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Case Number: 07-796-EL-ATA

File Date: 7/10/07

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FILE

FirstEnergy

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Akron, Ohio 44308

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July 10, 2007

Ms. Renee J. Jenkins
Director, Administration Department
Secretary to the Commission
Docketing Division
The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43266-5073

Re: Application to Establish a Competitive Bidding Process
Case No. 07-796-EL-ATA, Case No. 07- -EL-AAM

Dear Ms. Jenkins:

Please file this letter, the Application and all of the attachments thereto as Ohio Edison Company's, The Cleveland Electric Illuminating Company's and The Toledo Edison Company's ("Companies") proposal to establish a competitive bidding process. This Application, if approved, establishes the processes and mechanisms necessary for the Companies to acquire generation through a competitive bidding process for the purpose of serving retail load in the Companies' service territories commencing in 2009.

Pursuant to O.A.C. 4901:1-35-04, a copy of this letter is being served upon all persons that were parties in the Companies' electric transition plan ("ETP") cases and upon all certified suppliers that are currently registered to provide competitive retail electric service in the Companies' service territories. A copy of the application and any waiver requests are available through the Commission's web site, available at the Companies' main office, available at the Commission's offices, and any other sites at which the Companies will maintain a copy of the application and any waiver requests. To obtain an electronic copy of the filing, please contact Ben Rich at brich@firstenergycorp.com.

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

Very truly yours,

James W. Burk

Enc.

cc: Service List in Case No. 99-1212-EL-ETP et al.
Certified Retail Electric Service Providers

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company For Approval of a Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications Associated With Reconciliation Mechanism and Phase In, and Tariffs for Generation Service	)	Case No. 07- 796 -EL-ATA Case No. 07-________-EL-AAM

Application

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On behalf of Ohio Edison Company,
The Cleveland Electric Illuminating Company,
and The Toledo Edison Company

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BEFORE

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Application

Now come Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("Toledo Edison") (collectively, the "Companies"), by counsel, and in accordance with Revised Code 4928.14, and the Commission's regulations for "Market-based Standard Service Offer and Competitive Bidding Process for Electric Utilities" (OAC 4901:1-35) ("CBP Regulations"), hereby file for approval of a competitive bidding process ("CBP") designed to procure supply for the provision of Standard Service Offer electric generation service ("SSO Generation Service") to the Companies' retail electric customers (referred to herein as "SSO Customers") who do not purchase electric generation service from a competitive retail supplier beginning January 1, 2009. The Application also seeks approval of accounting modifications to implement the proposed reconciliation mechanism and tariffs for generation service.

Introduction

Since the beginning of 2006, the Companies have been operating under the provisions of the Commission approved Rate Stabilization Plan ("RSP") and Rate Certainty Plan ("RCP"), and they will continue to do so until the end of 2008. The plans provided many important customer benefits and served well as a transitional step to market-based generation pricing in Ohio. With this filing, the Companies request the Commission to approve a competitive bidding process to establish a market-based standard service generation offer, beginning January 1, 2009, for retail customers who do not select alternative suppliers.

The Companies propose two CBP alternatives to achieve a market-based rate for SSO Generation Service, both of which alternatives are discussed in detail below. Both alternatives will result in a market-based standard service offer for generation services derived from competitive solicitations. These approaches were designed to smooth out the potential for volatile market prices and to mitigate certain factors that would cause bidders to raise their price. Both proposals also provide for demand response programs and energy efficiency by offering an interruptible program for large general services, meaningful seasonality factors, time-of-day rates, and an hourly market pricing option. Finally, to provide for a smooth transition to market prices arising from the competitive bid process, the proposals give the Commission the ability to implement a phase-in of rates for residential customers which would have the effect of limiting the overall change in rates on average to no greater than 15%, including changes in distribution charges resulting from Case No. 07-551-EL-AIR, when new generation rates are implemented on January 1, 2009, the first increase for customers in overall rates in over sixteen years for Ohio Edison customers and over ten years for customers of CEI and Toledo Edison.

In order to smooth out potentially volatile market prices, multiple solicitations will be held each year. The results of these solicitations will be blended to formulate the generation price paid by SSO Customers. After the first year, the solicitations will procure one-third of the Companies' total load, which will serve to further stabilize the generation price to customers over time. Such solicitations are scheduled to begin in early 2008. Therefore, the Companies seek a Commission order approving one of the two alternatives by November 1, 2007.

The solicitation under the first alternative will occur on a load class basis, i.e., suppliers will bid for each load class separately. The load classes include residential, small general service and large general service. The winning bid prices will then be adjusted for distribution losses and by seasonal factors specific for each load class directly resulting in the generation charge to be paid by customers in each load class. The second alternative will utilize a "slice of system" approach, i.e., bidders will bid on tranches of total SSO Customer load. Once a winning bid price is known, class-specific generation prices will be derived through the application of a rate template, which will use allocation factors approved by the Commission to determine specific generation charges by class, thereby giving the Commission greater flexibility in establishing the specific generation rates for different customer classes which may be an important consideration for customers that have historically been served under below average rates.

Both approaches will utilize a reconciliation mechanism to adjust generation pricing to retail customers to ensure that billed amounts do not exceed the costs the

Companies incur and to ensure that the Companies collect adequate amounts to pay SSO Suppliers in full for SSO Generation Service and to otherwise keep the Companies whole. The reconciliation mechanism ensures the Companies neither make nor lose money related to the provision of SSO Generation Service.

The generation rate design and tariffs used for both approaches are based solely on kWh charges, which is a departure from existing generation tariffs that include demand charges and a declining block structure. The rate design proposed in this Application will align the way the Companies acquire power with how retail customers are charged for it. Also common to both CBP approaches are a number of terms and conditions that the Companies have incorporated for the purpose of obtaining lower bid prices from suppliers and therefore lower prices for consumers while encouraging customers to conserve energy through participation in demand response programs and optional time-of-day or hourly pricing.

Certain of these terms and conditions mitigate bidders' risks, thereby reducing any commensurate risk premium that otherwise may be included in their bid price. For example, winning bidders are protected against new Regional Transmission Organization ("RTO") or other regulatory charges that are unknown and not anticipated at the time of the specific solicitation, such as specific additional charges for capacity arising from a new capacity market should one be created by MISO. Another example is that payments to suppliers will reflect the seasonality of the wholesale power market, thereby better matching suppliers' revenues with their expenses. In addition, suppliers will always be paid the winning bid price adjusted by the proposed seasonal factors multiplied by the MWhs they provide. The suppliers do not bear the risk of not being paid by customers, i.e., suppliers have no uncollectible risk. The Companies believe that such efforts will result in greater participation by bidders and lower bid prices, which benefits all customers.

Conservation and demand response components are also a featured component in the Companies' proposal. Seasonal pricing will apply to all residential and general service tariffs and will send more appropriate price signals to customers, thereby encouraging customers to conserve during higher priced summer periods. Optional time-of-day rates also will be available to all SSO Customers on a voluntary basis, for those SSO Customers who are able to and can benefit from managing their usage patterns. For SSO Customers with the ability to manage their load and who have the required metering, an hourly pricing program will be made available that will allow these customers to track energy costs on an hourly basis throughout the day. Demand response programs available to larger SSO Customers will provide an economic incentive to reduce their load during peak periods year around. In addition, the proposed rate design changes remove disincentives for energy efficiency measures.

The combination of all of these efforts will have the effect of reducing energy usage and demand on both a seasonal peak and daily peak or even hourly basis. The benefits flowing to all customers from such efforts are an overall moderation of market prices that will be reflected in the prices resulting from the competitive bidding process. These efforts also will reduce the demand on the transmission and delivery systems and potentially may lessen or defer the need to make costly additions to those systems.

The CBP alternatives proposed will also accommodate and facilitate the implementation of renewable energy resources in Ohio, and include continuation of programs that provide customers the option to purchase renewable energy credits ("RECs"). Under the Companies' proposal, one tranche of the electricity obtained for

SSO Customers will be generated by renewable resources, typically referred to as "green power." This power will then be blended with all other power purchased under the competitive bidding process and provided to customers that purchase SSO generation service from the Companies. And as a means of promoting green power in electricity use, the Companies will continue their existing program of providing SSO Customers the opportunity to purchase RECs.

If the Commission decides it is appropriate and necessary under the circumstances, the proposal also contemplates and provides for the phase-in of market pricing for residential customers if the average customer in the residential schedule would experience greater than a fifteen percent increase. Such flexibility, if exercised by the Commission, will allow a smoother transition for residential customers, particularly those that may have been served under below-average rates in the past.

Taken as a whole, the Companies' CBP proposal has been designed to promote the public policy as envisioned by S.B. 3 to result in competitively priced generation service to customers while sending more accurate price signals, as well as promoting economic development, providing customers numerous options to participate in demand response, energy efficiency, hourly pricing and renewable resource programs and providing the Commission the option to phase-in new generation prices, if needed. The development of the CBP proposals and the details of each alternative CBP proposal are described below.

Development of CBP Proposals

1. The Companies currently procure their full requirements power to supply SSO Generation Service to SSO Customers ("SSO Supply") through a wholesale power purchase agreement approved by the Federal Energy Regulatory Commission ("FERC")

(ER06-117-000). This FERC-approved power purchase agreement will terminate in accordance with its terms as of December 31, 2008.

2. In this Application, the Companies propose for the Commission's consideration, two CBP alternatives for SSO Supply procurement -- either of which will enable the Companies to procure the necessary SSO Supply upon expiration of their current FERC-approved power purchase agreement, and, thus, to ensure the uninterrupted provision of SSO Generation Service for all SSO Customers beginning January 1, 2009.

3. R.C. 4928.14(A) requires that a market-based standard service offer be made available to customers and that a competitive bidding process, with Commission approval, may serve as that market-based standard service offer under R.C. 4928.14(B). R.C. 4928.14(B) states: "At the election of the electric distribution utility, and approval of the commission, the competitive bidding option under this division may be used as the market-based standard offer required by division (A) of this section." The Companies hereby elect that their CBP proposal be used as their market-based standard service offer. Therefore, with Commission approval, the Companies' CBP proposal meets the requirements of R.C. 4928.14(A) and (B), and will serve as the Companies' market-based standard service. The Companies are also proposing additional alternative reasonable means that are readily available in the market for customers to participate in the competitive market. Such additional choices include the continuation of the renewable energy credit purchase program as previously proposed by the Companies in Case No. 06-1112-EL-UNC and the time-of-day rates and hourly real time pricing opportunities for certain customers as proposed in this filing. All of these options, in addition to the continuing ability of customers to shop, i.e., purchase

retail generation service directly from a competitive supplier, meet all of the requirements of R.C. 4928.14 and promote the public policy of S.B. 3.

4. In developing these two CBP alternatives, both of which are described below, the Companies have been guided not only by their own prior experiences in implementing competitive power procurement processes, but also by publicly-available information regarding competitive power supply procurement processes conducted in other states.

5. The Companies and their regulated affiliates have extensive experience with competitive processes for procurement of their power supply whether through Request for Proposals based processes or statewide competitive bidding processes. Based on this experience and research, the Companies have concluded that implementing a CBP that effectively "smoothes out" the volatility of the wholesale market improves the CBP process. Both CBP alternatives proposed by the Companies incorporate features to achieve this result. By procuring SSO Supply using a multi-phased CBP conducted over a finite period of time, the Companies will procure an SSO Supply portfolio that incorporates benefits from suppliers' varying approaches to managing their supply sources and to timing and maintaining diversity in their purchases. Hence, the Companies' ultimate SSO Supply portfolio will balance out wholesale market price fluctuations and provide SSO Customers with a stable price for a specified period of time.

6. Additionally, as described in more detail below, the Companies have included in their Application, detailed methodologies ("Rate Templates") by which the rates for SSO Generation Service ("Standard Service Offer Generation Charges") would be set, including sample retail tariffs for SSO Generation Service for each of the CBP

alternatives. The rate design presented in the Companies' proposed Standard Service Offer Generation Charge tariffs as part of this Application better reflects the manner in which the Companies will incur the cost of generation to serve customers. One of the rate design changes, which reflects the fact that the Companies' power supply expenses will be incurred strictly on a per megawatt hour basis, is the elimination of demand charges. Another change, consistent with public policy, is the elimination of declining block rates. Final tariffs for the Companies' SSO Generation Service, applying the methodologies proposed in this Application to the final prices achieved by the chosen CBP alternative, will be filed with the Commission within 60 days after the close of the final CBP for the designated 12-month period, but at least 15 days prior to the first day of the designated 12-month period.

7. The Companies reserve the right to supplement or modify their filing prior to Commission approval of either of the CBP alternatives to reflect discussions or written comments of interested parties or the Commission Staff, as directed by the Commission, or as otherwise required to better assure a successful CBP. Any such supplements or modifications will be filed with the Commission. The Companies also request that the Commission grant any waivers from Commission rules as are necessary to implement the CBP as proposed, or to implement any Order or Entry issued by the Commission in this proceeding.

8. To accommodate the necessary lead times and to ensure the uninterrupted provision of SSO Generation Service, the Companies hereby request a timely review of this Application and approval by no later than November 1, 2007, and propose the following procedural schedule:

(a)	July 31	Companies hold a technical conference in Columbus to discuss filing
(b)	August 14	Comments proposed by interested parties
(c)	August 21	Staff comments
(d)	August 31	Reply comments
(e)	No later than November 1	Commission decision

Description of CBP Alternatives

A. Design Features Common to Both CBP Alternatives

9. As stated above, in this Application the Companies propose two CBP alternatives for the Commission's consideration. Although specific features of the CBP alternatives differ, certain features are common to both alternatives.

10. In both CBP alternatives, the total amount of SSO Supply being procured would be divided into equal-sized portions ("tranches"). A tranche is a fixed percentage share of the Companies' SSO hourly load. The total number of tranches will be determined so that an SSO Supplier's load obligation for one tranche at the time of the coincident FirstEnergy peak will be expected to be 100 MW. Multiple bidders will bid through a descending clock format to provide SSO Supply. In each round of bidding, bidders will submit bids for the number of tranches that they wish to serve at the price "offered" during that round. As the rounds progress, the prices offered "tick" down. Bidding concludes when the number of bids for the tranches is equal to the total number of tranches being offered. Hence, the price at which the tranches are being offered

during the final round will be the price paid to each of the winning bidders for SSO Supply (the "clearing price").

11. In each CBP alternative, the product is "full requirements" SSO Supply, which includes energy, resource adequacy requirements, transmission service and transmission ancillaries, provided for a specified term.

12. Each winning bidder (thereafter, an "SSO Supplier") will be required to execute an agreement for the provision of the product to a specified number of tranches, which agreement will set forth uniform terms for each SSO Supplier (the "Master SSO Supply Agreement"), within three business days of the Commission's approval of the results of a solicitation. A more detailed description of the terms of the Master SSO Supply Agreement is set forth below in paragraphs 58 - 62.

13. An independent competitive bidding process manager (the "CBP Manager") will be retained for each competitive bidding process. The CBP Manager will be responsible for ensuring that the competitive bidding process is conducted in an open and transparent manner that achieves a competitive outcome reflective of market conditions. In order to achieve this outcome, the CBP Manager, among other things, will publicize the competitive bidding process to prospective bidders, conduct information sessions for prospective bidders, respond to bidder questions, provide relevant data to bidders, manage the bidding itself, and communicate with the Commission regarding the progress of the competitive bidding process and the competitive bidding process results.

14. The 2009 CBP will be conducted to procure SSO Supply for staggered delivery periods, each of which begin January 1, 2009 but end at different points in time. At their conclusion, each of the delivery periods align the SSO Supply periods with the

Midwest Independent System Operator ("MISO") planning year, which begins on June 1st of each year and ends on May 31st of the succeeding year. Aligning the SSO Supply period with the MISO planning year will assist SSO Suppliers in controlling their MISO costs and associated risks, thus resulting in lower Standard Service Offer Generation Charges for SSO Customers. Additionally, the total SSO Supply needed for each delivery period will be procured in multiple solicitations conducted over the course of a 12-month period in order to smooth out potential wholesale market price fluctuations.

15. During 2008, one-third of all the SSO Supply tranches will be procured for a 17-month period (January 1, 2009 through May 31, 2010), one-third of the tranches for a 29-month period (January 1, 2009 through May 31, 2011) and one-third of the tranches for a 41-month period (January 1, 2009 through May 31, 2012). Procurements will be spread over multiple solicitations throughout the year.

16. Within one business day after the conclusion of each solicitation, the CBP Manager will submit a report to the Commission which will include data and information necessary to enable the Commission to determine whether to accept the solicitation results for each product as being consistent with the Commission's Order approving the competitive bidding process. The Commission will have two business days following the close of bidding for each solicitation to accept the solicitation results for all products as being consistent with the Commission-approved process.

17. For the benefit of SSO Suppliers, the Master SSO Supply Agreement will set forth seasonal factors by which the clearing price will be multiplied over the term of the Master SSO Supply Agreement, in order to more closely match the SSO Suppliers' payments to their seasonal costs and to more closely align the Companies' expenses and revenues. The seasonal factors will be known to the bidders prior to the

solicitations and will remain constant during the term of a specific Master SSO Supply Agreement.

18. Once all solicitations in a particular 12-month period have concluded for a particular product, the Companies will blend each of the clearing prices to arrive at a single price (the "Blended CBP Price"). After adjusting the Blended CBP Prices for distribution line losses, applying a seasonal factor and grossing up for applicable taxes, the Companies will develop a Standard Service Offer Generation Charge for each load class. As set forth in Table 1, below, a "load class" is a grouping of similar rate schedules of the Companies: Residential, General Service – Small and General Service – Large.

Table 1. Classes and Rate Schedule.

Class	Rate Schedules
Residential	RS - Secondary Service, less than or equal to 600 volts
General Service - Small	GS - Secondary Service, less than or equal to 600 volts STL - Street Lighting Service TRF -Traffic Lighting Schedule POL - Private Outdoor Lighting Service
General Service - Large	GP - Primary Service, all other available voltages GSU - Sub-Transmission service, 23,000 volts three wire and 34,500 volts three wire (for Ohio Edison and Toledo Edison) GSU - Sub-Transmission service, 11,000 volts three wire and 36,000 volts three wire (for CEI) GT - Transmission Service – Greater than or equal to 69,000 volts

19. Consistent with R.C. 4928.14(B), affiliates of the Companies may participate as bidders in the solicitations and win the right to provide SSO Supply as part of the CBP process.

20. No single SSO Supplier may provide more than 75% of the SSO Supply for any class in the load class alternative for each solicitation or 75% of the system load under the slice of system alternative.

21. Central to conducting the CBP will be the availability of a specific competitive bidding process website to keep interested parties informed of developments and notices related to the competitive bidding process. The website will permit potential bidders and other stakeholders alike to fi nd information about the competitive bidding process. The website will provide all documents necessary for potential bidders to participate in the process, including the CBP rules, the application forms, standard forms for credit instruments, and standard contracts. The website will also have a data room populated with the data series that bidders need to prepare their bids, depending on which type of competitive bidding process is implemented. Questions and answers from potential bidders will be posted in a "Frequently Asked Questions" page. Materials from information sessions, including presentations that provide detailed information regarding the competitive bidding process, will be posted to the website.

22. The Companies propose that the overall competitive bidding process should be reviewed periodically, not more often than annually, and adjusted as necessary to reflect changes in the wholesale market or other changed circumstances. Therefore, the CBP Manager will submit a report to the Commission within 30 days after the conclusion of all solicitations for a particular delivery period. Such reports will assess the conduct of the competitive bidding process and additionally, should include recommendations from the CBP Manager for changes intended to enhance the competitiveness of future competitive bidding processes, if the CBP Manager deems

changes to be necessary. Based on the Commission's assessment of the information so provided, the Commission would initiate a process review proceeding, if warranted. Nothing proposed by the Companies is designed to preclude, as part of the periodic review process, the Commission determining to switch from one CBP alternative to the other.

23. Costs for conducting the competitive bidding processes will primarily be recovered through a tranche fee paid by winning bidders. Any difference between the fees collected and the actual costs incurred will be included in a reconciliation mechanism described below in paragraphs 38-41 (the "Reconciliation Mechanism").

B. CBP Alternative – Competitive Bidding Process By Load Class

24. The Companies are proposing, as one CBP alternative, a competitive bidding process by load class. In this CBP alternative, the Companies would conduct simultaneous solicitations for SSO Supply for each SSO Customer load class, defined above. Attached as Exhibit A, Tab 1, are the proposed CBP Rules for a competitive bidding process by load class.

25. In 2008, three solicitations for the Residential and General Service – Small load classes, and two solicitations for the General Service – Large load class, would be conducted for each of the delivery periods, i.e., 17 months, 29 months and 41 months. After 2008, three solicitations for the Residential and General Service – Small load classes, and two solicitations for the General Service – Large load class, will occur for the ensuing delivery period and in total will procure one-third of the tranches of each load class for a 36-month period. Attached as Exhibit B1, is a proposed schedule for the solicitations by load class beginning in 2008.

26. In a competitive bidding process by load class, in order to calculate the Standard Service Offer Generation Charge for each load class, the Blended CBP Price will be adjusted for the distribution line losses associated with the load class, then adjusted by the load class' seasonal factor and grossed up for applicable taxes. In general, each rate class within a given load class will pay the same Standard Service Offer Generation Charge. Attached as part of Exhibit C1 is a Rate Template that illustrates the methodology the Companies will use to arrive at the Standard Service Offer Generation Charge for each load class if the competitive bidding process by load class is implemented.

C. CBP Alternative – Slice of System Competitive Bidding Process

27. In the other CBP alternative, the product would be a "slice of the system" of the total SSO load of all the Companies. Hence, bidders in the solicitations would provide SSO Supply for tranches comprised of all SSO Customer load classes for all of the Companies. Attached as Exhibit A2, are the proposed CBP rules for a slice of system competitive bidding process.

28. Under this alternative, in 2008, solicitations for one-quarter of the load to be procured for each of the three delivery periods (January 1, 2009 through May 31, 2010, January 1, 2009 through May 31, 2011 and January 1, 2009 through May 31, 2012) will be conducted simultaneously on four days throughout the year. After 2008, four solicitations will be conducted over the course of a 12-month period to procure one-third of the total SSO Supply for a 36-month period. Attached as Exhibit B2, is a proposed schedule for the slice of system solicitations beginning in 2008.

29. To determine the Standard Service Offer Generation Charge for each load class, the Blended CBP Price will be multiplied by a factor generally based on the ratio

of each load class' historical average SSO Generation and Transmission Rate, converted to a wholesale equivalent, to the average of all historical SSO Generation and Transmission Rates and then adjusted by the applicable distribution line loss factor. The rate so calculated will be adjusted by the load class seasonal factor, and the result grossed up for applicable taxes to determine the individual Standard Service Offer Generation Charge for each load class. Attached as Exhibit C2 is a Rate Template that illustrates the methodology the Companies will use to arrive at the Standard Service Offer Generation Charge for each load class if a slice of the system competitive bidding process is implemented. The slice of system approach provides greater flexibility to the Commission in establishing the specific generation rates for the different customer classes through application of the Rate Template. Such flexibility could be exercised to address customer impacts during the transition to generation prices derived from the competitive bidding process, particularly for customers that have historically been served under below average rates.

