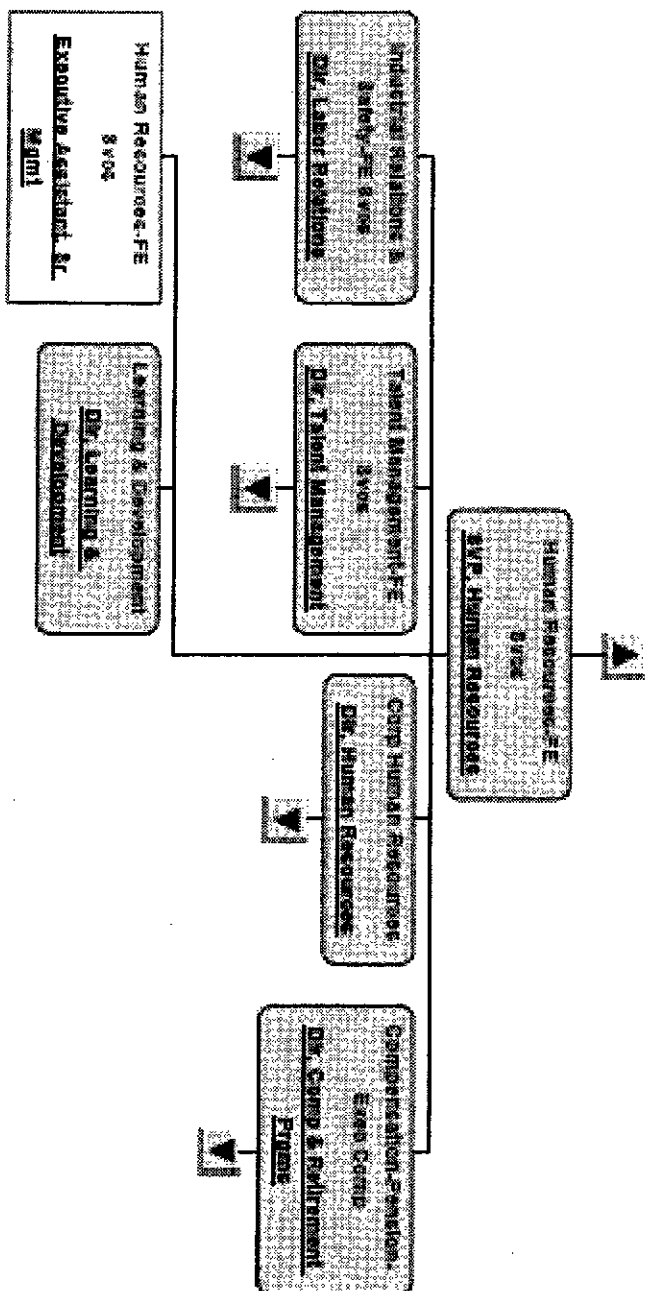


FERC Policy & Compliance

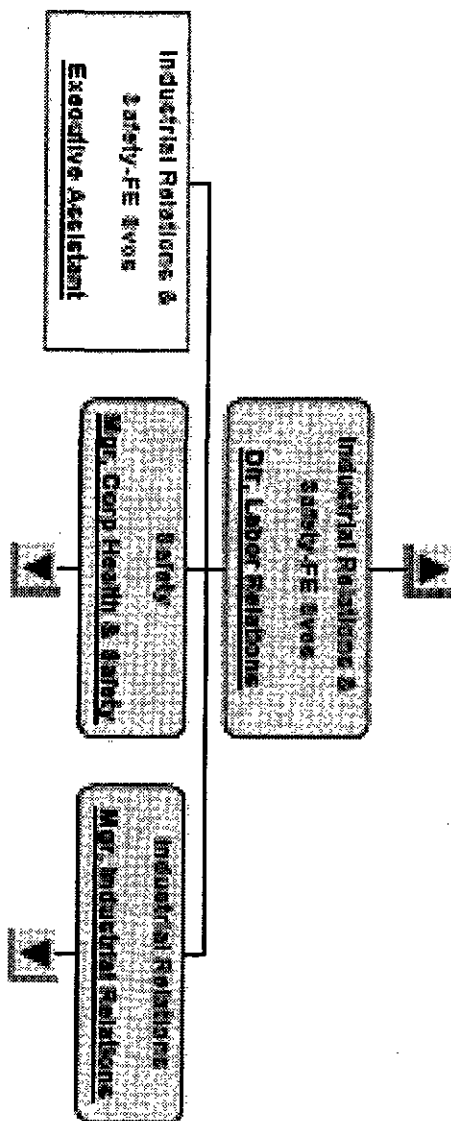


Human Resources