Rate Design

A. General Principles

30. The Companies' current generation tariffs and rates reflect the concepts prevalent in the industry, and the Companies' circumstances, prior to the competitive generation and the restructuring of the Ohio electric industry, which went into effect in 2001. Such tariffs do not reflect the current structure of the electric industry in Ohio and need to be revised to conform with the changes that resulted from restructuring.

31. As a general principle, the Companies' Standard Service Offer Generation Charges reflect the fact that the Companies no longer own generating plants and must

purchase all of the energy and capacity if they are to provide generation service to SSO Customers.

32. All Standard Service Offer Generation Charges will be seasonal, with the exception of street and traffic lighting rates. The seasonal factors will be fixed but based on load-weighted Locational Marginal Prices, where the hourly load values used will be derived from the usage profile data for customers in the load class. Additionally, all SSO Customers, with the exception of street and traffic lighting accounts, will have an optional, seasonal, time-of-day rate available to them.

33. To ensure that SSO Supply costs are fully recovered and so that the customers pay and Companies recover no more or less than the costs to procure power and implement the program, the Companies are proposing a quarterly reconciliation adjustment, which will adjust the retail price to account for differences between SSO Generation Service revenues and SSO Supply costs (i.e., amounts paid to the SSO Suppliers plus the Companies' additional costs incurred in the provision of SSO Generation Service) during the prior quarter. See paragraphs 38 - 41 below.

34. As stated above, in order to match the SSO Supply terms with MISO planning years, the different delivery periods for which SSO Supply is being procured during 2008 are designed ultimately to correspond with MISO planning years which run from June 1st to May 31st of the subsequent year.

B. Special Rates

35. For customers served under the Street Lighting (Rate STL) or Traffic Lighting (Rate TRF) schedules, the Standard Service Offer Generation Charge shall be the Standard Service Offer Generation Charge for Rate GS or 3.0¢ per kWh, whichever is less. Governmental entities who participate in or take generation service through opt-

out governmental aggregation for their governmental electric accounts are not eligible for this special pricing provision for Rate STL and Rate TRF.

36. Accordingly, with respect to traffic and street lighting customers, the Companies propose to recover any difference between the Standard Service Offer Generation Charge and the generation rate charged to such customers for SSO Generation Service through a non-bypassable charge paid by all other retail delivery customers via a separate rider -- Revenue Variance Rider.

37. With respect to CEI's special contract customers remaining after January 1, 2009, the Companies propose to recover 50% of the difference between the Standard Service Offer Generation Charge and the generation portion of the special contract rate, consistent with past treatment, through a non-bypassable charge paid by all other CEI customers via a separate rider.

C. Reconciliation Mechanism

38. The Companies propose a quarterly reconciliation to recover, among other things, the difference between amounts paid to suppliers and amounts actually billed to customers (the "Reconciliation Charge"). Reconciliation Charges will be calculated for each calendar year quarter and, due to data availability, included in charges to SSO Customers approximately 60 days following the conclusion of the calendar year quarter.

39. If a competitive bidding process by load class is implemented, the Reconciliation Charge will be calculated separately for each load class. If a slice of system competitive bidding process is implemented, there will be a single Reconciliation Charge for all load classes. See Rate Templates and Reconciliation Mechanisms, Exhibits C1 and C2. All of the Companies' SSO Customers, except for street and traffic

lighting accounts and CEI's special contract customers whose contracts specify a fixed price, will pay the Reconciliation Charge. See Proposed Tariffs, Exhibits D1 and D2.

40. Additionally, the Companies propose to recover through the Reconciliation Mechanism certain categories of incremental expenses associated with the implementation of either of the proposed CBP alternatives: (a) competitive bidding process expenses not recovered through the tranche fees paid by SSO Suppliers; (b) a working capital adjustment to account for the lag between incurrence of increased SSO Supply costs and collection of SSO Customer revenues reflecting such increased rates; (c) incremental labor costs associated with employees who will handle the operational aspects of providing SSO Supply, such as, for example, day-ahead and real-time coordination with SSO Suppliers and MISO or implementation of the Companies' Contingency Plan; and (d) uncollectible amounts associated with SSO Generation Service.

41. The Reconciliation Mechanism is intended to allow the Companies to be made whole and to ensure that SSO Customers do not pay more than the expenses incurred through the CBP alternatives and the costs described above. In other words, both the Companies and SSO Customers will be "made whole" via the Reconciliation Mechanism. However, the Companies reserve the right to apply to the Commission for a change to the Reconciliation Mechanism in the event that the level of the Reconciliation Charge becomes unduly burdensome for then-current SSO Customers.

D. Avoidable Charges

42. If a competitive bidding process by load class is implemented, the avoidable charge for each load class will be equal to the Standard Service Offer Generation Charge plus the Reconciliation Charge.

43. If a slice of the system competitive bidding process is implemented, the avoidable charge for each load class will be equal to the lower of the blended competitive bid price multiplied by the supplier seasonal billing factor adjusted for average distribution line losses and applicable taxes, or the customer's Standard Service Offer Generation Charge.

E. Tariff Filings

44. By December 1, 2008 the Companies will file conforming tariffs that incorporate the rate design methodologies set forth in this Application and the Standard Service Offer Generation Charges as approved by the Commission, expressed in cents/kWh, based on the results of the solicitations conducted during 2008. Forms of such tariffs are attached hereto as Exhibit D1 and D2.

45. Beginning in 2010, and on May 1st of each subsequent year, the Companies will file tariffs that incorporate the revised Standard Service Offer Generation Charges, expressed in cents/kWh, based on the results of the solicitations conducted during the preceding 12-month period blended with the previous solicitations from which Master SSO Supply Agreements remain in effect.

46. SSO Customers will be billed on a bills rendered basis beginning with the first billing portion for January 2009.

F. Economic and Emergency Load Response Program

47. The Companies propose an optional load response program ("LRP") for SSO Customers taking service under Rate Schedule GT which will provide customers with a credit ("Interruptible Service Credit"), determined by the amount of load the customer wishes to identify as curtailable. The Interruptible Service Credit effectively reduces the net cost of electricity and to the extent participants reduce their actual

hourly demand, the wholesale market price will tend to be reduced, benefiting all customers. The LRP plays an important role in maintaining bulk power system reliability and results in better use of system capacity and in more efficient use of the system. The LRP also serves to incrementally stabilize and mitigate wholesale electricity markets by giving customers the opportunity to respond to market conditions. A customer in the LRP must demonstrate that it has at least 1 MW of realizable curtailable load ("RCL") and that it can reduce its load on the system to the agreed upon firm load when called upon to do so.

(1) Economic Buy Through Event

48. SSO Customers in the LRP will be required to contractually establish a firm load, and demand in excess of this amount will be curtailable. The Companies can request Economic Buy Through Events (EBT) during non-emergency conditions, specifically when the day-ahead LMP is greater than 125% of the Blended Competitive Bid price for a minimum of three consecutive hours, but such events cannot exceed 1000 cumulative hours during any calendar year. When an EBT is invoked, the customer will have the option of curtailing, in total or in part, its hourly demand or paying a price based on the hourly pricing observed in the MISO administered energy market for the portion of the customer's curtailable load that is not curtailed during the curtailment period.

49. The RCL option will be closed to new participants once the total RCL for all customers served under the LRP in the Companies' service territories reac hes 400,000 kW.

50. SSO Suppliers will remain obligated to provide the energy requirements for participants in the LRP, including the energy needed when a customer chooses to

buy energy during an EBT and pay a price based on the hourly LMPs. Since the Companies will pay SSO Suppliers based on the clearing price but collect revenue from participating customers based on higher hourly LMPs, the Companies will have revenues in excess of expenses. The 'excess revenues' will be passed back to all customers to offset the cost of the Interruptible Service Credit received by participants in the LRP. Depending on the level of hourly LMPs and the decisions by participating customers as to whether to curtail their consumption, the LRP can potentially be self funding or even provide a net credit to all other customers.

(2) Emergency Interruption

51. When the Companies, a regional transmission organization, or transmission system operator determines that the operation of the electrical system requires curtailment of a customer's interruptible load, the Companies will call for an emergency interruption and the customer is required to interrupt its RCL on or before the time specified by the Companies. The Companies will endeavor to alert customers as soon as possible of such an emergency interruption.

52. The customer must stay at or below its firm load during an emergency interruption request. Failure to reduce load down to its firm load level and to keep its load at or below the firm load level may result in the customer losing eligibility to participate in the Load Response Program and incurring other significant costs, and may include physical disconnection of the customer's facilities to preserve system integrity.

53. A detailed description of the LRP and the form of the associated tariff is attached as Exhibit E.

G. Hourly Pricing Program

54. The Companies propose, beginning January 1, 2009, an optional Generation Hourly Pricing Rider that would provide SSO Customers the opportunity to access, by proxy, an established hourly energy market to purchase generation service. Participating SSO Customers would have the ability to manage electric costs by shifting load from higher to lower price periods, reducing load during higher priced periods, or by adding new load during lower price periods.

55. The Generation Hourly Pricing Rider would be available to customers taking SSO Generation Service that had appropriate interval metering and communication capabilities. Energy prices would be obtained from the MISO administered day ahead energy market, currently viewable to customers directly from the existing MISO web site. All costs to the Companies associated with procuring hourly generation service for SSO Customers on the Rider and administering the program under the Rider would be charged to the customer. For the load being served under the Hourly Pricing Rider, the Companies will, for all MISO purposes, be the load serving entity and this load will not be a responsibility of the winning bidders in the competitive bidding process.

56. In addition, a reconciliation mechanism, specific to this program, is proposed to ensure cost recovery by the Companies that does not exceed or fall short of actual costs. Interval metering would be required and provided by the Companies at the customer's expense, and customers would be required to provide and pay for the installation and monthly cost of a dedicated telephone line to the meter location.

57. A detailed description of the hourly pricing program and the form of the associated tariff is attached as Exhibit F.

Master SSO Supply Agreement Terms

58. Each winning bidder will be required to execute the Master SSO Supply Agreement within three business days following the Commission's acceptance of the clearing price. The Companies have attached to this Application, a form of the Master SSO Supply Agreement for a competitive bidding process by load class (Exhibit G1) and for a slice of system competitive bidding process (Exhibit G2). A separate version of the Master SSO Supply Agreement will be used for each product and SSO Supply period. For example, the description of the load class to which the SSO Supply is being provided will differ between versions of the Master SSO Supply Agreement if the competitive bidding process by load class is implemented. Furthermore, for the 2008 solicitations, a different version of the Master SSO Supply Agreement will be used for each SSO Supply period. However, the overwhelming majority of the Master SSO Supply Agreement is uniform among SSO Suppliers. None of the purchases by the Companies under the Master SSO Agreement shall constitute planned system purchases, as that term is used in existing documents outside of the CBP process. In the paragraphs below, the Companies describe some of the more significant uniform provisions.

59. Pursuant to the Master SSO Supply Agreement, every SSO Supplier must be a MISO load serving entity.

60. The Master SSO Supply Agreement will obligate every SSO Supplier to join the MISO Planning Reserve Sharing Group and to abide by the resource adequacy requirements of that group, thus ensuring that there is sufficient generating capacity to reliably serve future load and comply with applicable capacity requirements and reliability standards.

61. During the term of the Master SSO Supply Agreement, winning bidders are protected against new Regional Transmission Organization ("RTO") or other regulatory charges on an incremental basis that were unknown and not anticipated at the time of the solicitation, and are imposed as transparent standard charges. Such charge(s) would be the responsibility of the supplier in subsequent solicitations. For example, if MISO implements a capacity market from which transparent capacity prices are obtainable, the Companies may petition the Commission to adjust the clearing price being paid to the SSO Suppliers under their Master SSO Supplier Agreement by an appropriate, incremental amount, and to recover (or credit) any such incremental payment (or decrease in payment) to the SSO Suppliers through the Reconciliation Charge. In the event MISO adopts a formal capacity requirement, bidders in subsequent solicitations will be responsible for incorporating capacity costs into their SSO Supply bids. Such provision should serve to lower the overall price derived from the CBP, and an SSO Supplier will not need to include a risk premium to guard against not recovering such charges.

62. Since the SSO Suppliers, from a MISO perspective, will be deemed to have taken over serving SSO Customer load in the middle of the MISO planning year, they will not be able to obtain Firm Transmission Rights ("FTRs") for the period January 1, 2009 to May 31, 2009. However, the Companies will possess FTRs for this period but will no longer be incurring a congestion expense. To transfer the value of all FTRs possessed by the Companies, the Companies will resell them into the MISO monthly FTR market once the SSO Suppliers begin supplying SSO Supply and the net revenue so obtained will be paid to the SSO Suppliers. Accordingly, the Companies are proposing, under the Master SSO Supply Agreement, to "reimburse" the SSO Supplier

for FTRs for the period from January 1, 2009 through May 31, 2009. Beginning June 1, 2009, under the Master SSO Supply Agreement, the SSO Suppliers will be solely responsible for obtaining necessary FTRs.

Renewable Energy Requirements

63. To encourage the use and development of renewable generation sources the Companies propose to reserve or set aside one tranche which must be supplied 100% from renewable generation sources. In the Load Class Procurement alternative, one tranche in the Residential Load Class for the 41 month delivery period in the August 2008 solicitation will be set aside or excluded from the solicitation. In the Slice of System alternative, one tranche from the September 2008 solicitation will be set aside. In both alternatives, offers to supply the renewable tranche will be solicited through a Request for Proposal process to be conducted in September 2008. Winning respondents to the RFP for the renewable tranche will have to surrender to the Companies one renewable energy credit for every megawatt hour actually delivered to the Companies. The types of renewable generation sources that may be utilized to supply the renewable tranche include the following: wind, solar photovoltaic, biomass co-firing of agricultural crops, hydro (as certified by the Low Impact Hydro Institute), incremental improvements in large scale hydro, pumped hydro, compressed air, coal mine methane, landfill gas, and biogas digesters, co-firing all woody waste including mill residue but excluding painted or treated lumber, solar thermal, geothermal, fuel cells, and waste coal. Only renewable energy credits from sources within the MISO or PJM RTOs can be used to fulfill this obligation. The cost of this tranche will be blended with the prices obtained from the other solicitations for purposes of the rate templates.

64. The Companies will continue to offer a REC-based program to SSO Customers. However, any such program would not be expected to impact the SSO Suppliers' obligations.

Components of the CBP Proposal

65. With this Application, the Companies' have included, for each CBP alternative, CBP rules (Exhibits A1 and A2), Proposed Competitive Bidding Process Schedules (Exhibits B1 and B2), Rate Templates and Reconciliation Mechanisms (Exhibits C1 and C2), Proposed Tariffs (Exhibits D1 and D2), a Load Response Program Description (Exhibit E), a Hourly Pricing Program Description (Exhibit F), a form of the Master SSO Supply Agreement (Exhibits G1 and G2), Communications Protocols (Exhibit H), a proposed Contingency Plan (Exhibit I) and a Competitive Bidding Process Timetable (Exhibit J).

66. The Master SSO Supply Agreement will only be executed if the Commission accepts the solicitation as being consistent with its implementing Order. Similarly, the previously approved tariffs will go into effect on January 1, 2009 and will reflect the Companies' ultimate costs of procuring SSO Supply, including the results of the competitive bidding processes.

67. The CBP rules establish the process under which the CBP Manager will conduct the competitive bidding process, with oversight by the Commission. In addition to certain topics covered by the Master SSO Supply Agreement, the CBP rules focus upon the process in place prior to the competitive bidding processes, including, but not limited to, information provided to bidders and the application process, the specific rules regarding the bidding format, indicative offers, rounds of bidding, calculation of next

round prices, and conclusion of bidding. The CBP rules also address confidentiality requirements and contain an extensive glossary of terms.

68. The Rate Template, Reconciliation Mechanisms and Proposed Tariffs work together (a) to translate the clearing prices into Standard Service Offer Generation Charges and then (b) to ensure that the Standard Service Offer Generation Charges initially implemented are reconciled to balance all costs incurred by the Companies in the provision of SSO Generation Service.

69. For the competitive bidding process by load class, the Rate Template for each load class is based upon an approach that adjusts the clearing price for distribution line losses.

70. For the slice of system competitive bidding process, the Rate Template is based upon an approach that generally maintains the relationship between the existing average kWh generation and transmission rate of the load classes.

71. The Reconciliation Mechanism is designed to ensure that SSO Suppliers receive, and that amounts billed to SSO Customers provide sufficient funds for, the Companies to pay the clearing price to SSO Suppliers and keep the Companies whole. Included with the Application are proposed riders to be included as part of the Companies' Standard Service Offer Generation Charge tariffs, which implement the proposed Rate Template and Reconciliation Mechanisms described above and in Exhibits C and D, should the Commission accept the clearing prices.

72. The Companies have also included, as part of this Application, Communications Protocols. This document describes the information made available during and by the CBP and, on the basis of the Commission's determination regarding the confidentiality of different types of information resulting from the CBP, sets forth

which information is confidential. This document also describes the undertakings, with respect to the confidential information generated by the CBP, the CBP Manager, the Companies, Commission Staff, the Commission's Advisor (if one assists the Commission), the Commission, and the bidders participating in the CBP.

Contingency Plans

73. The Companies have developed plans for the following contingencies:

(a) the Commission does not accept the results of a solicitation for all products

(b) tranches for a particular competitive bidding process product are not fully-subscribed at the close of a competitive bidding solicitation;

(c) one or more winning bidders repudiate the Master SSO Supply Agreement prior to the beginning of the delivery period; or

(d) one or more SSO Suppliers default during the delivery period.

74. If all tranches for a particular solicitation are not fully-subscribed at the close of a solicitation or the Commission does not accept the results, then the unsubscribed tranches will "roll-over" to the next solicitation for that product. If all tranches for the final solicitation for a product within the same designated twelve month period are not fully-subscribed, then, at the Companies' option, the unsubscribed tranches may be offered to the other SSO Suppliers, bid out as quickly as commercially possible or procured in MISO-administered markets.

75. If a winning bidder(s) repudiates the Master SSO Supply Agreement prior to the start of the SSO Supply period, then, at the Companies' option, the defaulted tranches may be included in the next solicitation for that product, offered to the other

SSO Suppliers, bid out as quickly as commercially possible or procured in MISO-administered markets.

76. If an SSO Supplier defaults prior to or during the SSO Supply period, then, at the Companies' option, the defaulted tranches may be offered to the other SSO Suppliers, bid out as quickly as commercially possible or procured in MISO-administered markets.

77. Replacement power procured by the Companies arising due to any or all of the foregoing contingencies that is not procured in the next solicitation, bought in response to an offer to another SSO supplier or bid out as quickly as possible on a commercial basis will be obtained in MISO-administered markets at prevailing FirstEnergy zonal spot market prices, and, unless instructed otherwise by the Commission in a timely fashion, the Companies will not enter into discretionary hedging transactions to attempt to manage the associated price or volume risks to serve these tranches. All additional costs, including, without limitation, energy and capacity costs, incurred by the Companies in implementing this Contingency Plan will be assessed first against the defaulting SSO Supplier's credit security, to the extent available. If the credit instrument is insufficient to cover such costs or recovery is unreasonably delayed, the Companies shall be permitted to recover the costs through the Reconciliation Mechanism, or if such alternative is not available, then such costs shall be collected either directly through the implementation of a tariff or rider for such purpose, or deferred, with an appropriate carrying charge, and collected by the Companies as part of the Companies' next base rate proceeding.

Residential SSO Rate Phase-In

78. The rate design that will be implemented under the CBP is consistent with the market and replaces rates that were designed in some instances well over 20 years ago. Cost and market characteristics have changed and as a result it is possible that bills for residential customers could change significantly. The Companies are proposing to act proactively to manage the impact for residential customers and set forth an alternative that will mitigate significant total bill increases for residential SSO Customers and provide a smoother transition to rates resulting from the CBP alternatives in this Application. That proposal is a program in which residential customers could transition to higher rates by means of phased-in retail prices. By initiating a program to transition residential SSO Customers to potentially higher rates for SSO Supply gradually, over time, and in an orderly fashion, through mechanisms such as a phase-in, the Companies seek to moderate potentially large price increases.

79. As a result, the Companies propose a phase-in of 2009 prices obtained through the CBP alternatives in this Application where the resulting Standard Service Offer Generation Charges, in addition to all other changes in applicable charges, would lead to an average increase of more than 15% in the residential SSO Customer's overall electric rate as compared to the average 2008 rate. The Companies would be authorized to defer the expense associated with the difference between phased-in SSO Generation Charge revenues and the SSO Supply costs for the phase-in period, with appropriate carrying costs. The deferred purchase power expense in 2009 would be incorporated in each Company's proposed Revenue Variance Rider and paid back by all residential customers subject to such Rider, including appropriate carrying costs, over a three-year term beginning in 2010 for Ohio Edison and Toledo Edison and 2011

for CEI. Such deferred amount would be subject to a $150 million aggregated cap for the Companies. If the deferred amount exceeds $150 million using a 15% threshold, the threshold for SSO Customers' overall electric bill increase would be adjusted so as to maintain the cap at or below $150 million in aggregate for the Companies.

80. For purposes of determining qualification for such a phase-in, the average rate for residential customers on Rate Schedule RS with the Residential Distribution Credit Rider would be calculated to determine if there is a greater than 15% increase in those customers' overall electric rate, as compared to the average 2008 rate. Similarly but separately, the average rate for 2009 for all other residential customers not on the Residential Distribution Credit Rider would be compared to the 2008 average rate to determine qualification for a phase-in. If the average increase is greater than 15% for either or both of these two groups of residential customers, the Commission may elect to have the affected group(s) of residential customers participate in the phase-in.

NOW THEREFORE, because the Companies' CBP proposal has been designed to provide the Commission flexibility to select the CBP approach that will result in competitively priced generation service for customers, and will send more accurate price signals, as well as giving customers numerous options to participate in demand response, energy efficiency and renewable resource programs, in addition to providing the Commission the option of a phase-in of new generation prices, the Companies urge the Commission to issue its Opinion and Order that approves (a) one of the competitive bidding processes described herein, along with the appropriate CBP rules and attached exhibits including tariffs, (b) implementation of the RSF Charge for all CEI retail delivery customers related to special contracts and all customers related to streetlighting and traffic lighting, and the Reconciliation Mechanism for all of the Companies' retail delivery customers, and that acknowledges that (c) the Companies proposed offerings to implement the time of day rates, hourly pricing program, load response program, and phase-in proposal (d) all required waivers from Commission rules necessary to implement the CBP selected by the Commission, and (e) that the Companies may implement their existing REC-based program to be offered to SSO Customers, and for all other relief just and proper in the premise.

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

By _______________________
Vice President

By James F. Pearson
Treasurer or Secretary

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On behalf of Ohio Edison Company,
The Cleveland Electric Illuminating Company,
and The Toledo Edison Company

VERIFICATION

STATE OF OHIO)
) ss.
COUNTY OF SUMMIT)

The undersigned, being first duty sworn, state that they have the authority to verify the foregoing Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, the "Companies") for authority to implement a competitive bidding process for Standard Offer Service electric generation supply. Also, they state that they have read said Application and are familiar with the contents in support; and that all of the statements contained in said filing made on behalf of the Companies are true and correct to the best of their knowledge and belief.

Richard H. Marsh	James F. Pearson
Senior Vice President & CFO	Treasurer
Ohio Edison Company	Ohio Edison Company
The Cleveland Electric Illuminating Co.	The Cleveland Electric Illuminating Co.
The Toledo Edison Company	The Toledo Edison Company

Sworn to and subscribed before me, a notary public, in and for said County and State, this 9TH day of July, 2007.

Notary Public
STEPHEN N. HADICK, Attorney at Law
Notary Public - State of Ohio
My Commission Has No Expiration Date Sec. 147.03 R.C.

NOTARIAL SEAL STATE OF OHIO

Index of Exhibits

Exhibit Number	Title
A	Competitive Bidding Process Rules A1 – Competitive Bidding Process by Load Class A2 – Slice of System Competitive Bidding Process
B	Competitive Bidding Process Schedule B1 – Competitive Bidding Process by Load Class B2 – Slice of System Competitive Bidding Process
C	Rate Template and Reconciliation Mechanism C1 – Competitive Bidding Process by Load Class *C2 – Slice of System Competitive Bidding Process*
D	Proposed Tariffs D1 – Competitive Bidding Process by Load Class D2 – Slice of System Competitive Bidding Process
E	Load Response Program Description and Tariff
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G	Master SSO Supply Agreement G1 – Competitive Bidding Process by Load Class G2 – Slice of System Competitive Bidding Process
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Exhibit A1

RULES FOR COMPETITIVE BIDDING PROCESS

BY LOAD CLASS

July 9, 2007

TABLE OF CONTENTS

I. INTRODUCTION

I. A. Overview

The Competitive Bidding Process ("CBP") is a multi-solicitation procurement process by which The Cleveland Electric Illuminating Company, The Toledo Edison Company and Ohio Edison Company (hereafter referred to as the "FirstEnergy Ohio Utilities") procure supply for the provision of Standard Service Offer ("SSO") for their fixed-price retail customers. The FirstEnergy Ohio Utilities will procure supply for their customers on hourly pricing, if any, outside the CBP through a separate process. This Competitive Bidding Process was established through an application to the Public Utilities Commission of Ohio ("PUCO" or "Commission") under Chapter 4901:1-35 of the Ohio Administrative Code.

A CBP refers to a series of Solicitations in a given twelve-month period. Three Solicitations will be held in 2008, one in March, one in August, and another in November to procure supply for periods of various lengths all beginning on January 1, 2009. These three Solicitations are collectively referred to as the 2009 CBP. Each of these three Solicitations will procure one third of the FirstEnergy Ohio Utilities' fixed-price load of their residential and smaller non-residential customers for 1, 2, and 3-year terms. The first and third Solicitations will each procure approximately one half of the FirstEnergy Ohio Utilities' fixed-price load of their larger non-residential customers for 1, 2, and 3-year terms. In subsequent years, there will be three Solicitations. Each of these Solicitations will procure approximately one ninth of the FirstEnergy Ohio Utilities' fixed-price load of their residential and smaller non-residential customers for a term of three years, such that each year the three Solicitations will together procure approximately one-third of this load for a rolling three-year period. The first and third Solicitations in these subsequent years will also each procure approximately one sixth of the FirstEnergy Ohio Utilities' fixed-price load of larger non-residential customers, such that each year these two Solicitations will together procure approximately one third of this load for a rolling three-year period.

The three Solicitations that the FirstEnergy Ohio Utilities will conduct in 2008 to procure full requirements service for their Standard Service Offer Load ("SSO Load") for the period beginning January 1, 2009 and ending no later than May 31, 2012 will be under the terms described below. ***SSO Load*** will be the FirstEnergy Ohio Utilities' aggregate requirements associated with SSO Customers, and will include distribution losses. For purposes of these Rules for the Competitive Bidding Process by Load Class ("CBP Rules"), an ***SSO Customer*** is a retail customer on a fixed-price tariff (and not an hourly price tariff) taking Standard Service Offer. All retail customers who have appropriate interval metering and communication capabilities can elect to take an hourly pricing service from the FirstEnergy Ohio Utilities; each such customer is an ***HP Customer***. Competitive Retail Electric Service suppliers ("***CRES suppliers***") are licensed by the PUCO and serve shopping customers. SSO Load will exclude the requirements of wholesale customers, the requirements of HP Customers, and the requirements of customers served by CRES suppliers. SSO Load will include the requirements of any customers of the Cleveland Electric Illuminating Company still under Special Contracts until December 31, 2012 ("SC customers"). Information concerning the dates of expiration of special contracts will be provided to suppliers, as detailed in section II. A. The Toledo Edison Company and Ohio Edison Company will not have any retail customers still under Special Contracts as of January 1, 2009. SSO Load will include the requirements of larger non-residential customers than have elected to participate in the Load Response Program ("LRP") offered by the FirstEnergy Ohio Utilities. Participation in the LRP is limited to 500MW. Information concerning enrollment in this program and circumstances under which customers can be asked to curtail will be provided to suppliers, as detailed in section II. A. Each customer (who is not a wholesale customer, is not an HP Customer, and is not a CRES customer) becomes an SSO Customer on January 1, 2009 and is served collectively by all winning bidders. A shopping customer may become an SSO Customer on any meter reading date in accordance with standard switching requirements, including required prior notice. An SC customer may remain an SSO Customer when its special contract expires if the SC customer does not elect at that time to be served by a CRES supplier. An HP Customer faces a 12-month minimum stay and may become an SSO Customer with a 60-day notice. The FirstEnergy Ohio Utilities will utilize a descending clock format (described below in section III. A) to solicit bids.

The CBP is designed to procure full requirements service for fixed-price customers of the FirstEnergy Ohio Utilities classified in each of three (3) classes: Residential; General Service – Small, which includes smaller non-residential customers; and General Service –

Large, which includes larger non-residential customers, as more fully described below. ***Full requirements service*** includes energy, all ancillary services, firm transmission services, current MISO resource adequacy requirements, and other services necessary to serve the load of fixed-price customers of the FirstEnergy Ohio Utilities. Full requirements service is defined more precisely in the Master Standard Service Offer Supply Agreement ("SSO Agreement") for each class. A ***class*** is a classification or grouping of individual customers of the FirstEnergy Ohio Utilities for the purposes of the CBP.

In the Solicitations of the 2009 CBP, bidders in a given Solicitation bid to provide full requirements service for at least one of the three (3) classes and for at least one supply period. Bidders will be able to bid on up to three (3) different supply periods for each available class, namely supply periods of 17 months, 29 months, and 41 months. Each supply period begins on January 1, 2009 and ends on May 31 of 2010, 2011 or 2012. A ***product*** is the SSO Load of a given class for a specific term; e.g., the Residential load for a 17-month period is a product, and the General Service – Large load for a 29-month period is a product. Each class will be divided into ***tranches***, with each tranche representing approximately 100 MW of the peak demand for that class, as defined more precisely below.

Each Solicitation held under the CBP will use a descending clock format, and will proceed in a series of rounds. During the bidding phase of each round, each bidder must indicate how many tranches of each available product the bidder wishes to serve at the prices announced at the start of the round by the CBP Manager. A ***bid*** is the number of tranches of each product that a bidder wants to serve at the announced prices. If the number of tranches bid by all bidders on any product is greater than the number of tranches needed for that product, the CBP Manager reduces the price for that product by a decrement in the next round. A ***decrement*** is a given percentage of the previous price. The CBP Manager then announces these new prices before bidding in the next round opens. Generally, bidding continues, and the prices tick down, until the total number of tranches offered for all products falls to the point where it equals the number of tranches needed. The prices at which there is just sufficient supply are the ***clearing prices***. The winners are those still holding tranches when bidding ends. All winners for a given product receive the same clearing price for that product. The clearing prices are expressed in \$/MWh rounded off to the nearest cent.

If the Commission approves the results of the Solicitations conducted under the CBP, SSO Customers will pay rates that are derived from the clearing prices. The payment to winning suppliers for a given product in a Solicitation is a seasonal function of the clearing price for that product in that Solicitation. The summer payment, received from June 1 through August 31, will be higher than the clearing price. The winter payment, received for the remaining months, will be lower than the clearing price. Preliminary seasonal factors, by which the clearing prices will be multiplied to obtain the summer and winter payments and which will vary by class, are provided in section I. C.

The Commission and the PUCO Staff will oversee the conduct of the CBP. The Commission may retain an advisor to help in overseeing the conduct of the CBP. Within two (2) days of the conclusion of a Solicitation, the Commission will decide whether to approve the results. If the Commission approves the clearing prices, the Commission will authorize the winners to become ***SSO Suppliers***, and as such the winners will be considered certified suppliers. The SSO Suppliers will be required to execute the relevant SSO Agreement(s) within three (3) days of the Commission decision.

I. B. Standard Service Offer ("SSO") Service and Load to be Procured

SSO Service will be the electric service provided by winning bidders to those customers who are not wholesale customers, who are not HP Customers, and who are not shopping and served by a CRES supplier. SSO Load will be the load associated with these customers. The load in the FirstEnergy Ohio Utilities' overall territory will be divided into three classes: Residential, General Service – Small, and General Service – Large. SSO load for a class will be served collectively by all winning bidders for that class. A shopping customer may start to take SSO Service and become an SSO Customer on any meter reading date in accordance with standard switching requirements, including required prior notice. An SC customer may remain an SSO Customer when its special contract expires if the SC customer does not elect at that time to be served by a CRES supplier. An HP Customer faces a 12-month minimum stay and may become an SSO Customer with a 60-day notice.

The three classes of SSO Customers can be described as follows:

(1) **Residential.** Customers who take delivery service under rate schedule RS (secondary voltages less than or equal to 600 volts) belong to the Residential class.

(2) **General Service - Small.** Customers who take delivery service under rate schedules GS (secondary voltages less than or equal to 600 volts), STL (Street Lighting Service), TRF (Traffic Lighting Schedule), and POL (Private Outdoor Lighting Service) belong to the General Service - Small class. These are smaller non-residential customers.

(3) **General Service - Large.** Customers who take delivery service under rate schedules GP (all other available voltages), GSU (sub-transmission, high-voltage 3-wire), and GT (transmission service greater than or equal to 69,000 volts) belong to the General Service - Large class. These are larger non-residential customers.

Table 1 below provides the rate schedules for each class.

Table 1. Classes and Rate Schedules.

Class	Rate Schedules
Residential	RS - Secondary Service, less than or equal to 600 volts
General Service - Small	GS - Secondary Service, less than or equal to 600 volts
	STL - Street Lighting Service
	TRF - Traffic Lighting Schedule
	POL - Private Outdoor Lighting Service
General Service - Large	GP - Primary Service, all other available voltages
	GSU - Sub-Transmission service, 23,000 volts three wire and 34,500 volts three wire (for OE and TE), 11,000 volts three wire and 36,000 volts three wire (for CE)
	GT - Transmission Service – Greater than or equal to 69,000 volts

The FirstEnergy Ohio Utilities will, on an hourly basis, divide the total load of the FirstEnergy Ohio Utilities into SSO Load by class, CRES load by CRES supplier, load for all HP Customers, and wholesale load by wholesale customer. All hourly loads will be determined in the first instance from either interval metering (applicable generally to larger customers and to all HP Customers) or load profiling. SSO Load will be determined for the Residential, General Service – Small, and General Service – Large classes. Hourly loads will be adjusted by distribution loss factors to determine estimated hourly loads including distribution losses. Hourly loads adjusted by distribution loss factors will be further adjusted on an hourly basis so that the sum of all hourly loads equals the hourly total load for which the FirstEnergy Ohio Utilities, wholesale customers, and CRES suppliers are in the aggregate responsible to MISO. The methodology used for determining SSO Load, as well as the distribution loss factors that will be applied, have been approved by the PUCO as part of the FirstEnergy Ohio Utilities' CRES tariffs. Transmission loss factors on MISO-controlled facilities will not affect hourly load as MISO charges for transmission losses are done on a marginal loss basis.

For purposes of the CBP, SSO Load for each class is divided into units called tranches, each representing the same percentage of SSO Load for that class. The ***MW-measure*** of each tranche provides, for reference purposes only, a figure in megawatts corresponding to a certain percentage of the peak load share of that class. The ***size*** of a tranche for each class provides the percentage of the load for that class that a tranche represents. The ***peak load share*** for a class is the hourly load coincident with the FirstEnergy balancing authority peak load, measured at the customer meter and including losses, of a recent twelve-month period, for all customers of the FirstEnergy Ohio Utilities in that class. As shown in the table below, the peak load share of the most recent twelve months for the Residential class was approximately 4,800 MW, so that there are 48 tranches total and each tranche represents 2.08% of peak load; the peak load share of the most recent twelve months for the General Service – Small class was approximately 3,800 MW so that there are 38 tranches total and each tranche represents 2.63% of peak load; the peak load share of the most recent twelve months for the General Service – Large class was approximately 2,900 MW so that there are 29 tranches total and each tranche represents 3.45% of peak load.

Table 2. Illustrative Number of Tranches and Size of Tranches

Class	Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-measure of Tranche
Residential	4,800	48	2.08%	100
General Service – Small	3,800	38	2.63%	100
General Service – Large	2,900	29	3.45%	100

As mentioned above, each product is characterized both by a class of customers and a supply period. There are nine (9) products in total for the CBP: Residential 17-month, Residential 29-month, Residential 41-month, General Service – Small 17-month, General Service – Small 29-month, General Service – Small 41-month, General Service – Large 17-month, General Service – Large 29-month, and General Service – Large 41-month. The General Service – Large products will be procured solely through the March 2008 and November 2008 Solicitations; the other products will be procured through all three Solicitations of the 2009 CBP. Illustrative numbers of tranches in each Solicitation for each product of the CBP are provided in the tables below.

Table 3. Illustrative Tranches for the March 2008 Solicitation

March 2008 Solicitation

Class	Peak Load Share (MW)	Product	Number of Tranches	Size (%)	MW-measure
Residential	1,600	Residential 17-month	5	2.08	100
		Residential 29-month	5	2.08	100
		Residential 41-month	6	2.08	100
General Service – Small	1,300	General Service – Small 17-month	4	2.63	100
		General Service – Small 29-month	4	2.63	100
		General Service – Small 41-month	5	2.63	100
General Service – Large	1,400	General Service – Large 17-month	4	3.45	100
		General Service – Large 29-month	5	3.45	100
		General Service – Large 41-month	5	3.45	100

Table 4. Illustrative Tranches for the August 2008 Solicitation

August 2008 Solicitation					
Class	**Peak Load Share (MW)**	**Product**	**Number of Tranches**	**Size (%)**	**MW-measure**
Residential	1,500	Residential 17-month	5	2.08	100
		Residential 29-month	5	2.08	100
		Residential 41-month[1]	4	2.08	100
General Service – Small	1,300	General Service – Small 17-month	4	2.63	100
		General Service – Small 29-month	5	2.63	100
		General Service – Small 41-month	4	2.63	100

Table 5. Illustrative Tranches for the November 2008 Solicitation

November 2008 Solicitation					
Class	**Peak Load Share (MW)**	**Product**	**Number of Tranches**	**Size (%)**	**MW-measure**
Residential	1,700	Residential 17-month	6	2.08	100
		Residential 29-month	6	2.08	100
		Residential 41-month	5	2.08	100
General Service – Small	1,200	General Service – Small 17-month	4	2.63	100
		General Service – Small 29-month	4	2.63	100
		General Service – Small 41-month	4	2.63	100
General Service – Large	1,500	General Service – Large 17-month	5	3.45	100
		General Service – Large 29-month	5	3.45	100
		General Service – Large 41-month	5	3.45	100

[1] To encourage development of renewable generation sources, one tranche of Residential 41-month is being set aside to be supplied 100% from renewable generation sources. This tranche will be procured through a Request for Proposals to be held in September 2008.

In subsequent CBPs, there will be a single supply period of three years. Thus, there will be three products: Residential 3-year, General Service – Small 3-year, and General Service – Large 3-year. As in the 2009 CBP, General Service – Large products will be procured through the first and third Solicitations of the CBP. Illustrative numbers of tranches for each Solicitation of the next CBP are provided in the tables below.

Table 6. Illustrative Tranches for the September 2009 Solicitation

September 2009 Solicitation					
Class	**Peak Load Share (MW)**	**Product**	**Number of Tranches**	**Size (%)**	**MW-measure**
Residential	500	Residential 3-year	5	2.08	100
General Service – Small	400	General Service – Small 3-year	4	2.63	100
General Service – Large	400	General Service – Large 3-year	4	3.45	100

Table 7. Illustrative Tranches for the December 2009 Solicitation

December 2009 Solicitation					
Class	**Peak Load Share (MW)**	**Product**	**Number of Tranches**	**Size (%)**	**MW-measure**
Residential	500	Residential 3-year	5	2.08	100
General Service – Small	400	General Service – Small 3-year	4	2.63	100

Table 8. Illustrative Tranches for the March 2010 Solicitation

March 2010 Solicitation					
Class	**Peak Load Share (MW)**	**Product**	**Number of Tranches**	**Size (%)**	**MW-measure**
Residential	600	Residential 3-year	6	2.08	100
General Service – Small	400	General Service – Small 3-year	4	2.63	100
General Service – Large	500	General Service – Large 3-year	5	3.45	100

These values are provided for reference purposes only and may be updated no later than ten (10) days[2] before suppliers must first apply to participate in the CBP. The CBP Manager may further update MW-measures and, if an update is available, it will be provided no later than ten (10) days before suppliers must submit to the second part of the application process (as further explained below).

The FirstEnergy Ohio Utilities do not represent that each tranche will have the loads shown above or any particular MW value. The actual SSO Load for any class will depend upon many factors including customer migration to CRES suppliers and weather conditions. Suppliers are responsible for evaluating the uncertainties associated with SSO Load for each class.

I. C. Payment to SSO Suppliers and Rates

Information regarding definitions and payment bases are given in these CBP Rules solely for the convenience of bidders and are not to be relied upon by the bidders. The SSO Agreements, as approved by the Commission, provide the official definitions and payment terms.

An SSO Supplier for a given class provides full requirements service for the percentage of SSO Load for that class corresponding to the number of tranches won by the supplier for that class. Full requirements service means that the SSO Supplier is responsible for fulfilling all

[2] Unless otherwise specified, "days" refer to business days.

requirements including energy, current MISO resource adequacy requirements, ancillary services and transmission, and any other service as may be required by MISO to serve the customers in that class. The FirstEnergy Ohio Utilities provide distribution services, but suppliers will be responsible for Network Integrated Transmission Services ("NITS") and all associated ancillary services. The SSO Agreement includes provisions intended to protect SSO Suppliers from additional charges stemming from new MISO charges such as resource adequacy or capacity requirements that may be initiated by MISO during the length of the SSO Agreement. Any such protections are subject to PUCO approval.

An SSO Supplier for a given product receives the clearing price for that product times a ***seasonal factor*** (a ***summer factor*** in the summer or a ***winter factor*** in the winter, as described below) for every MWh of load served. The summer factor will ensure that SSO Suppliers are paid more than the clearing price for sales in the summer months, while the winter factor will mean that SSO Suppliers are paid less than the clearing price for sales in the winter months. Table 9 provides the provisional seasonal factors. These seasonal factors will be in effect on January 1, 2009. The seasonal factors may be different for future CBPs.

Table 9. Provisional Summer Factors and Winter Factors

Class	Summer Factor (June 1 – August 31)	Winter Factor (January 1 – May 31 and September 1 – December 31)
Residential	1.328	0.885
General Service – Small	1.251	0.906
General Service – Large	1.219	0.919

The provisional seasonal factors by which the clearing prices are multiplied to obtain the summer and winter payments vary depending on the class, as shown above. The final seasonal factors for each class will be announced to suppliers prior to the CBP and will be constant during the duration of each SSO Agreement.

Example 1. Supplier Payments[3].

The summer factor for the Residential class is 1.328 and its winter factor is 0.885. A bidder in the March 2008 Solicitation wins 3 Residential 17-month tranches at a price of $60.00/MWh. The size of each tranche is 2.08% of Residential Load. Thus, the bidder will serve approximately 6.24% of Residential Load between January 1, 2009 and May 31, 2010. The bidder receives $79.68 ($60.00 x 1.328) for each MWh of load served in the summer months and $53.10 ($60.00 x 0.885) for each MWh of load served in the winter months.

For SSO Customers in a particular class, the commodity portion of their rates will be a function of the tranche-weighted average of the clearing prices obtained for the various contract terms in that class procured through the CBP. The cost of a tranche being supplied entirely through renewable generation sources will also be blended with the clearing prices. For example, in January 2009, Residential Load will be served from Residential SSO Agreements for each of three (3) overlapping terms, namely: from January 1, 2009 to May 31, 2010; from January 1, 2009 to May 31, 2011; and from January 1, 2009 to May 31, 2012. For the Residential class, each term will have been procured through three (3) different Solicitations. The tranche-weighted average of these prices will be seasonally adjusted. The commodity portion of the rates of SSO Customers will also depend on the amount of load under Special Contracts. The conversion from the clearing prices to the actual rates for each class will be determined based on a pricing matrix. The pricing matrix and the seasonal factors will be made available to suppliers in advance of the CBP.

The increase in the 2009 total electric bill of some or all Residential SSO Customers resulting from prices obtained through the CBP may be capped through a phase-in program. Any increase in the total electric bill in excess of the cap will be paid by all Residential SSO Customers over a three-year period. This three-year period begins in 2010 for Residential SSO Customers of The Toledo Edison Company and Ohio Edison Company while it begins in 2011 for Residential SSO Customers of The Cleveland Electric Illuminating Company. The cap is

[3] This and all other examples in these CBP Rules are for illustrative purposes only.

set at a 15% increase in the total electric bill average rate of Residential SSO Customers, or at such increase that would result in $150 million in deferred cost, whichever is reached first.

I. D. Review of Results

The PUCO will conduct a prompt consideration of the results of each Solicitation. Within one (1) business day of the close of bidding, the CBP Manager will present a confidential report to the PUCO regarding the process. The PUCO will decide whether or not to approve the results within two (2) days of the close of bidding. If the Commission approves the results and authorizes the winners to become SSO Suppliers, each winner and the FirstEnergy Ohio Utilities will have three (3) days from the time at which the Commission approves the results to execute the relevant SSO Agreement(s).

The PUCO may release information regarding the CBP, including the clearing prices and the names of the winners, no earlier than thirty (30) days after the Commission decides whether or not to approve the results of the final Solicitation in a CBP. All the costs associated with the CBP will be collected through a Bid Participation Fee to be submitted at the beginning of the application process, and a Tranche Fee charged to winning bidders, as further explained below.