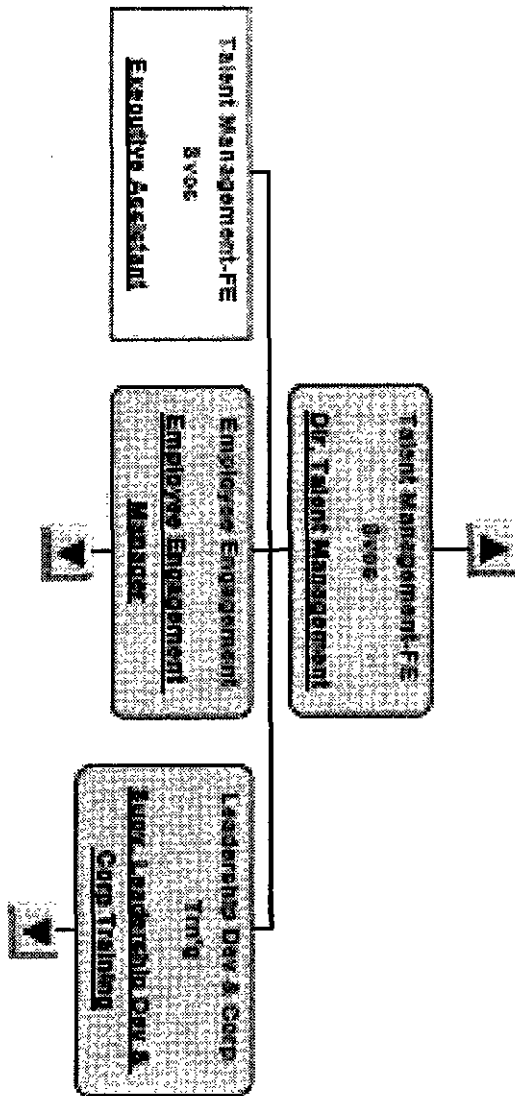
Appendix (10)(a) Organizational Charts



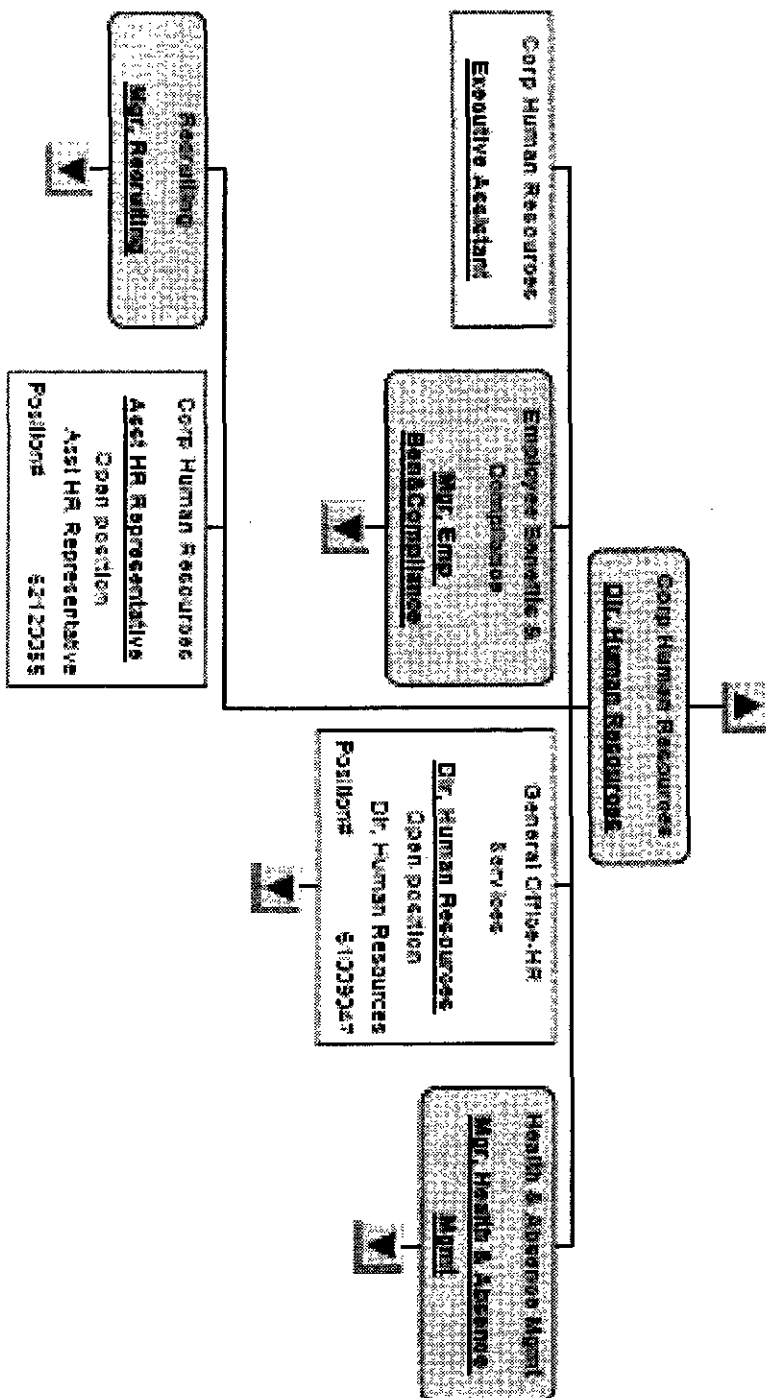
Industrial Relations & Safety



HR – Talent Management

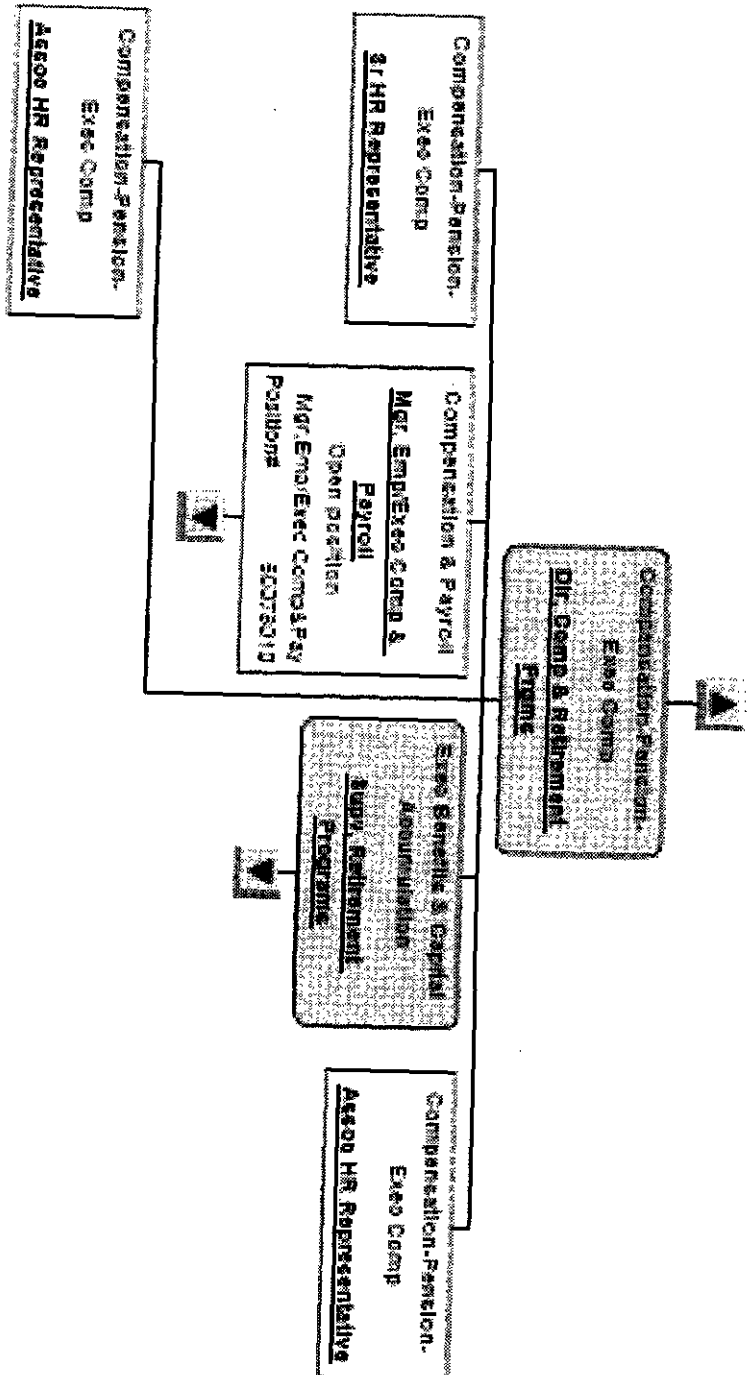


HR - Corp

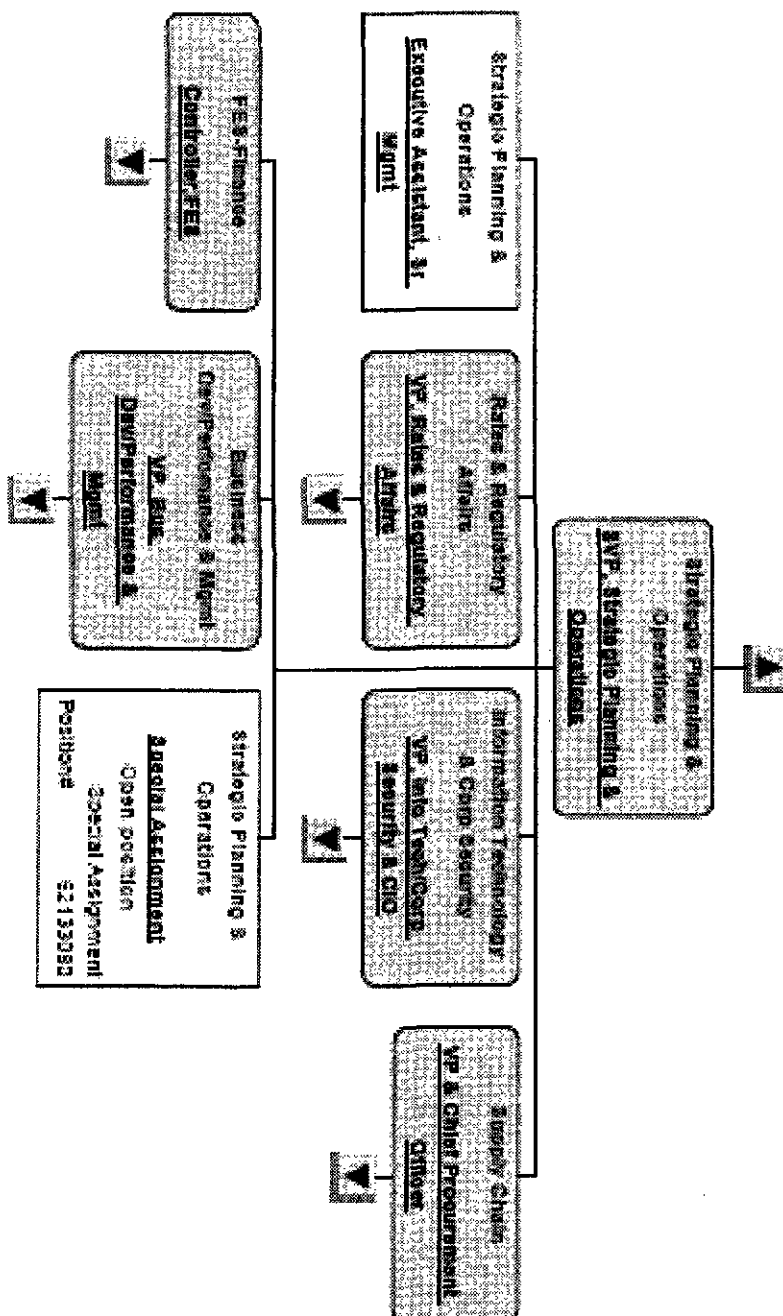


HR – Compensation