II. BEFORE BIDDING

II. A. Information Provided to Bidders

The FirstEnergy Ohio Utilities will make economic data available to suppliers in advance of qualification. The economic data will be posted on the CBP web site (www.firstenergy-auction.com).

The FirstEnergy Ohio Utilities will provide economic data for a historical three-year period or for the longest historical period for which data are available. The FirstEnergy Ohio Utilities will provide hourly load data for total retail load, SSO Load (the load of customers who are not served by a CRES supplier), and for each class. The FirstEnergy Ohio Utilities will provide switching statistics as provided by the PUCO, historical load profiles, and historical shopping credits by class. The FirstEnergy Ohio Utilities will provide expiration dates of special contracts, and will provide a load profile or hourly loads for such special contracts, as available. The FirstEnergy Ohio Utilities will also provide information regarding customers that elect hourly pricing and eligible customers from the GT Rate Schedule that elect to participate in the Load Response Program.

Suppliers will be provided with a pricing matrix that will illustrate how the clearing prices will be translated into customer rates.

II. B. Qualification Process

No later than ten (10) days before suppliers must first apply to participate in the CBP, the CBP Manager will provide the number of tranches needed for each product in each Solicitation, as well as the size and MW-measure of a tranche for each class in the CBP. The number of tranches needed for a product is called a ***tranche target***. The MW-measure of each tranche may be updated before each Solicitation, in which case such update will be provided no later than ten (10) days prior to when suppliers must submit to the second part of the application process (as further explained below). The CBP Manager will also at that time announce a load cap for each class and each Solicitation. A ***load cap*** is a maximum number of tranches that any one bidder can bid and win of any particular class in a Solicitation. Load caps limit the impact that any one bidder may have on the outcome and limit the FirstEnergy Ohio Utilities' and their customers' exposure to default by any single supplier. Illustrative data are presented below.

Table 10. Illustrative Number of Tranches and Load Caps – March 2008 Solicitation

Product		Class		
	Tranche Target	Sum of Tranche Targets	Load cap	Solicitation Volume
Residential 17-month	5	16	12	43
Residential 29-month	5			
Residential 41-month	6			
General Service – Small 17-month	4	13	9	
General Service – Small 29-month	4			
General Service – Small 41-month	5			
General Service – Large 17-month	4	14	10	
General Service – Large 29-month	5			
General Service – Large 41-month	5			

No later than ten (10) days before suppliers must first apply to participate in a Solicitation, the CBP Manager will announce a minimum starting price and a maximum starting price. The ***minimum and maximum starting prices*** establish the range of possible round 1 prices for the products in the Solicitation. The ***round 1 prices*** are the prices at which bids are submitted in the first round. The round 1 price for a product may be different from the round 1 price of another product. The CBP Manager and the FirstEnergy Ohio Utilities, in consultation with PUCO Staff, will establish the minimum and maximum starting prices. The CBP Manager, in consultation with PUCO Staff and the FirstEnergy Ohio Utilities, will choose round 1 prices for each product and will inform bidders no later than three (3) days before bidding starts. The round 1 price for a product will be between the minimum and maximum starting prices.

The application process is in two (2) parts. Interested parties may first submit a ***Part 1 Application***. ***Prospective bidders*** – namely, entities that submit a Part 1 Application– will be required to:

- Agree to comply with all rules of the CBP;
- Agree that if they become winners, they will execute the SSO Agreement within three (3) days of Commission approval of the results;

- Agree that if they become winners, they will join the MISO Planning Reserve Sharing Group;
- Show either that they are MISO Market Participants, or that there exist no impediments to them becoming MISO Market Participants by the start of the supply period;
- Agree that if they become winners, they will demonstrate compliance with the creditworthiness requirements set forth in the SSO Agreement;
- Certify that if they qualify to participate, they will not disclose information regarding the list of qualified bidders;
- Certify that they will destroy documents with this information provided by the CBP Manager within five (5) days of the Commission deciding whether to approve the results, as explained further in this document in section V, "Association and Confidential Information Rules";
- Certify that if they qualify to participate, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as qualified bidders to another entity.

There are no state licensing requirements as winning SSO Suppliers will be deemed certified suppliers by the Commission. Prospective bidders will be asked to submit financial information so that the FirstEnergy Ohio Utilities can conduct an assessment of their creditworthiness. Such creditworthiness requirements will take into consideration all load serving obligations held by the prospective bidder. Such obligations will include the prospective bidder's obligations from load won in past Solicitations.

Applications must be submitted no later than noon[4] on the ***Part 1 Application Date,*** which will be no earlier than ten (10) days after the maximum and minimum starting prices have been announced. Prospective bidders will be notified whether they succeeded in qualifying to participate no later than three (3) days after the Part 1 Application Date. A prospective bidder that has qualified becomes a ***qualified bidder.*** A supplier that has become a qualified bidder for a Solicitation will be able to take part in an abbreviated qualification process for future Solicitations in the same CBP. The CBP Manager will send simultaneously to each qualified bidder a list of all qualified bidders. The CBP Manager will send a list of qualified bidders to other parties as necessary to oversee the proper conduct of the CBP. These other parties include representatives from the FirstEnergy Ohio Utilities, PUCO Staff, and any advisor that PUCO Staff may have retained for this purpose. These parties will have undertaken to maintain the confidentiality of the list of qualified bidders. Prospective bidders, in their Part

[4] Unless otherwise specified, times are those prevailing in the Eastern Time Zone on the respective date.

1 Applications, will also have undertaken to maintain the confidentiality of the list of qualified bidders.

With their Part 1 Applications, all prospective bidders will be required to pay a ***Bid Participation Fee*** that will contribute to covering the administration costs of the CBP. The Bid Participation Fee will be paid with each Part 1 Application, even if a supplier takes part in an abbreviated qualification process after having been previously qualified as a bidder in a given CBP. If a prospective bidder is successful in its Part 1 and Part 2 Applications, and goes on to win tranches in the Solicitation, this Bid Participation Fee will be deducted from the ***Tranche Fee*** that is paid by all winners. The amount of the Bid Participation Fee will be announced at the same time as the tranche targets and load caps, no later than ten (10) days prior to the Part 1 Application for the first Solicitation of the CBP. The amount of the Tranche Fee will be announced no later than six (6) days prior to the start of bidding in the first Solicitation in the CBP.

Qualified bidders must successfully submit to a ***Part 2 Application*** process to bid in the Solicitation. Only qualified bidders may submit a Part 2 Application.

Part 2 Applications must be submitted no later than noon on the ***Part 2 Application Date.*** No later than ten (10) days before the Part 2 Application Date, the CBP Manager may provide an update to the MW-measure of each tranche if available. Qualified bidders will be notified whether they succeeded in the Part 2 Application process no later than five (5) days after the Part 2 Application Date. In the Part 2 Application, each qualified bidder will make a number of certifications regarding associations, to ensure that they are bidding independently of other qualified bidders and to ensure the confidentiality of information regarding the CBP. A qualified bidder is ***associated with*** another qualified bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of each Solicitation and the ability of the CBP to deliver competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the CBP Manager relies on a number of factors, including the number of independent competitors, to appropriately set the solicitation volume, using inaccurate information in such decisions due to insufficient disclosure of associations in the Part 2 Application can create adverse impacts. The ***solicitation volume*** is the sum of the tranche targets for all products in a Solicitation. Associations may be considered in setting the solicitation volume and may be used in the application of load caps. See "Association and Confidential Information Rules" in section V of this document for more precise criteria.

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

With its Part 2 Application, a qualified bidder will be required to submit an indicative offer and to post pre-bid security sufficient for this indicative offer. The ***indicative offer*** specifies two (2) numbers of tranches. The first number represents the amount that the qualified bidder is willing to serve at the maximum starting price in aggregate for all products in the Solicitation and the second number represents the amount that the qualified bidder is willing to serve at the minimum starting price in aggregate for all products in the Solicitation. At each of the maximum and the minimum starting prices, the number of tranches indicated by the qualified bidder cannot exceed the sum of the load caps for the Solicitation. A qualified bidder will also be required to provide its preliminary interest in each product. The number of tranches indicated as preliminary interest on any one product at a given price cannot exceed the qualified bidder's indicative offer at that price. However, the sum of the qualified bidder's preliminary interest across all products at a given price *can* exceed the number of tranches that the qualified bidder submitted as an indicative offer at that price.

Indicative offers are important in two (2) respects. First, the CBP Manager, the FirstEnergy Ohio Utilities, and the PUCO Staff may use the indicative offers to inform the setting of round 1 prices. Second, the number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's ***initial eligibility***. A bidder will never be able to bid in the Solicitation on a number of tranches greater than the bidder's initial eligibility. Thus, the qualified bidder is encouraged to state the maximum possible number of tranches that it would be ready, willing, and able to serve. Information that a qualified bidder provides regarding its interest in any particular product has no effect on initial eligibility or subsequent bidding.

Example 2. Preliminary Interest.

Suppose that the load caps in the March 2008 Solicitation are: 12 tranches for the Residential class, 9 tranches for the General Service – Small class and 10 tranches for the General Service – Large class (approximately 75% of the load to be procured for each class).

A qualified bidder submits an indicative offer of 25 tranches at the maximum starting price. The qualified bidder's initial eligibility for this Solicitation is 25 tranches, which is less than the sum of the load caps (12 + 9 + 10 = 31). The qualified bidder will never be able to bid on more than 25 tranches during the March 2008 Solicitation.

At the maximum starting price, the qualified bidder may indicate a preliminary interest in as many tranches as the tranche target for each product, namely 5 tranches for Residential 17-month, 5 tranches for Residential 29-month, 6 tranches for Residential 41-month, 4 tranches for General Service – Small 17-month, 4 tranches for General Service – Small 29-month, 5 tranches for General Service – Small 41-month, 4 tranches for General Service – Large 17-month, and 5 tranches for General Service – Large 29-month and 41-month.

At the maximum starting price, the qualified bidder actually submits, as its preliminary interest in each product:

- 4 tranches for Residential 17-month,
- 3 tranches for Residential 29-month,
- 3 tranches for Residential 41-month,
- 3 tranches for General Service – Small 17-month,
- 2 tranches for General Service – Small 29-month,
- 1 tranche for General Service – Small 41-month,

Example 2. Preliminary Interest. (continued)

- 4 tranches for General Service – Large 17-month,
- 4 tranches for General Service – Large 29-month, and
- 4 tranches for General Service – Large 41-month.

This means that of the 28 tranches that the qualified bidder is willing to serve of SSO load, the qualified bidder is willing to serve at most 4 of them for Residential 17-month, 3 for Residential 29-month, 3 for Residential 41-month, 3 for General Service – Small 17-month, 2 for General Service – Small 29-month, 1 for General Service – Small 41-month, 4 for General Service – Large 17-month, 4 for General Service – Large 29-month and 4 for General Service – Large 41-month.

The sum of the bidder's preliminary interests in each product at the maximum starting price is 28 (4 + 3 + 3 + 3 + 2 + 1 + 4 + 4 + 4), which exceeds the amount of the indicative offer at the maximum starting price (25). This is acceptable.

Each qualified bidder must post pre-bid security sufficient for its indicative offer at the maximum starting price. Each qualified bidder must post a letter of credit in an amount no less than $500,000 per tranche of a bidder's indicative offer at the maximum starting price. Letters of credit must be in a form acceptable to the FirstEnergy Ohio Utilities. Sample letters of credit that are in a form acceptable to the FirstEnergy Ohio Utilities will be posted to the CBP web site. Depending upon the creditworthiness assessment made at the time of the Part 1 Application, a qualified bidder may be required to provide additional pre-bid security in the form of a letter of intent to provide a guaranty and/or a letter of reference. Any such additional pre-bid security must be submitted in a form acceptable to the FirstEnergy Ohio Utilities. Samples for the letter of intent to provide a guaranty and for the letter of reference will also be posted to the CBP web site.

Example 3. Pre-Bid Security.

The maximum starting price for the March 2008 Solicitation is \$100/MWh, the load cap for the Residential class is 12 tranches, the load cap for the General Service – Small Class is 9 tranches and the load cap for the General Service – Large Class is 10 tranches. The maximum indicative offer that a bidder could submit is 31 tranches, which is the sum of the load caps (12 + 9 + 10 = 31). A qualified bidder submits an indicative offer of 30 tranches at the maximum starting price. The qualified bidder must submit a letter of credit of \$500,000 per tranche of this indicative offer. The qualified bidder thus posts a letter of credit of \$15M (30 x \$500,000).

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

For a Part 2 Application to be accepted, it must be complete, including its indicative offer, letter of credit, and additional security (if necessary). The letter of credit and additional security must be provided in a form considered acceptable to the FirstEnergy Ohio Utilities and must be sufficient to cover the indicative offer at the maximum starting price. After its Part 2 Application is accepted, a qualified bidder becomes a ***registered bidder***. The CBP Manager will send simultaneously to each registered bidder, and to those other parties as necessary to oversee the proper conduct of the CBP, a list of registered bidders, the total initial eligibility, and the clearing prices from any prior Solicitations in the current CBP. The list of registered bidders, the total initial eligibility, and the prior clearing prices (if any) will not be released publicly. Qualified bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of registered bidders, the total initial eligibility, and the prior clearing prices for the current CBP, and to destroy documents with this information provided by the CBP Manager within five (5) days of the Commission deciding whether to approve the results, as explained further in this document in section V.

Letters of credit and additional security (if required) will remain in full force until the PUCO decides whether to approve the results. After the results are approved, a bidder's financial guarantees will be marked cancelled and returned:

- As soon as practicable if the bidder has won no tranches;
- After the bidder has signed the applicable SSO Agreement(s) and has complied with all creditworthiness requirements of the applicable SSO Agreement(s) for the tranches that it has won.

The FirstEnergy Ohio Utilities can collect the financial guarantees of bidders that win tranches but that fail to sign the applicable SSO Agreement(s) or fail to comply with the creditworthiness requirements within three (3) days of the PUCO's approval of the results. If the results are rejected, each bidder's financial guarantees will be marked cancelled and returned as soon as practicable.

II. C. Round 1 Prices

Three (3) days before bidding starts, the CBP Manager informs all registered bidders of the round 1 prices. The round 1 price for a product will be no higher than the maximum starting price and no lower than the minimum starting price. The CBP Manager will set the round 1 prices in consultation with the PUCO Staff and with the FirstEnergy Ohio Utilities.

II. D. Extraordinary Events

The CBP Manager, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, may determine that, due to extraordinary events, the maximum starting price and the minimum starting price require revision. In this event, the schedule may also be revised. If the indicative offers have already been received, the CBP Manager would request that the registered bidders (or the qualified bidders if registration had not been completed) revise their indicative offers on the basis of the revised maximum starting price and the revised minimum starting price.

For such a revision to be necessary, an extraordinary event must occur between the time at which the maximum starting price and the minimum starting price are announced (no later than ten (10) days before suppliers must first apply to participate in a Solicitation) and the day on which bidding starts. An extraordinary event must be agreed to by the FirstEnergy Ohio Utilities, the CBP Manager, and the PUCO Staff. Such events could include, for instance, the advent of war, the disruption of a major supply source for potentially extended periods, or other similar events that could significantly impact the cost of supply.

If an extraordinary event occurs during that time, the CBP Manager will, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, determine a revised maximum starting price and a revised minimum starting price. New indicative offers will be required from bidders. The determination of new maximum and minimum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the schedule, the CBP Manager will, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, determine a revised schedule.

The CBP Manager, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, may determine that, due to extraordinary events, the winter and summer factors for one or more classes require revision. In this event, the schedule may also be revised. For a revision of the summer and winter factors to be necessary, an extraordinary event must occur before the first Solicitation of the CBP starts. If the indicative offers have already been received, the CBP Manager would provide the opportunity for new indicative offers to be submitted on the basis of this revision. The CBP Manager will provide bidders sufficient time to revise their indicative offers.

III. BIDDING RULES

Bidders must have been successful in the Part 1 Application process and the Part 2 Application process, as explained in section II. B of the present CBP Rules. Bidders participating in a given Solicitation are registered to bid on all products in that Solicitation. There are nine (9) products in the March and November 2008 Solicitations: Residential 17-

month, Residential 29-month, Residential 41-month, General Service – Small 17-month, General Service – Small 29-month, General Service – Small 41-month, General Service – Large 17-month, General Service – Large 29-month and General Service – Large 41-month. There are six (6) products in the August 2008 Solicitation: Residential 17-month, Residential 29-month, Residential 41-month, General Service – Large 17-month, General Service – Large 29-month and General Service – Large 41-month.

After presenting an overview of the format and an overview of the bidding day, the following sections will explain the bidding and other procedures in detail.

III. A. Overview of the Format

Each Solicitation is conducted using a simultaneous, multiple round, descending clock format. This format's features can be explained by simply "unpacking" this terminology.

The bidding is simultaneous because tranches for all the products in a given Solicitation are put on offer at the same time. Bidding proceeds in rounds. In a round, the CBP Manager announces a price for each product. Bidders bid by providing the number of tranches that they are willing to serve for each of these products at the prices announced by the CBP Manager. If the number of tranches bid is greater than the number of tranches needed for a product, the price for that product is reduced for the next round. In the next round, bidders are given an opportunity to bid again.

The format is characterized as a descending clock because prices "tick down" as rounds progress, starting high and being reduced gradually until the supply bid is just sufficient to meet the load to be procured. Prices that tick down in a round decrease by a decrement, which is a given percentage of the previous going price. The bidders holding the final bids when bidding closes are the winners.

Example 4. Prices Tick Down When There Is Excess Supply[5].

Suppose there are 16 bidders in the March 2008 Solicitation. The tranche targets are listed in the table below.

	Price $/MWh	*Number of tranches bid*	*Tranche target*	*Excess supply*	*Oversupply ratio*
ROUND 1					
Residential 17-month	95.00	13	5	8	0.1067
Residential 29-month	85.00	21	5	16	0.2133
Residential 41-month	85.00	26	6	20	0.2500
GS – Small 17-month	88.00	10	4	6	0.1000
GS – Small 29-month	82.00	16	4	12	0.2000
GS – Small 41-month	82.00	5	5	0	0.0000
GS – Large 17-month	85.00	8	4	4	0.0667
GS – Large 29-month	80.00	13	5	8	0.1067
GS – Large 41-month	80.00	8	5	3	0.0400

The CBP Manager reduces the price of a product if the number of tranches bid is greater than the number of tranches desired. The amount of the price reduction depends on the oversupply ratio, which is the ratio of the excess supply for that product to an estimate of the maximum possible excess supply for that product, taking into account the total excess supply for all products. Roughly speaking, the larger the oversupply ratio for a product, the larger is the portion of maximum excess supply that is actually on that product, and the larger is the price decrease. The formula for the oversupply ratio is provided in section VII.

[5] In this and in subsequent example, "GS" is used to mean General Service.

Example 4. Prices Tick Down When There Is Excess Supply. (continued)

In round 1, all bidders combined stand ready to supply 26 tranches of Residential 41-month at a price of $95.00/MWh. The number of tranches bid (26) exceeds the number of tranches desired (6) by 20 tranches. The price for Residential 41-month will tick down.

The actual excess supply for Residential 41-month is 20 tranches. The maximum possible excess supply is the total excess supply for all the products, or 77 (20 + 16 + 8 + 6 + 12 + 0 + 4 + 8 + 3 = 77). If all excess bids had been bid on Residential 41-month, Residential 41-month would have 77 tranches of excess supply. The estimate of the maximum excess supply used to calculate the oversupply ratio is the upper bound of the range of total excess supply reported to bidders, which is 80. Thus, the oversupply ratio for Residential 41-month is 0.2500 (20 / 80). Roughly speaking, 25% of the total excess supply is bid on Residential 41-month.

The calculation for GS – Small 17-month is similar. In round 1, all bidders combined stand ready to supply 10 tranches of GS – Small 17-month at a price of $88.00/MWh. The number of tranches bid (10) exceeds the number of tranches desired (4) by 6 tranches. The price for GS – Small 17-month will tick down.

The actual excess supply on GS – Small 17-month is 6 tranches. For GS – Small 17-month, the maximum possible excess supply is not the total excess supply for all the products (77 calculated above). Indeed, with sixteen bidders and a 4 tranches available for GS – Small 17-month, the maximum possible number of tranches bid on GS – Small 17-month is 64 (4 x 16). The maximum possible excess supply on GS – Small 17-month is 60 (64 – 4 = 60). For GS – Small 17-month, the oversupply ratio is 0.1000 (6 / 60).

The oversupply ratio is calculated in a similar manner for all other products.

The CBP Manager will lower the price in round 2 for every product except GS – Small 41-month, since for every product except GS – Small 41-month the number of tranches bid exceeds the number of tranches needed. The largest decrement will be for GS – Small 29-month, which has the largest oversupply ratio, and the smallest decrements will be for GS – Large 17-month and GS – Large 41-month, which have the smallest oversupply ratios.

Example 4. Prices Tick Down When There Is Excess Supply. (continued)

In round 2 below, prices have fallen from round 1 for all but GS – Small 41-month. The price for Residential 17-month, which had the largest decrement from round 1, fell the most; the price for GS – Small 41-month, which had the smallest decrement from round 1, fell the least. Bidders submit new bids at these prices. The total excess supply range reported to bidders is 61-65 (so that 65 is used as the measure of maximum excess supply for calculating the oversupply ratio).

	Price $/MWh	*Number of tranches bid*	*Tranche targets*	*Excess supply*	*Oversupply ratio*
ROUND 2					
Residential 17-month	93.56	10	5	6	0.0923
Residential 29-month	81.20	17	5	12	0.1846
Residential 41-month	81.29	21	6	15	0.2308
GS – Small 17-month	86.53	9	4	5	0.0833
GS – Small 29-month	77.90	11	4	9	0.1500
GS – Small 41-month	82.00	6	5	1	0.0154
GS – Large 17-month	84.58	7	4	3	0.0500
GS – Large 29-month	78.61	9	5	4	0.0615
GS – Large 41-month	79.60	8	5	3	0.0462

Bidding is held simultaneously for all products. A bidder qualified and registered for bidding can switch tranches from one product to any other product. Four additional aspects of the bidding process should be briefly highlighted at the outset. These are as follows:

1. Winners for each product are not determined until the bidding has closed for all products. When the number of tranches bid in a round for a product does not exceed the number of tranches desired, the price for that product will not tick down for the next round. However, as bidding progresses and the prices for the

other products tick down, some bidders may re-assign tranches and increase the number of tranches bid on that product, which may cause the price for the product to tick down again in future rounds. Hence, the winners cannot be determined for any one product until bidding stops for all products. It is only at the end of bidding that suppliers reveal themselves to be winners by not withdrawing from bidding.

2. Every bid is a binding obligation to provide the supply for a product at the price at which the bid was made. By placing its bid, the bidder is declaring that it stands ready, willing and able to supply the load represented by the tranches that it bid, at the going prices of each of the products. If a bidder placed a bid on a product in the preceding round and the price of the product's tranches did not tick down for the current round, the bidder cannot reduce the number of tranches bid for that product in the current round, either through a withdrawal or a switch.
3. Bidders can never, from one round to the next, increase the total number of tranches they bid on all products. Once a bidder bids a total number of tranches in the first round, the bidder will never be able to bid more than that total in subsequent rounds. Once a tranche is withdrawn, it can never be bid again.
4. All bidders that win tranches for a particular product and are authorized as suppliers receive the same price for that product.

III. B. Overview of the Round Phases and Bidding Day

Bidding proceeds in rounds. Each ***round*** is divided into three (3) phases: a bidding phase, a calculating phase, and a reporting phase.

In the ***bidding phase*** of the round, bidders place their bids stating the number of tranches they want to supply for each product. To be valid, a bid must be submitted and verified by the bidder during the bidding phase, and processed. The time-stamp of a bid is the time at which the bid is processed.

In the ***calculating phase*** of the round, the CBP Manager tabulates the results of that round's bidding phase and calculates the prices for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.

In the ***reporting phase*** of the round, the CBP Manager informs the bidders of the results of that round's bidding phase. All round results are confidential. All bidders are informed of the prices for the next round's bidding phase and are provided with a range of total excess supply (i.e., excess supply for all products combined). Each bidder also privately receives the results of its own bid from that round, indicating to each bidder its obligation at this point in the bidding. A bidder receives no information regarding any other bidder's bid. A bidder with no remaining obligation loses its access to round results.

III. C. Round 1

III. C. 1. Definition of a Bid and Bidding Phase

The CBP Manager informs registered bidders of the round 1 prices for each product no later than three (3) days prior to the start of bidding. These starting prices are the prices in force, or the going prices, in round 1. In general, the ***going prices*** in a round are the prices at which the CBP Manager solicits bids in that round.

A bidder selects how many tranches it wants to serve for each product at the round 1 prices. Specifically, for the March 2008 and November 2008 Solicitations, a bidder will submit a ***bid*** that indicates:

- A number of tranches of Residential Load for a 17-month supply period;
- A number of tranches of Residential Load for a 29-month supply period;
- A number of tranches of Residential Load for a 41-month supply period;
- A number of tranches of General Service – Small Load for a 17-month supply period;
- A number of tranches of General Service – Small Load for a 29-month supply period;

- A number of tranches of General Service – Small Load for a 41-month supply period;
- A number of tranches of General Service – Large Load for a 17-month supply period;
- A number of tranches of General Service – Large Load for a 29-month supply period; and
- A number of tranches of General Service – Large Load for a 41-month supply period.

For the August 2008 Solicitation, a bidder will submit a bid that indicates:

- A number of tranches of Residential Load for a 17-month supply period;
- A number of tranches of Residential Load for a 29-month supply period;
- A number of tranches of Residential Load for a 41-month supply period;
- A number of tranches of General Service – Small Load for a 17-month supply period;
- A number of tranches of General Service – Small Load for a 29-month supply period; and
- A number of tranches of General Service – Small Load for a 41-month supply period.

The number of tranches that a bidder chooses for one product may or may not be the same as the number of tranches that the bidder chooses for another product. A number of tranches is an integer (0, 1, 2,...). A number of 0 (zero) for one product means that at the round 1 price for the product the bidder does not want to supply any of that product. A registered bidder who, in round 1, bids 0 on all products withdraws from bidding. The bidder will not be able to bid in round 2 or in any future round.

Example 5. A Round 1 Bid.

In the November 2008 Solicitation, Bidder A specifies the number of tranches for each product, as illustrated below.

	Price ($/MWh)	*Number of tranches bid*
ROUND 1		
Residential 17-month	95.00	4
Residential 29-month	85.00	3
Residential 41-month	85.00	2
GS – Small 17-month	88.00	3
GS – Small 29-month	82.00	1
GS – Small 41-month	82.00	0
GS – Large 17-month	85.00	4
GS – Large 29-month	80.00	0
GS – Large 41-month	80.00	2

Then (4, 3, 2, 3, 1, 0, 4, 0, 2) is a round 1 bid and it indicates that the bidder stands ready to supply 4 tranches of Residential 17-month, 3 tranches of Residential 29-month, 2 tranches of Residential 41-month, 3 tranches of GS – Small 17-month, 1 tranche of GS – Small 29-month, 0 tranches of General Service – Small 41-month, 4 tranches of GS – Large 17-month, 0 tranches of General Service – Large 29-month, and 2 tranches of GS – Large 41-month at the round 1 prices.

A bid submitted in round 1 must satisfy three (3) conditions; the first condition relates to the total number of tranches bid, the second condition relates to the total number of tranches bid for a class, while the third relates to the number of tranches bid for any one product.

The first condition is that the total number of tranches that a bidder bids for all products cannot exceed the bidder's initial eligibility. A qualified bidder's round 1 ***eligibility*** is that bidder's initial eligibility. In its Part 2 Application, a bidder provides an indicative offer at the maximum starting price. The number of tranches in this indicative offer is the bidder's initial eligibility. The total number of tranches that a bidder bids for all products cannot exceed the bidder's initial eligibility.

The second condition is that the total number of tranches that a bidder bids for the products in any particular class cannot exceed the load cap for that class. (Please refer to Table 10 for illustrative load caps.)

The third condition is that the number of tranches that a bidder bids for a given product cannot exceed the tranche target for that product. The tranche target is the number of tranches needed for that product in a given Solicitation.

Example 6. Constraints on the First Round Bid.

Suppose the load caps and tranche targets are those shown in Table 10. For the November 2008 Solicitation, suppose Bidder A submitted an indicative offer of 25 tranches at the maximum starting price. Bidder A's initial eligibility is 25 tranches.

Bidder A's bid in round 1 of the November 2008 Solicitation is (4, 3, 2, 3, 1, 0, 4, 0, 2). This bid satisfies all requirements:

- In total, Bidder A is bidding on 19 tranches, which does not exceed Bidder A's initial eligibility of 25 tranches.
- For each product, Bidder A is bidding on a number of tranches that does not exceed that product's tranche target. For example, Bidder A is bidding 3 tranches for GS – Small 17-month, which does not exceed the tranche target of 4.
- For each class, Bidder A is bidding on a total number of tranches that does not exceed the load cap for that class. For example, Bidder A is bidding 9 (4 + 3 + 2) tranches in the Residential load class, which does not exceed the load cap for the Residential class of 12 tranches.

III. C. 2. Calculating Phase, Reporting Phase and Potential Volume Cutback

The calculating phase of round 1 immediately follows the bidding phase. In the ordinary course of events, the CBP Manager reviews the results and sets the prices that will be in force in round 2 for all products. Round 1 moves to the reporting phase and the CBP Manager reports to bidders the results of bidding in round 1 as well as the round 2 prices for all products. The CBP Manager provides to bidders an indication of total excess supply in round 1. The ***excess supply for a product*** is the greater of (1) the total number of tranches bid for the product minus the tranche target for that product, or (2) zero. The ***total excess supply*** is the sum, over all products, of the excess supplies of the individual products, plus free eligibility, which is defined below in section III. E. A bidder is never provided any information regarding any other individual bidder's bids.

The CBP Manager may call a ***time-out*** during the calculating phase of round 1 if the CBP Manager needs to consider whether to cut back the solicitation volume to ensure a competitive bidding environment. As soon as practicable during such a time-out, the CBP Manager will either announce that the solicitation volume will remain the same, or the CBP Manager will announce that revisions are needed to ensure a competitive bidding environment. If a cutback to the solicitation volume occurs, the CBP Manager will also announce a revised tranche target for each product and will announce a revised load cap for each class (if needed). The manner in which the tranche targets will be changed on the basis of the revised solicitation volume will be announced no later than six (6) days prior to the start of bidding. It is not expected that the CBP Manager would revise the load caps except if the sum of the tranche targets for the products in a class falls below the load cap for that class. However, the CBP Manager retains the discretion to make revisions to the load caps based on the revised solicitation volume.

As soon as practicable during a time-out in round 1, the CBP Manager will start the reporting phase of round 1. The CBP Manager will report to the bidders the prices in force for round 2, and an indication of the total excess supply in round 1. If a load cap is reduced because it exceeds the total of the tranche targets for the class, the CBP Manager reports to a bidder whose number of tranches bid exceeds the reduced load cap that the bidder's bid has been adjusted to conform to the reduced load cap. The bidder receives free eligibility in the amount of the reduction. The bidder withdraws any eligibility that exceeds the sum of the revised load caps in round 2.

If the solicitation volume is cut back, the removed tranches are offered in the next Solicitation within the CBP. If the Solicitation for which the solicitation volume is cutback is the last of the CBP, the FirstEnergy Ohio Utilities will purchase the supplies needed to serve the load associated with the removed tranches in MISO-administered markets. This purchase plan in the case of a cutback to the solicitation volume is referred to as the FirstEnergy Ohio Utilities' ***Contingency Plan.***

The CBP Manager will use a confidential set of guidelines to decide whether to cut back the solicitation volume and to determine the magnitude of any necessary cutback. If the solicitation volume is cut back, it will be cut back to the number of tranches bid in round 1 divided by a parameter called the ***target eligibility ratio*** (a desired ratio of tranches bid to the solicitation volume). The precise value of this parameter depends on various factors, such as the number of bidders and characteristics of individual bids.

Example 7. Cutback to Solicitation Volume.

In the bidding phase of round 1, the solicitation volume in March 2008 is 43 tranches (this is the sum of the tranche targets for all products: 5 + 5 + 6 + 4 + 4 + 5 + 4 + 5 + 5 = 43). Suppose that a total of 57 tranches are bid. Further, suppose that given the number of bidders and the characteristics of the bids, the CBP Manager sets the target eligibility ratio at 1.5.

The actual eligibility ratio is approximately 1.33 (57 / 43). The CBP Manager reduces the solicitation volume to attain the target eligibility ratio of 1.5 by cutting back the volume by 5 tranches to 38 tranches (57 / 1.5 = 38).

After the cutback, there will be 1.5 tranches bid for every tranche to be purchased through the Solicitation (38 * 1.5 = 57).

The CBP Manager may further revise the solicitation volume on the basis of the bids after round 1. If such a revision is necessary to ensure a competitive bidding environment, the CBP Manager will call a time-out during the calculating phase of a round. As soon as practicable during the time-out, the CBP Manager will advise the bidders of the revised solicitation volume. Further, if the solicitation volume is reduced, the CBP Manager announces a revised tranche target for each product.

No later than six (6) days prior to the start of bidding, the CBP Manager may release further information regarding the range of values of the target eligibility ratio and the circumstances under which a second cutback to the solicitation volume may be undertaken.

III. D. Bidding in Round 2

III. D. 1. Definition of a Bid and Bidding Phase

A bidder selects how many tranches to bid for each product at the round 2 prices.

A bid submitted in round 2 (and all subsequent rounds) must satisfy three (3) conditions.

The first condition is that the total number of tranches that a bidder bids for all products cannot exceed the bidder's eligibility. A bidder's ***eligibility*** in round 2 is the bidder's total number of tranches bid in round 1. This implies that, as stated in the introduction to the bidding format, a bidder cannot increase its total number of tranches bid at the round 2 prices from its total number of tranches bid in round 1. However, a bidder may increase its number of tranches bid for one or more products if the bidder is simultaneously decreasing its number of tranches bid for other products, as explained below.

The second condition is that the total number of tranches that a bidder bids for all products in a class cannot exceed the load cap for that class.

The third condition is that the number of tranches that a bidder bids for a given product cannot exceed the tranche target for that product. The tranche target is the number of tranches needed for that product in a given Solicitation.

Fully specifying a bid in round 2 (and in subsequent rounds) may require a bidder to provide ***exit prices*** (defined below). Exit prices can be required when a bidder is reducing its total number of tranches bid. Fully specifying a bid in round 2 may require a bidder to provide ***switching priorities*** (defined below). Switching priorities are required when a bidder is switching and increasing the total number of tranches bid on two or more products.

III. D. 2. Bidding, Withdrawals and Switches

A bidder can always select in round 2 the same number of tranches for each product as in round 1. Alternatively, a bidder can request a withdrawal or a switch.

When a bidder reduces the total number of tranches bid, the bidder is requesting a ***withdrawal*** from at least one product.

A bidder can only request a withdrawal from a product when the price for that product has ticked down from the previous round (in round 2, when the price has ticked down from round 1 to round 2). If the price for a product has not ticked down, then the bidder's offer in round 1 at that price is binding and cannot be reduced. As explained below, a bidder can always bid more tranches for a product whose price has not changed from round 1 by reducing the number of tranches from one or more other products whose price(s) have ticked down and switching the tranches to the product whose price has not ticked down.

A bidder that withdraws tranches from a product must name an exit price. An ***exit price*** is a best and last offer on tranches that are being withdrawn. A bidder names an exit price when it is willing to bid a tranche at the previous going price but is unwilling to bid this tranche at the current going price. A bidder that withdraws several tranches previously bid at the round 1 price for a given product must specify the same exit price for all tranches from that product. An exit price must be less than or equal to the last going price at which the tranches were freely bid (in round 2, this is the price in round 1) and must be higher than the product's current going price (in round 2, this is the round 2 price, a price at which the bidder is no longer willing to bid the tranches being withdrawn). A bidder that withdraws tranches from more than one product can specify a different exit price for each product.

A bidder that withdraws tranches from a product loses some or all of its eligibility, and forfeits the right to bid these tranches on any product in any future round of bidding. A bidder who requests a withdrawal may see its request refused, as explained further below.

An exit price enables the CBP Manager to determine which bidder would have remained ready to serve a product had the price ticked down continuously rather than in uneven, discrete decrements. The CBP Manager relies on exit prices when the number of tranches bid on a product at the round 2 going price falls short of that product's tranche target due to reductions from withdrawals, or due to reductions from withdrawals and switches. The CBP Manager will then refuse some or all requests for withdrawals, as needed to fill the tranche target of the product. The tranches with lower exit prices are retained first, and they are retained at the exit price that the bidder has named. The eligibility represented by the withdrawn tranches is lost even if the withdrawn tranches from the product are retained. Any withdrawn tranches that are retained in a round will be released (and the request to withdraw will be accepted at that later point) if new tranches for the product are bid at the going price and can serve to fill the tranche target for that product.

If two or more bidders are tied at an exit price, and if the CBP Manager must retain some but not all the tranches from these two or more tied bidders to fill the tranche target of a product, then the CBP Manager, for each tranche to be retained, will choose at random the bidder whose tranche is retained. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has bid at the exit price divided by the total number of tranches bid at the exit price. If a second tranche is needed at the exit price, the CBP Manager again will choose the bidder whose tranche will be retained at random. The probability that any one bidder is chosen is the number of tranches that the bidder has bid at the exit price and that have not yet been retained divided by the total number of tranches bid at the exit price and that have not yet been retained. The CBP Manager repeats this procedure until the tranche target for the product is filled.

Example 8. Withdrawals.

	ROUND 1		ROUND 2
	Price ($/MWh)	*Bid (tranches)*	*Price ($/MWh)*
Residential 17-month	75.00	4	71.25
Residential 29-month	75.00	3	75.00
Residential 41-month	75.00	2	74.75
GS – Small 17-month	75.00	3	72.50
GS – Small 29-month	75.00	1	73.13
GS – Small 41-month	75.00	1	75.00
GS – Large 17-month	75.00	4	74.63
GS – Large 29-month	75.00	0	72.00
GS – Large 41-month	75.00	2	73.67

Bidder A's bids in two rounds of the March 2008 Solicitation are provided above. Bidder A cannot bid fewer tranches for Residential 29-month or GS – Small 41-month in round 2 because the prices for these two products have not fallen from round 1.

Bidder A reduces the number of tranches bid for GS – Large 17-month from 4 to 3. The bidder enters an exit price of $74.75/mwh, which is between $74.63/MWh and $75.00/MWh. (The exit price could have been equal to $75.00 but not equal to $74.63/MWh.) Bidder A bids the same quantity for all other products.

A bidder ***switches*** when a bidder is simultaneously decreasing the number of tranches bid for one or more products, and increasing the number of tranches for one or more other products while leaving the total number of tranches bid unchanged.

Example 9. Switching.

Suppose the load caps are: 12 tranches for the Residential class and 9 tranches for the GS – Small class. The following are the round 1 and round 2 prices and the bids for Bidder A in the August 2008 Solicitation (Bidder A is not bidding on any other products):

	Residential 17-month	*Residential 29-month*	*GS – Small 17-month*	*GS – Small 29-month*
ROUND 1				
Price ($/MWh)	75.00	75.00	75.00	75.00
Bid (tranches)	3	5	3	1
ROUND 2				
Price ($/MWh)	75.00	74.05	73.00	75.00
Bid (tranches)	5	5	1	1

In round 2, Bidder A is increasing by 2 the number of tranches bid on Residential 17-month. Also, Bidder A is reducing by 2 the number of tranches bid on GS – Small 17-month. Since the total number of tranches bid is the same (12), the bidder is switching. Bidder A can reduce the number of tranches bid on GS – Small 17-month since its price has decreased in round 2. Bidder A can bid for more tranches of Residential 17-month (the number of tranches bid for all Residential products combined in round 1 is less than the load cap for the Residential class). If the price of a product does not change, a bidder cannot bid *fewer* tranches but can bid *more* tranches for that product.

As is the case when the bidder is reducing the number of tranches bid on a product because the bidder is withdrawing tranches, the bidder can reduce the number of tranches bid on a product through a switch only if the price for that product has ticked down from the previous round (in round 2, when the price has ticked down from round 1). If a bidder is reducing the number of tranches bid through a switch for a product whose price has ticked down, the bidder can increase the number of tranches bid on any other product, including a product whose price has not ticked down.

A bidder may determine that it wishes to both withdraw and switch tranches from products. If a bidder is both switching and withdrawing, a bidder can reduce tranches from a particular product only if the going price for that product has decreased from the previous round (in round 2, the price has ticked down from round 1).

If a bidder increases the number of tranches bid on more than one product, the bidder must assign a unique ***switching priority*** to each of the products for which the bidder is increasing the number of tranches bid. A switching priority of "1" is the highest priority and it is assigned to only one product; the next highest priority is "2" and it is assigned to a different and unique product, etc. A switching priority indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product (with priority 1) be increased first.

Example 10. Switching Priorities.

Bidder B submits the following bid in round 2 after this history in round 1 of the March 2008 Solicitation:

Product	*Residential 17-month*	*Residential 29-month*	*GS – Small 17-month*	*GS – Large 29-month*
ROUND 1				
Price ($/MWh)	75.00	75.00	75.00	75.00
Bid (tranches)	4	4	2	1
ROUND 2				
Price ($/MWh)	75.00	74.05	73.00	75.00
Bid (tranches)	5	2	3	1

In round 2, Bidder B is increasing the number of tranches bid on Residential 17-month and GS – Small 17-month while reducing the number of tranches bid on Residential 29-month. Since the total number of tranches bid is the same (11) in both rounds, the bidder is switching. Bidder B gives the switching priority to the increase on GS – Small 17-month.

If the CBP Manager will allow one of Bidder B's reductions but needs to deny the other, then the increase for GS – Small 17-month will be allowed and the increase for Residential 17-month will not be allowed. The denied switch (a Residential 29-month tranche) will be retained at a price of $75/MWh, which is the last price at which the tranche was freely bid.

The CBP Manager will use the switching priorities provided by a bidder only when, to keep the tranche target for a product filled, the CBP Manager must retain all tranches that were withdrawn out of that product (if any) and must deny some, but not all, reductions from that product that come from a single bidder's switch. (Please see section III. D. 3 for a description of how generally the CBP Manager fills the tranche target for a product.) Whenever possible, the CBP Manager will fill the needed number of tranches for that product by denying the lowest priority (1 is the highest priority) switch first, and then successively denying higher priority switches until the tranche target is met. The ***denied switches*** are retained at the price at which they were last freely bid (in round 2, this is the round 1 going price). Switching priorities may not be honored if honoring them could put the number of tranches held by the bidder above the load cap. This situation is expected to occur rarely and would happen in some, but not all, cases in which the bidder is at the load cap; the bidder switches across classes; the bidder switches out of a product and the product becomes undersubscribed; the product with the higher priority is in the same class as the denied switch; and some, but not all, switches are denied.

A bidder that is both switching and withdrawing can reduce the number of tranches bid for more than one product and increase the number of tranches bid for at least one product. In that case, the bidder will be asked to specify which tranches are being withdrawn and which tranches are being switched. The tranche or tranches that the bidder specifies to be withdrawn are the tranche(s) for which the bidder will name an exit price. The bidder may also be required to specify switching priorities if the bidder is increasing the number of tranches bid on more than one product.

Example 11. Switching and Withdrawing.

Bidder C submits the following bid in round 2 after this history in round 1 of the March 2008 Solicitation (note: Bidder C is not bidding on any other products besides the ones shown in this example):

	Residential 17-month	*Residential 29-month*	*GS – Small 17-month*	*GS – Small 29-month*	*GS – Large 41-month*
ROUND 1					
Price ($/MWh)	75.00	75.00	75.00	75.00	75.00
Bid (Tranches)	5	4	3	4	1
ROUND 2					
Price ($/MWh)	74.10	72.78	72.18	74.00	75.00
Bid (Tranches)	4	5	3	2	2

Bidder C bids a total of 17 tranches in round 1 and 16 tranches in round 2. Bidder C is withdrawing 1 tranche and will name an exit price for that tranche.

Since Bidder C reduces the number of tranches bid for both Residential 17-month and GS – Small 29-month, Bidder C's intentions are not clear unless the CBP Manager asks Bidder C for additional information. Indeed, it could be that Bidder C is withdrawing from Residential 17-month and switching the remaining tranches. Or it could be that Bidder C is withdrawing 1 tranche from GS – Small 29-month and switching the remaining tranches.

Bidder C is asked to select whether it is withdrawing a tranche from Residential 17-month or GS – Small 29-month. Bidder C selects that it is withdrawing a tranche from Residential 17-month, and is asked to name an exit price for this tranche. Since Bidder C is increasing the number of tranches bid for more than one product (Residential 29-month and GS – Large 41-month), Bidder C is also asked for a switching priority. Bidder C assigns the first priority to GS – Large 41-month.

III. D. 3. Calculating and Reporting Phases in Round 2

The calculating phase starts immediately after the bidding phase. Once the CBP Manager has tabulated and reviewed the results, the reporting phase begins. The CBP Manager informs all bidders of the round 3 price for each product. The CBP Manager provides to all bidders a range for the total excess supply in round 2. The range of total excess supply reported to bidders will change as bidding progresses. In earlier rounds, a narrower range will be reported when total excess supply is high. A wider range will be reported to bidders in later rounds as bidding is closer to ending and total excess supply is lower. The exact ranges of total excess supply that will be provided as bidding progresses will be specified in detail in advance of the CBP. All bidders are provided with information regarding the going prices for all products and the total excess supply.

In addition to what the CBP Manager tells all bidders about the range of total excess supply and the going prices for the next bidding phase. The CBP Manager also provides a round report privately to each bidder, including the bidder's eligibility for the next round (round 3). A bidder's ***eligibility*** for round 3 is the bidder's eligibility in round 2, minus the number of tranches that the bidder withdrew for all products in round 2. The CBP Manager also reports privately to each bidder on the bidder's own bid.