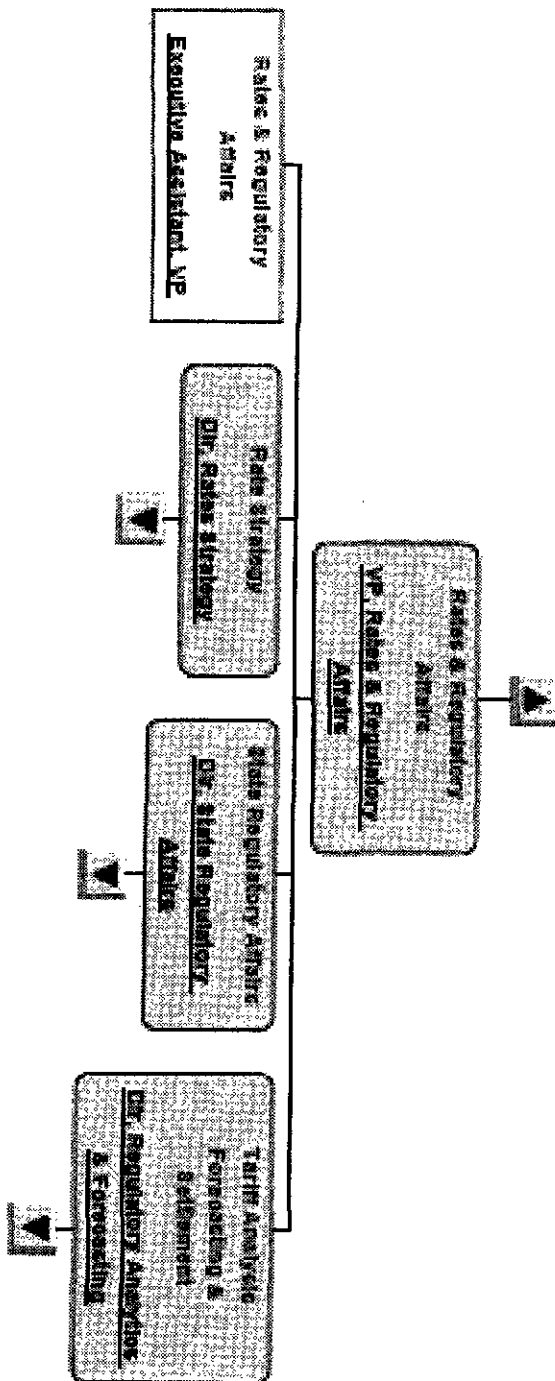
Appendix (10) a) Organizational Charts



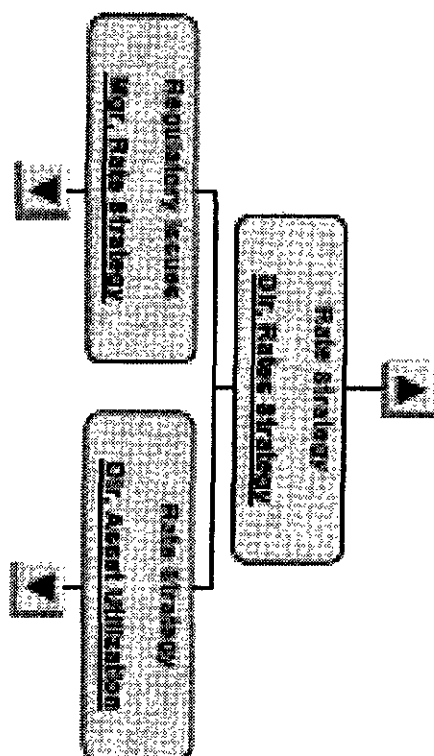
Strategic Planning & Operations