When a bidder bids in round 2 the same number of tranches on each product as in round 1, the CBP Manager reports the bid made in round 2.

A bidder may request withdrawals or switches. If all requests are accepted, the CBP Manager reports the bid made in round 2. However, the CBP Manager may disallow reductions that a bidder wants to make from a product. The CBP Manager retains withdrawn tranches if, by accepting all withdrawals and switches, the tranche target for that product would no longer be filled. Similarly, the CBP Manager denies switches if, after retaining all withdrawn tranches from that product, accepting all switches would prevent the tranche target for that product from being filled. In sum, to fill the tranche target of a product, the CBP Manager: 1) first takes tranches that are bid at the round 2 price for that product; 2) then retains tranches that bidders want to withdraw from that product; and 3) finally denies switches that bidders have requested from that product, as necessary.

If the bidder requested to withdraw tranches from a product and some or all of these tranches are retained, the CBP Manager informs the bidder of the number of withdrawn tranches that are being retained and the price at which these tranches are retained. The CBP Manager will report that the request to withdraw is partially or completely granted when there have been a sufficient number of new tranches bid at the going price to replace some or all of the withdrawals that had been retained to fill the tranche target. The price at which the withdrawn tranches are retained is the exit price. The CBP Manager will continue to report that some or all of these tranches are being retained in subsequent rounds as long as they are needed to fill the product's tranche target. While eligibility to bid these tranches is lost for the remainder of the rounds, these tranches still remain as binding offers by the bidder until the request to withdraw is granted (which may or may not occur). If these tranches are retained until the end of bidding, the bidder wins the tranches.

If a bidder requested a switch, and if some or all of these are denied, the CBP Manager informs the bidder of the number of tranches for which the switch is denied. The tranches that the bidder intended to reduce from a product will be retained at the last price at which the tranches were freely bid. In round 2, this price is the round 1 price.

If there are several bidders who requested switches, and some, but not all switches must be denied, for each tranche of the target that must be filled by denying a reduction from a switch, the CBP Manager chooses at random the bidder whose switch is denied. For the first switch that must be denied, the probability that the CBP Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could be denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by switches from all bidders and that could be denied. If a second switch must be denied, the CBP Manager again chooses at random the bidder whose switch will be denied. The probability that the CBP Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could have but have not yet been denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by all switches from bidders and that could have been but have not yet been denied. The CBP Manager repeats this procedure until the tranche target for the product is filled. The

CBP Manager continues to report that some or all of these switches are being denied in subsequent rounds as long as they are still needed to fill the product's tranche target. If additional tranches are bid on this product in a later round by any bidder, resulting in an excess number of tranches for that round, then the denied switches may then be freed up (see ***free eligibility*** below).

Example 12. Denied Switches.

Bidders A, B and C are the only bidders bidding for tranches of Residential 17-month, GS – Small 17-month, and GS – Large 17-month for which the tranche targets for the March 2008 Solicitation are 5, 4 and 4 respectively. (Note: Bidders A, B and C are not bidding on any other products besides the ones shown in this example). Their bids in rounds 1 and 2 are given below:

	Residential 17-month	*GS – Small 17-month*	*GS – Large17-month*
Tranche Target	5	4	4
ROUND 1			
Price ($/MWh)	75.00	75.22	75.00
Bidder A Bid (tranches)	3	1	0
Bidder B Bid (tranches)	3	2	3
Bidder C Bid (tranches)	0	3	0
ROUND 2			
Price ($/MWh)	74.72	75.01	75.00
Bidder A Bid (tranches)	2	2	0
Bidder B Bid (tranches)	1	3	4
Bidder C Bid (tranches)	0	3	0

Bidder A switches, increasing the number of tranches bid on GS – Small 17-month to 2 and reducing the number of tranches bid on Residential 17-month. Bidder B is also switching. Bidder C's bid remains the same. In total, 3 fewer tranches are bid on Residential 17-month. The number of tranches bid on GS – Small 17-month and GS – Large 17-month are both increased. Bidder B gives GS – Small 17-month the switching priority.

Example 12. Denied Switches. (continued)

No other bidders bid on tranches for Residential 17-month in round 2. In round 1, Residential 17-month's tranche target is more than filled with 6 tranches bid at the round 1 price. In round 2, the 3 tranches bid at the round 2 price are insufficient to fill the tranche target of 5.

Two of the three reductions from Residential 17-month must be denied. For the first tranche that must be filled by denying a switch, the probability that each bidder is chosen is 1/3 for Bidder A and 2/3 for Bidder B. Bidder B is chosen at random. The CBP Manager repeats the procedure for the second tranche that must be filled by denying a switch. The probability that each bidder is chosen is 1/2 for Bidder A and 1/2 for Bidder B. Bidder A is chosen at random. This means that the CBP Manager denies Bidder A its intended switch and that Bidder B is allowed to switch 1 of the 2 tranches requested. Adding the 2 denied switches to the 7 tranches bid at the round 2 price fills Residential 17-month's tranche target.

	Residential 17-month	*GS – Small 17-month*	*GS – Large 17-month*
Round 1 Price ($/MWh)	75.00	75.22	75.00
Round 2 Price ($/MWh)	74.72	75.01	75.00
Report to Bidder A	2 @ 74.72 1 denied switch @ $75.00	1 @ 75.01	0
Report to Bidder B	1 @ 74.72 1 denied switch @ $75.00	3 @ 75.01	3 @ 75.00
Report to Bidder C	0	3 @ 75.01	0

Example 12. Denied Switches. (continued)

The CBP Manager reports to Bidder A that its switch was denied. The CBP Manager also reports to Bidder A that it has 2 Residential 17-month tranches bid at the round 2 price of 74.72 \$/MWh and 1 denied switch, a Residential 17-month tranche at the round 1 price of 75.00 \$/MWh. The CBP Manager reports to Bidder B that Bidder B has 1 tranche of Residential 17-month bid at the round 2 price of 74.72 \$/MWh and 1 denied switch, a Residential 17-month tranche at the round 1 price of 75.00 \$/MWh. The CBP Manager reports to Bidder B that Bidder B has 3 GS – Large 17-month tranche bid at 75.00 \$/MWh. The CBP Manager also reports to Bidder C that Bidder C has 3 tranches of GS – Small 17-month bid at the round 2 price.

III. E. Round 3 and All Subsequent Rounds

Round 3 and all subsequent rounds generally proceed as does round 2. In the bidding phase of a round, a bidder bids by stating the number of tranches it is willing to serve of each product at the going prices for the round. At all times, the total number of tranches bid by a bidder for all the products cannot exceed the bidder's ***eligibility***. The bidder's eligibility for a round is its eligibility for the previous round, minus the number of tranches that the bidder withdrew in the previous round. At all times, the total number of tranches that a bidder bids for all products in a class cannot exceed the load cap for that class. At all times, the total number of tranches that a bidder bids for a product cannot exceed the product's tranche target.

A bidder can request to withdraw or switch tranches from a product, provided that the bidder reduces its number of tranches bid only from products for which the price has ticked down. To fully specify a bid, the bidder may be required to provide exit prices and/or switching priorities. In the reporting phase of the round, the CBP Manager reports a range of total excess supply and the going prices for the next bidding phase. The CBP Manager also provides a round report privately to each bidder.

Starting in round 3 and for all subsequent rounds, a bidder may face the following new situations and be subject to the following additional rules:

- A bidder's denied switches may be outbid and become free eligibility.
- A bidder's retained tranche from a withdrawal may be released.
- A bidder with retained tranches on a product from a denied switch who bids new tranches for this same product at the going price for the current round will be deemed to have bid all tranches (including retained tranches from the denied switch) at the going price.

Each of these circumstances or rules is explained in more detail below.

If a bidder has one or more tranches retained from a denied switch in a round, these tranches may be ***outbid*** in a subsequent round. This means that a tranche from a denied switch is being replaced in filling the tranche target for the product by a tranche that has been newly bid at the going price by another bidder. This occurs because the CBP Manager takes bids in increasing order of price to fill the tranche target, first taking tranches bid at the going price, then withdrawn tranches, and finally denied switches. New tranches bid at the going price first replace the highest-priced tranches, which are the denied switches. If switches from more than one bidder are retained, and if not all denied switches are outbid, the CBP Manager chooses at random, for each denied switch that will be outbid, the bidder whose switch will be outbid. For the first denied switch that is outbid, the probability that the CBP Manager chooses a bidder's denied switch is the bidder's number of denied switches divided by the total number of denied switches for that product. If a second denied switch must be outbid, the CBP Manager again will choose at random the bidder whose denied switch will be outbid. The probability that the CBP Manager chooses a bidder's denied switch is the bidder's number of denied switches that have not yet been outbid divided by the total number of denied switches that have not yet been outbid. The CBP Manager repeats this procedure until the required number of denied switches has been outbid.

A tranche from a denied switch for a product that is outbid becomes ***free eligibility*** in the next round. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost. A tranche of free eligibility can be bid on any product. If it is not bid it will be considered to be withdrawn; when a tranche of free eligibility is withdrawn, the bidder does not name an exit price and the tranche will not be retained.

If a bidder has one or more tranches retained from a requested withdrawal, these tranches may be released and the withdrawal granted as new tranches bid at the going price replace the tranches retained from withdrawals in filling the tranche target. As new tranches are bid at the going price these tranches outbid denied switches (if any) and then replace withdrawn tranches, starting with tranches withdrawn at the highest exit price. During the reporting phase, the CBP Manager reports privately to a bidder if a tranche – that had been withdrawn from a product and that had been retained – is now being released and thereby irrevocably removed from further bidding.

If withdrawn tranches from more than one bidder had been retained at the same exit price, and if not all retained tranches at that exit price are being released, the CBP Manager chooses at random the bidder or bidders whose tranches are released and thereby irrevocably removed from further bidding. For the first retained tranche that should be released, the probability that a bidder is chosen is the bidder's number of retained tranches for the product at the tied exit price divided by the total number of retained tranches at that exit price for that product. If a second retained tranche needs to be released, the CBP Manager again will choose at random the bidder whose retained tranche will be released, and the probability that any one bidder is chosen is the bidder's number of retained tranches at the tied exit price that have not yet been released divided by the total number of retained tranches at the tied exit price that have not yet been released. The CBP Manager repeats this procedure until the required number of tranches has been released.

If a bidder has retained tranches on a product from a denied switch and if this bidder bids new tranches for this same product at the going price, the bidder will be deemed to have bid all tranches at the going price for that product. That is, tranches from the denied switch become tranches that are bid at the price for the current round. The CBP Manager, in filling the tranche target for the product, will take first tranches bid at the going price; in these tranches at the going price, the CBP Manager will include any denied switches that have become tranches bid at the current round price (because the bidder has bid new tranches for this same product at the current round price, and is thus indicating a willingness to serve this product at the going price).

Example 13. Anti-Stalling.

Bidder A's bids in rounds 6 and 7 of the March 2008 Solicitation are given below (Bidder A does not bid for any other products):

	Residential 17-month	*GS – Small 17-month*
Price Round 6 ($/MWh)	67.50	68.00
Bidder A Bid (tranches)	4	0
Price Round 7 ($/MWh)	66.34	66.98
Bidder A Bid (tranches)	0	4

In round 7, Bidder A requests to switch 4 tranches. The CBP Manager denies part of the switch. Bidder A, in the reporting phase of round 7, is informed that its bid consists of 2 tranches of GS – Small 17-month at $66.98/MWh and 2 denied switches of Residential 17-month at $67.50/MWh (the price at which the tranches of Residential 17-month were last freely bid).

	Residential 17-month	*GS – Small 17-month*
Report to Bidder A	2 denied switches @ $67.50	2 @ $66.98

In round 8, Bidder A reduces its number of tranches bid on GS – Small 17-month by 1 and increases its number of tranches bid on Residential 17-month. At the round 8 prices, Bidder A bids 1 tranche of GS – Small 17-month and 1 tranche of Residential 17-month at the going price. The denied switches are kept on Residential 17-month and cannot be freely bid.

	Residential 17-month	*GS – Small 17-month*
Price Round 8 ($/MWh)	66.34	66.81
Bidder A Bid (tranches)	1	1
Denied Switches	2 denied switches @ $67.50	

Example 13. Anti-Stalling. (continued)

Bidder A has bid a new tranche of Residential 17-month at the round 8 price while having switches denied on the same product at a higher price. Bidder A is then deemed to have bid all 3 Residential 17-month tranches at the round 8 price of $66.34, as shown below. All 3 tranches of Residential 17-month become tranches bid at the round 8 price.

	Residential 17-month	*GS – Small 17-month*
Price Round 8 ($/MWh)	66.34	66.81
Report to Bidder A	3 @ $66.34	1

III. F. Reporting General Bidding Results

During the reporting phase, the CBP Manager reports a range of total excess supply and the going prices for the next bidding phase to all bidders with positive eligibility or with retained withdrawals, to a list of representatives from the FirstEnergy Ohio Utilities, and to the PUCO Staff. The PUCO Staff also has access to information contained in all submitted bids. These bidding results are confidential. The bidders, the FirstEnergy Ohio Utilities, the CBP Manager, and the PUCO Staff will hold any results to which they have access to be confidential. Before becoming registered bidders, the bidders will agree to keep all results confidential, except for any aspects of the results that the Commission releases as part of its decision of whether to approve the results, or that the Commission explicitly authorizes can be released. Bidders will also agree to destroy documents with information related to the CBP provided by the CBP Manager within five (5) days of the Commission deciding whether to approve the results. A bidder loses its access to bidding results no earlier than the round after the bidder has been first informed that it has zero eligibility and no retained withdrawals, and in any event no later than eight rounds after first being so informed.

The total excess supply is the sum of the excess supplies for each of the individual products, plus all tranches of free eligibility, when applicable. The CBP Manager reports a range of total excess supply. The largest integer of each such range will be divisible by 5. The manner in which the total excess supply is reported to bidders changes as the bidding progresses. Early in the bidding, when total excess supply is larger relative to the solicitation volume, the CBP Manager will report a narrower range of total excess supply. Toward the end of bidding, when total excess supply is small relative to the solicitation volume, the CBP Manager will report total excess supply in a wider range. When the total excess supply has reached zero, bidding has closed.

The CBP Manager will announce the ranges of total excess supply that will be used when the CBP Manager announces the number of tranches to be procured for each product and when the CBP Manager announces the load caps. The CBP Manager will inform the registered bidders of any changes to these ranges of total excess supply no later than six (6) days prior to the start of bidding. Table 11 below provides illustrative ranges of total excess supply for the March and November 2008 Solicitations.

Table 11. Illustrative Total Excess Supply Ranges

Ranges for Total Excess Supply	
Total excess supply falls to 30 tranches or fewer: a single range remains (the last range)	0-30
Total excess supply is between 31 and 65 tranches: ranges count 10 integers or more	31-45
	46-55
	56-65
Total excess supply is 66 tranches or more: ranges count 5 integers	66-70
	71-75
	76-80 (etc.)

The CBP Manager also reports the going prices for the products for the next bidding phase. The going prices are calculated through formulas as explained below.

III. G. Price Decrements

The price for a product only ticks down if the number of tranches bid for the product exceeds the tranche target for that product. The amount by which a price ticks down is called a decrement and it is a percentage of the previous going price.

The decrement for a product is larger (and thus the price for a product ticks down more quickly) if the excess supply for that product is larger. The excess supply for a product is measured against an estimate of the maximum possible excess supply that the product could attract. This estimate takes into account the total excess supply, the load cap for the class to which the product belongs, the tranche target of the product, and the number of registered bidders.

The decrement formulas allow the price decrements to be larger at the start of the bidding than in later rounds. Early in the bidding, when the number of tranches bid on a product exceeds the tranche target, the decrement is between 0.5% and 5% of the previous round price. Decrements continue to be between 0.5% and 5% of the previous round price until the going prices for round 4 are calculated or until total excess supply falls to the last range, whichever comes later. In the next round, decrements will be between 0.25% and 2.5% of the previous going price, and will remain so until the end of bidding. The CBP Manager may override the price decrement calculation; in such cases, the CBP Manager would advise all bidders that such an override has occurred. The CBP Manager may inform registered bidders no later than six (6) days prior to the start of bidding that the provisional decrement formulas in section VII have been modified. Prices are measured in \$/MWh and will be rounded off to the nearest cent.

III. H. Pauses

The progress of the rounds can be paused or modified either by the bidders or by the CBP Manager. Any one bidder can modify the progress of the rounds by requesting an extension during a bidding phase or a recess during a calculating phase or a reporting phase (subject to the conditions below). The CBP Manager can also call a time-out at any time during a round.

III. H. 1. Pauses Called by Bidders

When a bidder requests an ***extension*** during the bidding phase of a round, such a request extends the bidding phase of the round for all bidders. Typically, an extension will be 15 minutes, but the CBP Manager may set a longer or shorter length for an extension. Bidders will be advised of the length of an extension at any point during bidding. An extension allows a bidder additional time to consider its bid for the current round or allows a bidder to deal with technical difficulties in submitting bids. The bidding phase of a round can be extended only once. Each bidder is allowed two (2) extensions over the course of all rounds. A bidder with positive eligibility is automatically deemed to have requested an extension if the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions. Extensions from all bidders are granted but all extensions run concurrently. All bidders that have requested an extension during the bidding phase of a round will see their available number of extensions reduced and the extension will last only 15 minutes (or the time for an extension set by the CBP Manager). The CBP Manager reports to all bidders at the end of the planned bidding phase that the bidding phase has been extended.

A ***recess*** may only be requested during: 1) the calculating phase; or 2) during the reporting phase, before the earlier of: a) the scheduled last half of the reporting phase of a round starts; or b) the last five (5) minutes of the reporting phase of a round. (That is, if the reporting phase of a round is scheduled to be 8 minutes, then the recess must be requested before the last 5 minutes of the reporting phase; if the reporting phase of a round is scheduled to be 14 minutes, then the recess must be requested before the last 7 minutes of the reporting phase.) A recess may only be requested by a bidder after round 10 and only if the total excess supply is 30 tranches or fewer. The CBP Manager retains the discretion to set the length of a recess but the CBP Manager will not set the recess time to be less than 15 minutes. The CBP Manager will advise all bidders of the length of a recess at any point during bidding.

As soon as is feasible after the time at which a recess can be requested has passed, the CBP Manager reports to all bidders that a recess has been called. Each bidder is allowed to request at most one recess over the course of all rounds. All recess requests are granted, but all requested recesses run concurrently. All bidders making a request in a given calculating or reporting phase will be deemed to have used a recess request. All bidders that have requested a recess will see their available number of recesses reduced by one.

Example 14. Recesses.

The total number of tranches in the March 2008 Solicitation is 43. In round 5, total excess supply is reported to be in the 56-65 range. Bidders are not able to request a recess in round 5 since round 11 has not yet been reached. In round 12, the total excess supply is reported to be in the 0-30 range for the first time. Bidders can request a recess in round 13, since the total excess supply reported in the previous round (round 12) was at 30 tranches or below, and round 11 had been reached.

III. H. 2. Pauses Called by the CBP Manager

The CBP Manager can call a time-out at any time during a round. A typical time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a cutback to the solicitation volume that may require bidders time to consider or in case of an extraordinary event that requires consultation of the CBP Manager and the PUCO Staff. Whenever a time-out is called, the CBP Manager reports to all bidders with remaining obligations (i.e., with positive eligibility and/or retained withdrawals) how long the time-out is expected to last.

During the calculating phase of round 1, the CBP Manager may call a time-out to evaluate whether the solicitation volume should be adjusted. The CBP Manager has the discretion to call additional time-outs during the course of bidding. Such discretion could be used, for example, in case of an extraordinary event. The CBP Manager expects to exercise this discretion only rarely.

III. I. Failure to Submit a Bid

A bidder with positive eligibility must submit a bid in every round. This is true even when the bidder's bid does not change. This is also true when a bidder is bidding only on products whose prices have not ticked down.

If a bidder with positive eligibility does not submit a bid during the bidding phase of a round, the bidder is granted an extension whenever possible. If the bidder has previously used up all of its extensions, or if the bidder does not submit a bid during the extension to the bidding phase, then the bidder has failed to submit a bid. When a bidder with positive eligibility has failed to submit a bid in a round, the bidder is assigned a ***default bid***. A default bid for a bidder is the minimum number of tranches that the bidder could have bid on each product, as explained below.

The default bid for a bidder in round 1 is zero (0) tranches on each and every product.

The default bid for a bidder in round 2 and all subsequent rounds is described in detail as follows.

If the bidder had some tranches of free eligibility, these tranches are deemed to be withdrawn and are irrevocably removed.

If, in the previous round, a bidder did not bid any tranches on a product at the going price and, in the reporting phase of that round, the CBP Manager reported that the bidder did not have any retained withdrawals or denied switches for that product, then the bidder is assigned zero tranches for that product.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for the previous round, and if the product's price ticked down from the previous round to the current round, then the bidder is deemed to have withdrawn all tranches at the highest exit price, namely the price from the previous round. The bidder loses the eligibility associated with these tranches. All tranches with a lower exit price named by bidders that have submitted a bid in the current round are retained first. All tranches with the same exit price named by bidders that have submitted a bid in the current round are retained next. If all the withdrawn tranches by the bidder and by other bidders that were assigned a default bid are needed to fill the tranche target, these tranches are retained. If some but not all of the tranches submitted by the bidder and other bidders that were assigned a default bid are needed, tranches are chosen at random to fill the tranche target, in a procedure analogous to that used for bidders that submitted a bid, as described in section III. D. 2.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for that round, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from the previous round to the current round;

and if there is excess supply for the product in the current round, so that the price will tick down in the next round, then:

- all withdrawals that were previously retained are released and the bidder has no remaining obligation from those tranches;
- all switches that had previously been denied are outbid and the bidder is assigned free eligibility for those tranches;
- all tranches previously bid at the going price are bid again on the product at the going price. If the bidder does not bid in the next round these tranches will be withdrawn and assigned the highest exit price.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product bid at the going price, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from that round to the current round; and if there is no excess supply for the product in the current round so that the price will not tick down in the next round, then:

- any tranches bid at the going price continue to be bid at the going price;
- if any new tranches were bid on the product at the going price in the current round, the denied switches (if any) of bidders that have been assigned default bids are outbid first, before the denied switches of bidders that have submitted a bid in the current round are outbid. If more than one bidder has been assigned a default bid, and if some but not all denied switches from such bidders are outbid, then for each denied switch that must be outbid, the CBP Manager chooses at random among the default bidders the bidder whose switch is outbid, in a procedure analogous to that used for bidders that submitted a bid, as described in section III. E;
- if any new tranches were bid on the product at the going price in the current round, and if all denied switches from default bidders and from bidders that submitted a bid are outbid, retained withdrawals are released, starting with the highest named exit price. For a given exit price, tranches from bidders that

have been assigned default bids (if any) are released first, before the retained withdrawals of bidders that have submitted a bid in the current round. If more than one bidder has been assigned a default bid, and if some but not all of the retained withdrawals from such bidders must be released at a given exit price, then for each retained withdrawal that must be released, the CBP Manager chooses at random among the default bidders the bidder whose withdrawn tranche is released, in a procedure analogous to that used for bidders that submitted a bid, as described in section III. E.

The bidder can lose its ability to bid for all future rounds by failing to bid during the bidding phase of a round or during its extension. It is the responsibility of the bidder to ensure that bids are submitted on time.

Example 15. Default Bid.

Bidder A submits the following bid in round 5 of the March 2008 Solicitation (Bidder A is not bidding on any other products besides the ones shown in this example):

	Residential 17-month	*Residential 29-month*	*GS – Small 17-month*	*GS – Small 29-month*	*GS – Large 41-month*
ROUND 5 (Bid)					
Round 5 Price	85.25	80.71	79.25	83.00	81.00
Bid (Tranches)	0	4	2	0	0

The CBP Manager reports to Bidder A that its bid in round 5 is accepted as it was submitted. The CBP Manager announces the new prices for each product for round 6. Bidder A submits the following bid in round 6.

	Residential 17-month	*Residential 29-month*	*GS – Small 17-month*	*GS – Small 29-month*	*GS – Large 41-month*
ROUND 6 (Bid)					
Round 6 Price	84.25	79.71	78.18	82.00	80.00
Bid (Tranches)	2	4	0	0	0

Example 15. Default Bid (continued)

This bid represents a switch, whereby Bidder A has increased the number of tranches on Residential 17-month while decreasing the number of tranches on GS – Small 17-month. Other bidders reduce their number of tranches bid on GS – Small 17-month in the same round. To fill the tranche target of this product, the CBP Manager denies Bidder A's requested switches. These tranches will be retained at the last price at which they were freely bid.

The CBP Manager thus reports the following:

	Residential 17-month	*Residential 29-month*	*GS – Small 17-month*	*GS – Small 29-month*	*GS – Large 41-month*
ROUND 6 (Report)					
Round 7 Price	83.75	79.21	78.18	81.63	79.56
Report to Bidder A (Tranches)	0	4	2 denied switches @ $79.25	0	0

In round 7, the minimum number of tranches that Bidder A can bid on Residential 17-month, GS – Small 29-month, and GS – Large 41-month is zero, because Bidder A did not bid any tranches on these products in round 6. The minimum number of tranches that Bidder A can bid on Residential 29-month is zero, since the price for Residential 29-month has ticked down from $79.71/MWh to $79.21/MWh. The minimum number of tranches that Bidder A can bid on GS – Small 17-month is 2, since the price for GS – Small 17-month has not ticked down but Bidder A has two denied switches on GS – Small 17-month.

In round 7, Bidder A fails to submit a bid in the bidding phase of the round. Bidder A is automatically granted an extension but does not submit a bid during the extension either. Bidder A will be assigned the following bid, which is its default bid. Bidder A is the only bidder that is assigned a default bid. Bidder A's number of tranches bid for each product that does not appear in this example is zero.

Example 15. Default Bid (continued)					
	Residential 17-month	*Residential 29-month*	*GS – Small 17-month*	*GS – Small 29-month*	*GS – Large 41-month*
ROUND 7 (Default Bid)					
Price ($/MWh)	83.75	79.21	78.18	81.63	79.56
Default Bid for Bidder A (Tranches)	0	0	2 denied switches @ $79.25	0	0

None of Bidder A's withdrawn tranches are retained; tranches from other bidders that actually submitted bids are sufficient to fill the tranche target for Residential 29-month. During round 7, three new tranches are bid on GS – Small 17-month by other bidders. Both of Bidder A's tranches become outbid denied switches and are free eligibility. Bidder A's eligibility for round 8 is 2. Should Bidder A again fail to bid in round 8, this free eligibility will be lost. Bidder A would be assigned eligibility of zero for round 9 and would lose the ability to submit any further bids.

III. J. End of Bidding

Bidding ends at the same time for all products, in the reporting phase before the first round in which total excess supply is zero. At that point, all prices have stopped ticking down any further and no bidder could change its bid.

At the end of the bidding, tranches are allocated to the winners and all the winners for a product receive the same price (the clearing price) for that product. As long as the tranche target is filled in any round prior to the final round, the tranche target for a product will be filled when bidding ends. For all products where the tranche target is filled when bidding ends, the clearing price is the lowest price bid that still allows supply just sufficient to fill the tranche target. The price for each product is determined more precisely as explained below.

The clearing price for a product depends on how the tranche target for the product was filled in the final round. When the tranche target of a product is filled when bidding ends, the clearing price is determined as follows.

If, to fill the tranche target for a product in the final round, only tranches bid at the price from the final round are used, the winners are those that submitted bids at the price from the final round. The clearing price given to all winners is the going price from the final round.

If, to fill the tranche target for a product in the final round, withdrawn tranches must be retained, but no switches were denied, then the winners are the bidders that submitted bids at the going price from the final round and the bidders that submitted the lowest of the exit prices. If, to fill the last tranches of the tranche target of a product in the final round, the CBP Manager must use some but not all the tranches from two or more bidders tied at the same exit price, then the CBP Manager, for each tranche, will choose at random the bidder whose tranche is retained, as described in section III. D. 3. The clearing price given to all winners is the last exit price that was accepted to fill the tranche target.

If, to fill the tranche target for a product in the final round the CBP Manager must deny requests to switch, then the winners are the bidders that submitted bids at the going price from the final round, the bidders that withdrew tranches (if any), and the bidders whose requests to switch (by reducing the number of tranches of that product) were denied. The clearing price received by all winners is the price at which the denied switches were last freely bid.

Example 16. End of Bidding.

The tranche target for Residential 17-month is 5 tranches for the March 2008 Solicitation.

In round 74, 7 tranches for Residential 17-month are bid at a price of $40.00/MWh. In round 75, 2 tranches for Residential 17-month are bid at a price of $39.90/MWh.

Bidder A bids 4 tranches for Residential 17-month in round 74 and 1 tranche in round 75. Bidder A enters an exit price equal to the last round going price of $40.00/MWh for the 3 tranches it is withdrawing.

Bidder B bids 3 tranches for Residential 17-month in round 74 and 1 tranche in round 75. Bidder B enters an exit price of $39.95/MWh for the 2 tranches it is withdrawing.

No other bidders bid on Residential 17-month in rounds 74 and 75. The total excess supply in round 75 is zero and bidding ends in round 75. Two additional tranches are allocated to Bidder B since it submitted a lower exit price. Bidder A wins 1 additional tranche so that the tranche target is filled. All winning bidders will receive a price of $40.00/MWh, which is the lowest price at which the tranche target (5) is filled.

The tranche target for a product will be filled when bidding ends as long as the tranche target was filled in any round prior to the final round. Once the tranche target for a product is filled in a round, the CBP Manager ensures that the tranche target remains filled by retaining withdrawals and denying switches if necessary. However, if in the final round the tranche target for a product is not filled, the winners (if any) are those that submitted bids at the round 1 price, which is the clearing price. The tranches from the product that are not filled would be served pursuant to the FirstEnergy Ohio Utilities' Contingency Plan.

IV. AFTER BIDDING ENDS

The PUCO will conduct a prompt consideration of the results of each Solicitation. Within one (1) business day of the close of bidding, the CBP Manager will present a confidential report to the PUCO regarding the process. The PUCO will decide whether or not to approve the results within two (2) days of the close of bidding. The PUCO Staff or its advisor may prepare a second independent confidential report on the process. If the Commission approves the results and authorizes the winners to become SSO Suppliers, the CBP Manager will notify each winner of the tranches it has won and will notify each winner of the associated clearing prices. The CBP Manager will notify the FirstEnergy Ohio Utilities of the following: the identities of the winners, the number of tranches won by each winner of each product, and the associated clearing prices. The names of the winners and the clearing prices remain confidential until publicly released by the PUCO.

If the Commission approves the results, the winning SSO Suppliers and the FirstEnergy Ohio Utilities will have three (3) days from the date of Commission approval to execute the SSO Agreements. Each winner will have these three (3) days to demonstrate compliance with the creditworthiness requirements set forth in the SSO Agreement and to submit the executed SSO Agreement(s) to the Commission for information. A winner's financial guarantee posted with its Part 2 Application may be forfeited if the winner does not execute the SSO Agreement within three (3) days, if the winner fails to demonstrate compliance with the creditworthiness requirements set forth in the SSO Agreement, or if the winner fails to agree to any of the terms of the SSO Agreement. If the FirstEnergy Ohio Utilities exercise their right to collect on the financial guarantees, then any contractual rights or other entitlements of the winners will immediately terminate without further notice by the FirstEnergy Ohio Utilities. In addition, winners will be liable for damages incurred by the FirstEnergy Ohio Utilities, which will be determined in accordance with the terms of the SSO Agreement as though the winner were a defaulting party to the SSO Agreement.

The Commission may release information regarding the CBP, including winning bidders and clearing prices, no earlier than thirty (30) days after the conclusion of the last Solicitation in the CBP. All the costs associated with the CBP will be collected through a Bid Participation Fee to be submitted at the beginning of the application process, and a Tranche Fee charged to winning bidders.

V. ASSOCIATION AND CONFIDENTIAL INFORMATION RULES

The Association and Confidential Information rules are described below.

V. A. Process for Reporting Associations, Identifying Concerns and Remedies

A prospective bidder applying to qualify to bid will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of qualified bidders. A prospective bidder will also be required to certify that it accepts the terms of all SSO Agreements and, should it be a winner, it will sign the applicable SSO Agreement(s) and comply with all creditworthiness requirements within three (3) days of Commission approval of the results. With its Part 1 Application, each prospective bidder will be required to pay a Bid Participation Fee that will contribute to covering the administration costs of the CBP.

Once entities are qualified to bid, each bidder qualified will be asked in its Part 2 Application to make a number of certifications, each detailed below, and each bidder may be required to provide additional information to the CBP Manager if a certification cannot be made. In particular, each qualified bidder will be informed of the list of qualified bidders and will be asked to certify that it is not associated with any other qualified bidder. If a qualified bidder cannot make such a certification, it will be asked to identify associations it may have with other qualified bidders. The criteria that determine whether two bidders are associated with one another are given below. If two qualified bidders are associated with one another, the CBP Manager in consultation with PUCO Staff will determine whether the two qualified bidders can both participate to bid, as well as the terms and conditions of such participation. The CBP Manager in consultation with PUCO Staff may require qualified bidders that are associated with one another to bid as one entity or to take other appropriate actions so as to no longer be associated with one another.

Each qualified bidder will be asked to certify that it will undertake to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and

Confidential Information regarding the CBP (both of which are defined in section V. C). A qualified bidder will also be asked to certify that it has not come and will not come to any agreement with another qualified bidder with respect to bidding in the CBP, except as disclosed and approved by the CBP Manager in its Part 1 Application.

Before obtaining final documentation necessary to participate in a given Solicitation, registered bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the CBP.

V. B. Association Criteria

1. Preliminary Definitions

   a. A party controls an entity directly if the party holds a majority of shares, majority voting power, a majority of common directors, can appoint a majority of directors, or if the party in fact controls the entity's affairs through some other means. A party controls an entity indirectly if the party controls another entity that controls the entity in question (or through a longer line of control; e.g., if the party controls another entity that controls an entity that controls the entity in question, etc.).
   b. A party participates directly in another entity Z if the party holds any class of listed shares, if it holds the right to acquire such shares, if it holds any option to purchase shares or if it has voting power. The participation is indirect if the party participates in another entity that participates in Z (with potentially a longer line of "indirect participation"). When the participation is indirect, the percentage of participation of the party in the entity is obtained by multiplying the percentages of participation at each level.
   c. A party is concerned with the bid of a bidder if the party has Confidential Information relative to the bidders' bidding strategy (see definition in the next section), has agreed to provide assistance with financing or has agreed to provide assistance in another way.

2. Bidder A and Bidder B are associated with each other if Bidder A
    a. Controls bidder B, directly or indirectly; or
    b. Has at least a 10% participation in Bidder B and is concerned with Bidder B's bid; or
    c. Controls an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid; or
    d. Is controlled by an entity that controls Bidder B directly or indirectly; or
    e. Is controlled by an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid.

3. Bidder A and Bidder B are associated if there is a party which
    a. Controls Bidder A, directly or indirectly; or
    b. Has at least a 10% participation in Bidder A, directly or indirectly, and is concerned with Bidder A's bid; or
    c. Controls an entity that has at least a 10% participation in Bidder A, direct or indirect, and is concerned with Bidder A's bid; or
    d. Has Confidential Information about Bidder A's bid and is controlled by Bidder A; or
    e. Has Confidential Information about Bidder A's bid and is controlled by an entity or person that controls Bidder A directly or indirectly; or
    f. Has Confidential Information about Bidder A's bid and is controlled, directly or indirectly, by an entity that has at least a 10% participation in Bidder A and is concerned with Bidder A's bid;

    and if this same party also has any one of the relationships (a. through f. described above) with Bidder B.

4. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in both bidders.

5. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in Bidder A and that:

a. Has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
b. Is controlled by Bidder B; or
c. Controls a person or entity that controls Bidder B; or
d. Controls a person or entity that: has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
e. Is controlled by a person or entity that controls Bidder B directly or indirectly; or
f. Is controlled by a person or entity that has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
g. Is controlled by a person or entity who controls a person who has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid.

V. C. Definitions of Confidential Information

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

Confidential Information regarding the CBP means information that is not released publicly by the PUCO or the CBP Manager and that a bidder acquires as a result of participating in the CBP, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future Solicitations, impair the ability of the FirstEnergy Ohio Utilities to hold future Solicitations, harm consumers, or injure bidders or applicants. Confidential Information regarding the CBP includes (but is not limited to) the list of qualified bidders, the list of registered bidders, the initial eligibility in a Solicitation, the clearing prices of the prior Solicitations in this year's CBP, the status of a bidder's participation in a Solicitation, and all non-public reports of results and announcements made by the CBP Manager to all or any one bidder during the CBP.

V. D. Certifications and Disclosures to Be Made

In certifications 1 through 15 below, "prospective bidder" refers to an entity submitting a Part 1 Application, "qualified bidder" refers to a bidder qualified to participate through a successful Part 1 Application, and "registered bidder" refers to a bidder registered to participate through a successful Part 2 Application.

A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the CBP. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP. A ***bidding consortium*** is a group of separate businesses or business people joining together to submit joint bids in the CBP.

In addition, a prospective bidder will be required to make the following certifications. Certification 1 will apply from the time that the Part 1 Application has been submitted. Certification 2, 3, and 4 will apply from the time that the Part 1 Application has been submitted until the SSO Agreements are signed or until the results are rejected.

1. A prospective bidder must certify that if it becomes a qualified bidder, the prospective bidder will not disclose information regarding the list of qualified bidders, including the number of qualified bidders, the identity of any or all qualified bidders, or the fact that an entity has not been qualified for further participation. The prospective bidder must certify that it will destroy any document distributed by the CBP Manager that lists the qualified bidders within five (5) days of the Commission deciding whether to approve the results.

2. A prospective bidder must certify that if it becomes a qualified bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a qualified bidder to another entity. The prospective bidder must further certify that it understands that any such substitution, transfer, or assignment is null and void, and will result in its exclusion from further participation in a given Solicitation.

3. A prospective bidder must certify that it agrees that the submission of any bid on a product creates a binding and irrevocable offer to provide service under the terms set forth in the applicable SSO Agreement for that product.

4. A prospective bidder must certify that it agrees that upon the Commission approval of the results, a binding and enforceable contract to provide service with respect to the number of tranches for which the prospective bidder is a winner will arise under the applicable SSO Agreement(s), and that the prospective bidder will execute all applicable SSO Agreement(s) and comply with the creditworthiness requirements contained therein within three (3) days of Commission approval of the results.

Certification 5 will be required of each qualified bidder in its Part 2 Application and will apply from the time of qualification until the date the SSO Agreements are signed or until the results are rejected. Certifications 6 through 10 will be required of each qualified bidder in its Part 2 Application and will apply from the time of qualification until Commission approval of the results or until the results are rejected. Each qualified bidder must consult the list of all qualified bidders for a given Solicitation and attest to the following:

5. A qualified bidder must certify that it is not associated with any other qualified bidder according to the criteria given above.

A qualified bidder unable to make certification 5 must identify any and all qualified bidders with which it is associated and must provide a description of the nature of any and all such associations.

6. A qualified bidder must certify that, other than qualified bidders that were explicitly named in its Part 1 Application as entities with which the bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP, the bidder has not entered into any agreement with any other qualified bidder regarding bidding in the CBP, including, but not limited to, the amount to bid at certain prices, the product(s) on which bids are placed, when or at what prices bids are withdrawn or switched, and/or the amount of exit prices as defined in section III. D. 2.

An ***Advisor*** is a person or persons who will be advising or assisting the qualified bidder with respect to bidding strategy, estimation of the value of any tranche, or estimation of the risks associated with any tranche.

7. A qualified bidder must certify either: (i) that it has not retained an Advisor; or (ii) if it has retained an Advisor, that such Advisor is explicitly named in the Part 2 Application, and that such Advisor will: (a) not discuss Confidential Information relative to the qualified bidder's bidding strategy or Confidential Information regarding the CBP provided by the qualified bidder except with such qualified bidder; (b) not use Confidential Information relative to the qualified bidder's bidding strategy or Confidential Information regarding the CBP provided by the qualified bidder for any purpose other than to provide advice to the qualified bidder; (c) be bound by all certifications made by the qualified bidder in its Part 1 Application and in its Part 2 Application; (d) not provide any similar advice or assistance to any other qualified bidder.

A qualified bidder who has an Advisor must name the Advisor in its Part 2 Application. A qualified bidder who is unable to make certification 7 must identify all reasons for such inability. If the Advisor is providing similar advice or assistance to any other qualified bidder(s), or if the Advisor has access to Confidential Information relative to any other qualified bidder's bidding strategy, or if the Advisor has access to Confidential Information regarding the CBP other than as provided by the qualified bidder, the qualified bidder must describe any and all protections (such as confidentiality agreements) that have been put in place to ensure that the Advisor does not serve as a conduit of information between bidders, or as a coordinator of the bidding strategies of multiple bidders.

8. A qualified bidder must certify that the qualified bidder is not a purchasing party in any contract for any product, or any component of such product, related to the CBP, and (i) that would require the disclosure of any Confidential Information relative to bidding strategy or Confidential Information regarding the CBP to a counterparty under such a contract or to any other entity; or (ii) that would provide instructions, direct financial incentives, or other inducements for the qualified bidder to act in a way determined by a counterparty under such contract or in concert with any other bidder participating in the CBP. Notwithstanding the above, prior to each Solicitation, a qualified bidder may, during negotiations with an entity other than a qualified bidder regarding contractual arrangements for the qualified bidder to purchase all components to satisfy any product, or any component of such product, related to the CBP in the event that the bidder becomes a winning bidder, discuss with a prospective counterparty to such contract the nature of the product or components that the qualified bidder would purchase, the volume of any such product or components, and the prices of such product(s) or components.

A qualified bidder unable to make certification 8 must disclose the contractual arrangements that prevent the qualified bidder from making the certification.

9. A qualified bidder must certify that it does not have any knowledge of Confidential Information relative to the bidding strategy of any other qualified bidder.

A bidder unable to make certification 9 must name the other qualified bidder and the nature of the Confidential Information.

10. A qualified bidder must certify that it will not disclose Confidential Information relative to its own bidding strategy except to entities that were explicitly named in its Part 1 Application as entities with whom the bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP, to bidders with which it is

associated as disclosed through certification 5, to its Advisor, and to its financial institution.

A qualified bidder unable to make certification 10 must identify all reasons and must identify the entities to which an information disclosure has or will be made.

In its Part 2 Application, a qualified bidder makes certifications 11 through 13 which will apply from the time of the Part 2 Application.

11. A qualified bidder must certify that, other than entities affiliated with the qualified bidder; other than entities with which the bidder has entered a bidding agreement, or a joint venture for purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP as named in the Part 1 Application; and other than bidders with which the qualified bidder is associated as disclosed through certification 5; no entity has agreed to defray any of its costs in participating in the Solicitation, including the cost of preparing bids, the cost of any financial guarantees, the cost to be paid in the event such qualified bidder becomes a winning bidder, or any other participation cost or fee.

A qualified bidder unable to make certification 11 must identify the entity that has agreed to defray some or all of the qualified bidder's cost of participating in the Solicitation, and the nature of the participation costs that the entity has agreed to defray.

12. A qualified bidder must certify that if it becomes a registered bidder, the qualified bidder will not, at any time, disclose information regarding the total initial eligibility or the list of registered bidders, including the number of registered bidders, the identity of any or all registered bidders, or the fact that an entity has not been registered for further participation in the Solicitation.

This certification 12 provides an exception with respect to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

A qualified bidder unable to make certification 12 must identify all reasons and must identify the entities to which an information disclosure has been or will be made.

13. A qualified bidder must certify that it will not, at any time, disclose any Confidential Information regarding the CBP other than to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

A prospective bidder unable to make certification 13 must identify all reasons and must identify the entities to which an information disclosure has been or will be made.

In its Part 2 Application, a qualified bidder makes certification 14 which will apply from the time of the Part 2 Application until the date the SSO Agreements are signed or until the results are rejected.

14. A qualified bidder must also certify that if it becomes a registered bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a registered bidder to another entity. A qualified bidder must further certify that it understands that any such substitution, transfer, or assignment is null and void, and will result in its exclusion from participation in a given Solicitation.

Following a successful Part 2 Application, the registered bidder will be required to certify that it will continue to abide by its prior commitment to maintain the confidentiality of information regarding the CBP. The registered bidder will be required to do so before obtaining manuals and procedures essential to submit bids. The registered bidder also certifies that it will destroy all documents provided by the CBP Manager that contain confidential information within five (5) days of the Commission deciding whether to approve the results.

15. A registered bidder certifies that it continues to abide by its prior confidentiality certifications. The registered bidder will not disclose any Confidential Information regarding the CBP other than to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5. Further, the registered bidder certifies that it will destroy all documents written or electronic provided by the CBP Manager that contain confidential information regarding the CBP within five (5) days of the Commission deciding whether to approve the results.

The PUCO will publicly release the clearing prices and the names of the winners from a given CBP no earlier than thirty (30) days after the Commission decides whether or not to approve the results of the final Solicitation in a CBP. The PUCO may choose to release additional information. After each Solicitation, a winner may itself release information regarding the number of tranches it has won and the products that the winner will be serving, and a losing bidder may itself release information only regarding the fact that it participated in a Solicitation. The winners and losing bidders otherwise continue to be bound by their certifications as described previously. In particular, no winner or losing bidder can itself reveal clearing prices of any Solicitation prior to these being publicly released by the PUCO.

V. E. Actions to Be Taken if Certifications Cannot Be Made

If a bidder cannot make all the above certifications, the CBP Manager in consultation with PUCO Staff will decide within five (5) days on a course of action on a case-by-case basis. To decide on this course of action, the CBP Manager may make additional inquiries to understand the reason for the inability of the bidder to make the certification.