Rates & Regulatory Affairs

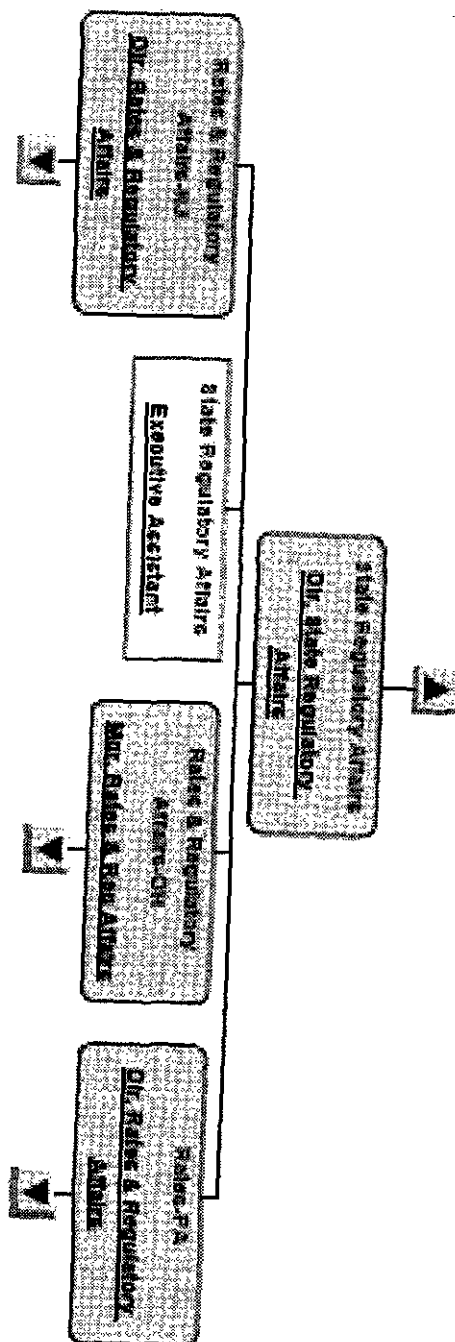


Rate Strategy

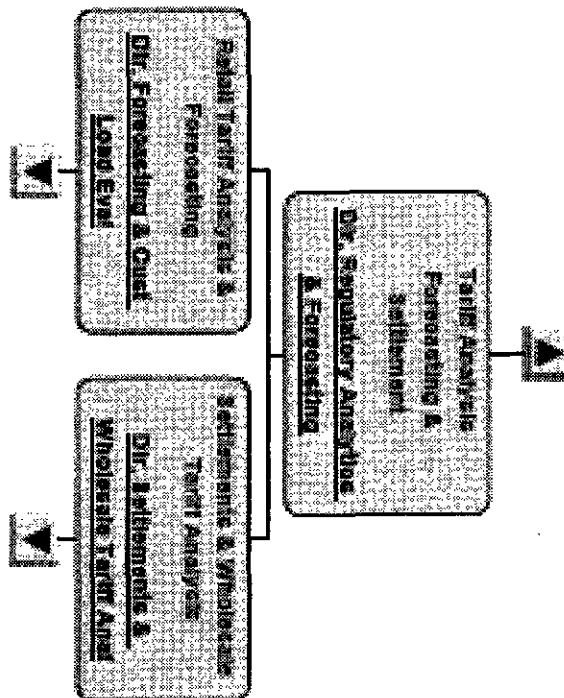


State Regulatory Affairs

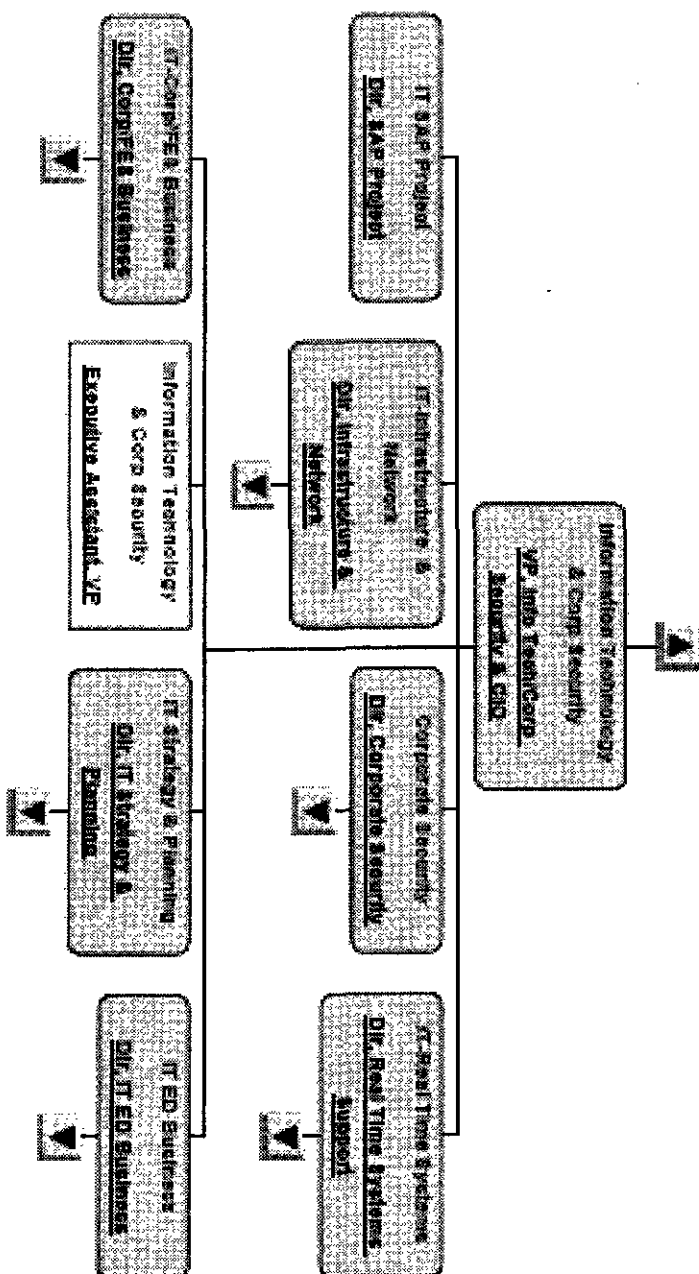
Appendix (10) (a) Organizational Charts



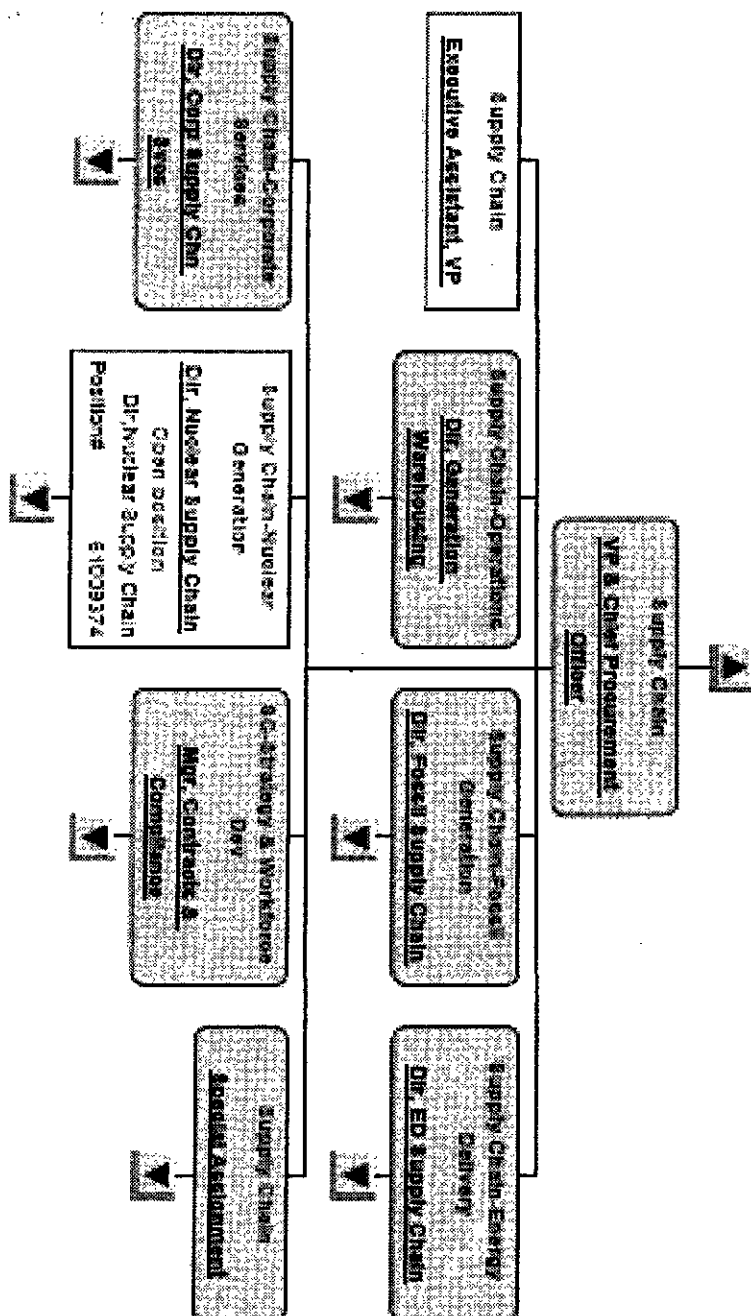
Tariff Analysis & Forecasting