In general, qualified bidders that are associated with one another, or that have entered into agreements regarding bidding for the CBP, are considered as one bidder for the purposes of application of the load caps and for the administration of a given Solicitation. Bidders can be allowed to bid independently or can be asked to end their association or agreement as a condition of participation, as circumstances warrant. If qualified bidders are asked to end their associations they will be given five (5) days to do so.

If qualified bidders do not comply with additional information requests by the CBP Manager regarding certifications required in the Part 2 Application, or do not comply with a request from the CBP Manager to end their associations, this may be sufficient grounds for the CBP Manager to reject the application.

Sanctions can be imposed on a qualified bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder without disclosing this fact, for releasing Confidential Information or disclosing information during the CBP (aside from only the specific exceptions provided above with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement, to an Advisor; or bidders with which it is associated), and in general for failing to abide by any of the certifications that the bidder will have made in its Part 1 or Part 2 Application. Such sanctions can include, but are not limited to, any one or more of the following: the loss of all rights to provide tranches won by such bidder; the forfeiture of letters of credit and other fees posted or paid; liquidated damages of $100,000; action (including prosecution) under applicable state and/or federal laws; attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; debarment from participation in future CBPs; and/or other sanctions that the PUCO may consider appropriate.

Should such an event occur, the CBP Manager in consultation with PUCO Staff will make a recommendation regarding a sanction.

VI. APPENDIX A: GLOSSARY OF TERMS

Advisor

An Advisor is a person or persons who will be advising or assisting the bidder with respect to bidding, estimation of the value of any tranche, or estimation of the risks associated with providing supply for any tranche.

Associated with

A qualified bidder is associated with another qualified bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. See "Association and Confidential Information Rules" in this document for more precise criteria.

Bid

A bid is the number of tranches of each product that the bidder wants to serve at the prices announced by the CBP Manager.

Bid Participation Fee

The Bid Participation Fee is a fee that is required from all prospective bidders with their Part 1 Applications. The Bid Participation Fee, together with the Tranche Fee, will be used to cover the administration costs of the CBP. The amount of the Bid Participation Fee is announced when the tranche targets and load caps are announced, no later than ten (10) days prior to the Part 1 Application Date for the first Solicitation of the CBP.

Bidding Consortium

A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the CBP. A bidding consortium is also a set of companies joining together to supply load for products in the CBP with each providing different expertise or components.

Bidding Phase

In the bidding phase of the round, bidders place their bids stating the number of tranches they want to supply for each product.

Calculating Phase

In the calculating phase of the round, the CBP Manager tabulates the results of that round's bidding phase and calculates the prices for the next round.

Class

A class is a classification or grouping of individual customers of the FirstEnergy Ohio Utilities for the purposes of the CBP. Bidders bid to provide full requirements service for at least one class and for at least one supply period.

Clearing Price

A clearing price is the price for a product at which there is just sufficient supply. All winners for a given product receive the same clearing price for that product. The clearing prices are expressed in \$/MWh rounded off to the nearest cent.

Confidential Information regarding the CBP

Information that is not released publicly by the PUCO or the CBP Manager and that a bidder acquires as a result of participating in the CBP, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future Solicitations, impair the ability of the FirstEnergy Ohio Utilities to hold future Solicitations, harm consumers, or injure bidders or applicants. Confidential Information regarding the CBP includes (but is not limited to) the list of qualified bidders, the list of registered bidders, the initial eligibility in the Solicitation, the clearing prices of the prior Solicitations in this year's CBP, the status of a bidder's participation in the Solicitation, and all non-public reports of results and announcements made by the CBP Manager to all or any one bidder during the CBP.

Contingency Plan

If the solicitation volume is cut back, the removed tranches are offered in the next Solicitation within the CBP. If the Solicitation for which the volume is cut back is the last of the CBP, the FirstEnergy Ohio Utilities will purchase the supplies needed to serve the load associated with the removed tranches in MISO administered markets.

CRES Supplier

CRES supplier means Competitive Retail Electric Service supplier.

Decrement

A decrement is a given percentage of the previous going price.

Default Bid

A default bid is the minimum number of tranches that the bidder can bid on each product.

Denied switches

Denied switches are those tranches of a product that a bidder has requested to switch, and for which the request to switch has been denied by the CBP Manager in order to keep the tranche target for that product filled.

Eligibility

A bidder's eligibility in round 1 is the bidder's initial eligibility (see Initial Eligibility). A bidder's eligibility in round 2 is the bidder's total number of tranches bid in round 1. For all subsequent rounds, the bidder's eligibility for a round is its eligibility for the previous round, minus the number of tranches that the bidder withdrew from all products in the previous round.

Excess Supply (for a product)

The excess supply for a product is the greater of (1) the total number of tranches bid for the product minus the tranche target for that product, or (2) zero.

Exit Price

An exit price is a best and last offer on tranches that are being withdrawn.

Extension

An extension typically extends the bidding phase for a round by 15 minutes, but the CBP Manager may set a longer or shorter length for an extension. The bidding phase of a round can be extended only once. Each bidder is allowed two (2) extensions over the course of all rounds. A bidder with positive eligibility is automatically deemed to have requested an extension if the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions.

Free Eligibility

A tranche from a denied switch for a product that is outbid becomes free eligibility in the next round. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost. A tranche of free eligibility can be bid on any product.

Full Requirements Service

Full requirements service includes energy, specified ancillary and transmission services, current MISO resource adequacy requirements and other services necessary to serve the load of fixed-price customers of the FirstEnergy Ohio Utilities. Full requirements service is defined more precisely in the SSO Agreements for each class.

General Service - Large Customers

Customers who take delivery service under rate schedules GP (all other available voltages), GSU (sub-transmission, high-voltage 3-wire), and GT (transmission service greater than or equal to 69,000 volts) belong to the General Service - Large class.

General Service - Large Load

General Service - Large load is the load associated with General Service - Large customers.

General Service - Small Customers

Customers who take delivery service under rate schedules GS (secondary voltages less than or equal to 600 volts), STL (Street Lighting Service), TRF (Traffic Lighting Schedule), and POL (Private Outdoor Lighting Service) belong to the General Service - Small class.

General Service - Small Load

General Service - Small Load is the load associated with General Service - Small Customers.

Going Prices

The going prices in a round are the prices at which the CBP Manager solicits bids in that round.

HP Customer

An HP Customer is a retail customer who has appropriate interval metering and communication capabilities and has elected to take an hourly pricing service from the FirstEnergy Ohio Utilities.

Indicative Offer

The indicative offer, submitted with the Part 2 Application, specifies two numbers of tranches. The first number represents the number of tranches that the qualified bidder is willing to supply at the maximum starting price and the second number represents the number of tranches that the qualified bidder is willing to supply at the minimum starting price.

Initial Eligibility

The number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's initial eligibility. A bidder will never be able to bid on a number of tranches greater than the bidder's initial eligibility.

Load Cap

A load cap for a class is a maximum number of combined tranches that any one bidder can bid and win for any particular class in a Solicitation.

Master Standard Service Offer Supply Agreement

The SSO Suppliers will be required to execute the relevant Master Standard Service Offer Supply Agreements ("SSO Agreements") within three (3) days of the Commission decision.

Maximum Starting Price

When the CBP Manager announces the number of tranches, load caps, and MW-measures of each tranche, the CBP Manager at that time will also announce a maximum starting price and a minimum starting price. The maximum starting price is the maximum price that can be set in round 1 for each product. Each qualified bidder will, in its Part 2 Application, submit an indicative offer at the maximum starting price.

Minimum Starting Price

When the CBP Manager announces the number of tranches, load caps, and MW-measures of each tranche, the CBP Manager at that time will also announce a maximum starting price and a minimum starting price. The minimum starting price is the minimum price that can be set in round 1 for each product. Each qualified bidder will, in its Part 2 Application, submit an indicative offer at the minimum starting price.

MW-measure

The MW-measure of each tranche provides, for reference purposes only, a figure in megawatts corresponding to a certain percentage of the peak load share of that class.

Outbid

When a denied switch from a previous round is being replaced by a tranche that is newly bid on that product in the current round, the denied switch that is replaced is said to be outbid. Tranches that are outbid become free eligibility in the next round.

Part 1 Application

The Part 1 Application is the first of the two parts of the application process for the Solicitation. In the Part 1 Application, prospective bidders are required to indicate their interest in participating in the Solicitation, provide identifying information and to pay a Bid Participation Fee. Prospective bidders are also required to accept the terms of the CBP Rules and the applicable SSO Agreements, to provide financial information for an assessment of their creditworthiness, and to certify that they have no impediments to meet the requirements or authorizations required by the SSO Agreements, including meeting the creditworthiness requirements set forth in the Agreements and becoming Market Participants in MISO by the start of the supply period if they are not already market participants in MISO in good standing.

Part 2 Application

The Part 2 Application is the second of the two parts of the application process for the Solicitation. Qualified bidders must successfully submit to a Part 2 Application process to participate in the bidding. In the Part 2 Application, qualified bidders will make a number of certifications regarding associations, to ensure that they are bidding independently of other qualified bidders, and to ensure the confidentiality of information regarding the CBP.

Part 1 Application Date

Applications must be submitted no later than noon on the Part 1 Application Date, which is no later than ten (10) days after the minimum and maximum starting prices are announced.

Part 2 Application Date

Part 2 Applications must be submitted no later than noon on the Part 2 Application Date.

Peak Load Share for the Load Class

The peak load share for a load class is the hourly load coincident with the FirstEnergy balancing authority peak load, measured at the customer meter and including losses, of a recent twelve month period, for all customers of the FirstEnergy Ohio Utilities in that class.

Pre-Bid Security

Each qualified bidder must post pre-bid security sufficient for its indicative offer at the maximum starting price. Each qualified bidder must post a letter of credit in an amount no less than $500,000 per tranche of a bidder's indicative offer at the maximum starting price. Letters of credit must be in a form acceptable to the FirstEnergy Ohio Utilities. Sample letters of credit that are in a form acceptable to the FirstEnergy Ohio Utilities will be posted to the CBP web site. Depending upon the creditworthiness assessment made at the time of the Part 1

Application, a qualified bidder may be required to provide additional pre-bid security in the form of a letter of intent to provide a guaranty and/or a letter of reference. Any such additional pre-bid security must be submitted in a form acceptable to the FirstEnergy Ohio Utilities. Samples for the letter of intent to provide a guaranty and for the letter of reference will also be posted to the CBP web site.

Product

A product is the SSO Load of a given class for a specific term. The 2009 CBP will have nine (9) products: Residential 17-month, Residential 29-month, Residential 41-month, General Service - Small 17-month, General Service - Small 29-month, General Service - Small 41-month, General Service - Large 17-month, General Service - Large 29-month and General Service - Large 41-month.

Prospective Bidder

A prospective bidder is an entity that has submitted a Part 1 Application.

Qualified bidder

After its Part 1 Application is accepted, an entity becomes a qualified bidder.

Recess

A recess may only be requested during: 1) the calculating phase; or 2) during the reporting phase, before the earlier of: a) the scheduled last half of the reporting phase of a round starts; or b) the last five (5) minutes of the reporting phase of a round. A recess may only be requested by a bidder after round 10 and only if the excess supply is 30 tranches or fewer. The CBP Manager retains the discretion to set the length of a recess but the CBP Manager will not set the recess time to be less than 15 minutes. The CBP Manager will advise all bidders of the length of a recess at any point during bidding.

Registered bidder

After its Part 2 Application is accepted, a qualified bidder becomes a registered bidder.

Reporting phase

In the reporting phase of the round, the CBP Manager informs the bidders of the results of that round's bidding phase.

Residential Customer

Customers who take delivery service under rate schedule RS (secondary voltages less than or equal to 600 volts) belong to the Residential class.

Residential Load

Residential load is the load associated with Residential customers.

Round

Bidding proceeds in rounds. Each round has a bidding phase, a calculating phase, and a reporting phase.

Round 1 prices

The minimum and maximum starting prices establish the range of possible round 1 prices for the products. The CBP Manager, in consultation with PUCO Staff and the FirstEnergy Ohio Utilities, will choose round 1 prices for each product, and will inform registered bidders three (3) days before bidding starts.

Size of a Tranche

The size of a tranche for each class provides the percentage of the load for that class that a tranche represents.

Solicitation Volume

The solicitation volume is the sum of the tranche targets for all products in a Solicitation.

SSO Agreement

See Master Standard Service Offer Supply Agreement.

SSO Customer

An SSO Customer is a retail customer taking Standard Service Offer.

SSO Load

SSO Load will be the FirstEnergy Ohio Utilities' aggregate requirements associated with SSO Customers, and will include distribution losses. SSO Load will exclude the requirements of wholesale customers, the requirements of HP Customers, and the requirements of customers served by CRES suppliers. SSO Load will include the requirements of any customers of the Cleveland Electric Illuminating Company still under Special Contracts until December 31, 2012 ("SC customers").

SSO Service

SSO Service will be the electric service provided by winning bidders to those customers who are not wholesale customers, who are not HP Customers, and those customers who are not shopping and are not served by a CRES supplier.

SSO Supplier

An SSO Supplier for a given load category provides full requirements service for the percentage of SSO Load corresponding to the number of tranches won by the Supplier in the Solicitation for the relevant product(s).

Summer factor

A summer factor is a seasonal payment factor by which the clearing prices are multiplied to obtain the summer payments for service provided during the period June 1 through August 31. It varies by class. The payments to suppliers of a product are a seasonal function of the clearing price for that product. The summer payments, made to suppliers for service provided from June 1 through August 31, are generally higher than the clearing price.

Switch

A bidder switches when a bidder is simultaneously decreasing the number of tranches bid for one or more products, and increasing the number of tranches for one or more other products while leaving the total number of tranches bid unchanged.

Switching priority

A switching priority is a unique rank assigned to each of the products for which the bidder is increasing the number of tranches bid. A switching priority of "1" is the highest priority and it is assigned to only one product; the next highest priority is "2" and it is assigned to a different and unique product, etc. A switching priority indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product (with priority 1) be increased first.

Target Eligibility Ratio

Target eligibility ratio is a desired ratio of tranches bid to the solicitation volume.

Time-out

A time-out is a pause called by the CBP Manager and a time-out can be called at any time during a round. A typical time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a volume adjustment that may require bidders time to consider or in case of an extraordinary event that requires consultation of the CBP Manager and the PUCO Staff.

Total Excess Supply

The total excess supply is the sum, over all products, of the excess supplies for the individual products, plus all tranches of free eligibility.

Tranche

For purposes of the CBP, SSO Load for each class is divided into units called tranches, each representing the same percentage of SSO Load for that class. The percentage of SSO Load for one tranche of one class is in general different from the percentage of SSO Load for one tranche of another class.

Tranche Fee

The Tranche Fee is a fee required of winning bidders for each tranche that is won. This fee, together with the Bid Participation Fee, will be set to recover all the costs associated with the CBP. The CBP Manager will announce the fee per winning tranche no later than six (6) days prior to the start of bidding in the first Solicitation. The Bid Participation Fee will be deducted from any applicable Tranche Fees.

Tranche target

The tranche target for a product is the number of tranches needed for a product in a given Solicitation.

Winter Factor

A winter factor is a seasonal payment factor by which the clearing prices are multiplied to obtain the winter payments for service provided during the periods January 1 – May 31 and September 1 – December 31. It varies by class. The payments to suppliers of a product are a seasonal function of the clearing price for that product. The winter payments, made to suppliers for service provided from January 1 – May 31 and September 1 – December 31, are generally lower than the clearing price.

Withdrawal

A bidder requests a withdrawal from at least one product when the bidder is reducing the total number of tranches bid.

VII. APPENDIX B: PROVISIONAL DECREMENT FORMULAS

Decrement formulas may be updated by the CBP Manager along with the number of tranches for each product and load caps for each class no later than ten (10) days before suppliers must first apply to participate in the CBP. The CBP Manager may inform registered bidders no later than six (6) days prior to the start of bidding in each Solicitation that the decrement formulas have been further modified. Prices are measured in $/MWh and will be rounded off to the nearest cent.

VII. A. Regimes

At the start of bidding, the Regime 1 decrement formulas are used. When Regime 1 decrement formulas are used, decrements are between 0.5% and 5% of the previous going price. Regime 1 continues until Regime 2 starts. When Regime 2 decrement formulas are used, decrements are between 0.25% and 2.5% of the previous going price. Regime 2 starts in the calculating phase of a round. Regime 2 starts in the calculating phase of round 4, or in the calculating phase of the first round in which the excess supply is first reported to bidders to be 30 or fewer tranches, whichever comes later. Regime 2 continues until bidding ends. The CBP Manager may override the price decrement calculation; in such cases, the CBP Manager would advise all bidders that such an override has occurred.

VII. B. Regime 1 Decrement Formulas

Decrements are calculated separately for each product as a function of the excess supply on that product.

During Regime 1, the calculation of the size of the decrement, Δ, is based on the oversupply ratio, γ, which is the ratio of the excess supply for a product to an estimate of the maximum possible total excess supply:

$$\gamma = \frac{B - TT}{\min\left(\overline{RES}, n \cdot \min\{LC, TT\} - TT\right)}$$

The numerator is the excess supply for a product, which is the number of tranches bid at the going price (B) minus the tranche target (TT). The denominator is a measure of maximum possible excess supply for that product. The excess supply for a product must be less than or equal to the total excess supply. $\overline{RES}$ is the upper bound of the range of total excess supply reported to bidders and is used as the measure of excess supply. The excess supply for a product must also be less than or equal to the excess supply that would result from all bidders bidding the maximum possible number of tranches on that product. The maximum possible number of tranches that can be bid on a product is either the load cap for that product's class (LC) or the tranche target for the product (TT), whichever is lower. Thus the excess supply that would result from all bidders bidding the maximum possible number of tranches on the product would be $n \cdot \min\{LC, TT\} - TT$ tranches, namely the number of registered bidders (n) times the load cap for the class (LC) or the tranche target, minus the tranche target (to get a measure of excess supply). The measure of maximum possible excess supply for that product used for the decrement rule is the upper bound of the range of excess supply reported to bidders, or the measure based on the number of registered bidders, the load cap for the class and the tranche target, whichever is smaller.

Products in the Residential Class

The decrement for the each of the three products in the Residential class is set as follows:

$$\Delta = \max\left[\, 0.005, \min\{(0.2768\,\gamma - 0.0144), 0.05\}\,\right]$$

For example, if $\gamma = 0.2$, then $\Delta = 0.041$, which means that prices are reduced by 4.1% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.07 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.2326 or greater, which means that the excess supply for the product reaches 23.26% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.07 and 0.2326, so that the excess supply for the product is between 7% and 23.26% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

Products in the General Service - Small Class

The decrement for the each of the three products in the General Service – Small class is set as follows:

$$\Delta = \max [\ 0.005, \min \{(0.3878\ \gamma - 0.0221)\ , 0.05\}\ ]$$

For example, if $\gamma = 0.159$, then $\Delta = 0.0396$, which means that prices are reduced by 3.96% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.07 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.186 or greater, which means that the excess supply for the product reaches 18.6% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.07 and 0.186, so that the excess supply for the product is between 7% and 18.6% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

Products in the General Service - Large Class

The decrement for each of the three products in the General Service – Large class is set as follows:

$$\Delta = \max [\ 0.005, \min \{(0.485\ \gamma - 0.029)\ , 0.05\}\ ]$$

For example, if $\gamma = 0.1363$, then $\Delta = 0.0371$, which means that prices are reduced by 3.71% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.07 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.1628 or greater, which means that the excess supply for the product reaches 16.28% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.07 and 0.1628, so that the excess supply for the product is between 7% and 16.28% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

VII. C. Regime 2 Decrement Formulas

Later in the bidding, in Regime 2, the following decrement formulas will be used.

Products in the Residential Class

The decrement for the each of the three products in the Residential class is set as follows:

$$\Delta = \max [\ 0.0025, \min \{(0.1697\,\gamma - 0.0145)\,, 0.025\}\ ]$$

For example, if $\gamma = 0.2$, then $\Delta = 0.0194$, which means that prices are reduced by 1.94% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.1 (but above 0), the decrement is set at 0.25%. The decrement is never more than 2.5% (subject to rounding off). When the oversupply ratio is 0.2326 or greater, which means that the excess supply for the product reaches 23.26% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.1 and 0.2326, so that the excess supply for the product is between 10% and 23.26% of its maximum, the decrement is between 0.25% and 2.5% according to the rule given above.

Products in the General Service - Small Class

The decrement for each of the three products in the General Service – Small class is set as follows:

$$\Delta = \max [\ 0.0025, \min \{(0.2615\,\gamma - 0.0237)\,, 0.025\}\ ]$$

For example, if $\gamma = 0.1333$, then $\Delta = 0.0112$, which means that prices are reduced by 1.12% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.1 (but above 0), the decrement is set at 0.25%. The decrement is never more than 2.5% (subject to rounding off). When the oversupply ratio is 0.186 or greater, which means that the excess supply for the product reaches 18.6% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.1 and 0.186, so that the excess supply for the product is between 10% and 18.6% of its maximum, the decrement is between 0.25% and 2.5% according to the rule given above.

Products in the General Service - Large Class

The decrement for each of the three products in the General Service – Large class is set as follows:

$$\Delta = \max [\ 0.0025, \min \{(0.3296\,\gamma - 0.0305)\ , 0.025\}\ ]$$

For example, if $\gamma = 0.1333$, then $\Delta = 0.0134$, which means that prices are reduced by 1.34% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.1 (but above 0), the decrement is set at 0.25%. The decrement is never more than 2.5% (subject to rounding off). When the oversupply ratio is 0.1684 or greater, which means that the excess supply for the product reaches 16.84% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.1 and 0.1684, so that the excess supply for the product is between 10% and 16.84% of its maximum, the decrement is between 0.25% and 2.5% according to the rule given above.

Exhibit A2

RULES FOR COMPETITIVE BIDDING PROCESS

BY SLICE OF SYSTEM

July 9, 2007

TABLE OF CONTENTS

I. INTRODUCTION

I. A. Overview

The Competitive Bidding Process ("CBP") is a multi-solicitation procurement process by which The Cleveland Electric Illuminating Company, The Toledo Edison Company and Ohio Edison Company (hereafter referred to as the "FirstEnergy Ohio Utilities") procure supply for the provision of Standard Service Offer ("SSO") for their fixed-price retail customers. The FirstEnergy Ohio Utilities will procure supply for their customers on hourly pricing, if any, outside the CBP through a separate process. This Competitive Bidding Process was established through an application to the Public Utilities Commission of Ohio ("PUCO" or "Commission") under Chapter 4901:1-35 of the Ohio Administrative Code.

A CBP refers to a series of Solicitations in a given twelve-month period. Four Solicitations will be held in 2008, one in January, one in April, one in September, and one in November to procure supply for periods of various lengths all beginning on January 1, 2009. These four Solicitations are collectively referred to as the 2009 CBP. Each of the four Solicitations will procure approximately one quarter of the FirstEnergy