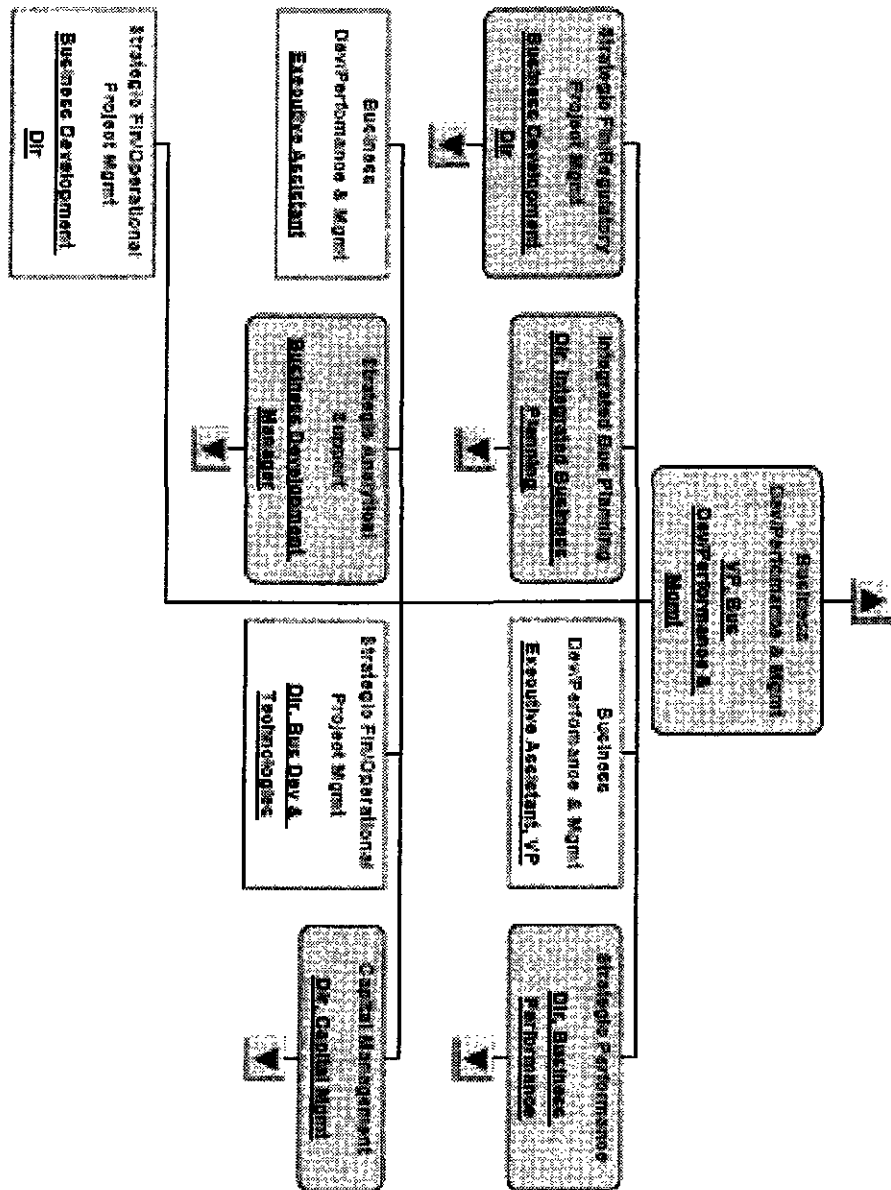
VP - IT & Security



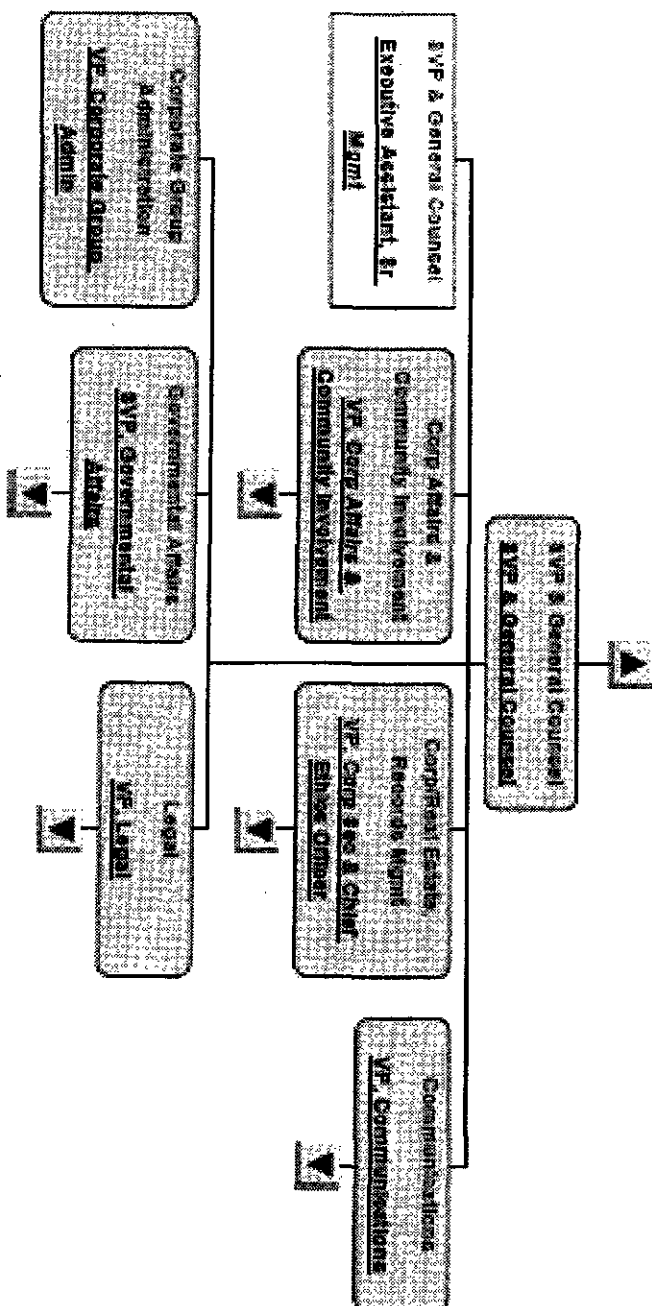
VP – Supply Chain



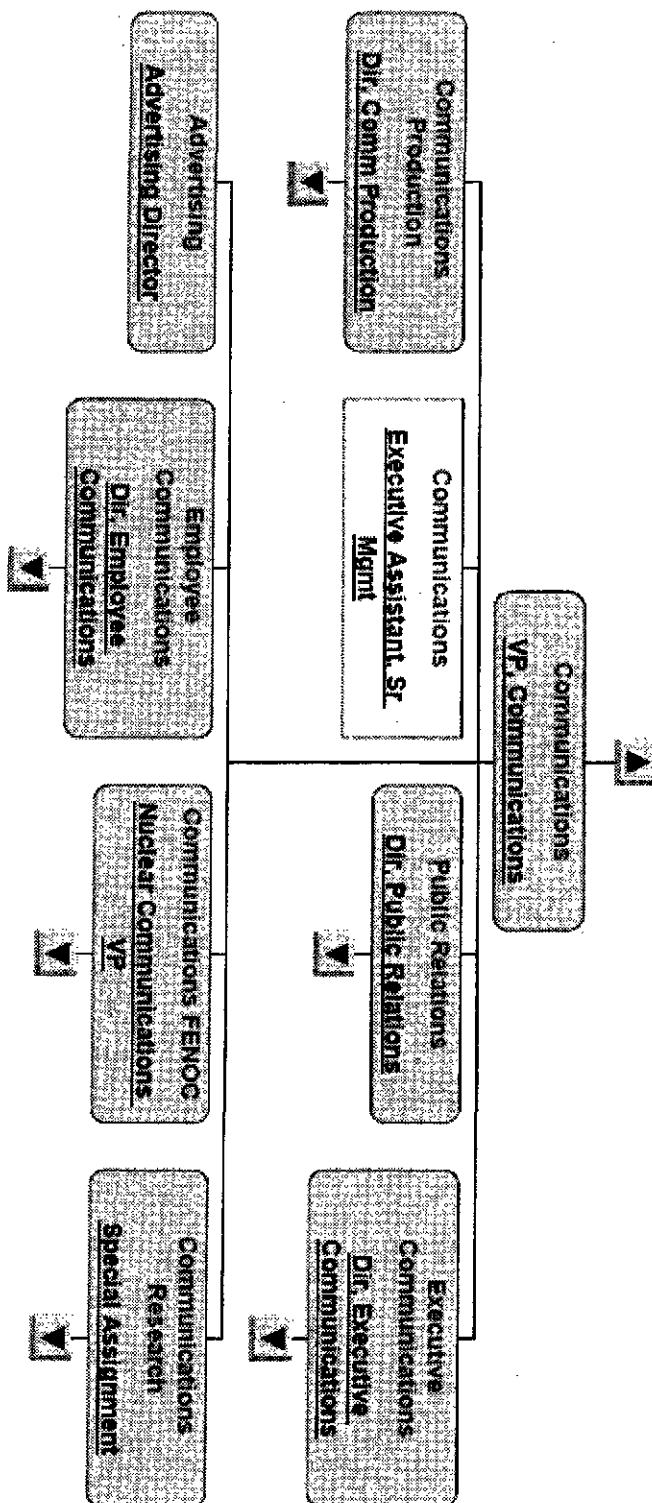
Business Development & Performance



Legal



Communications



Finance

Appendix (10)(a) Organizational Charts

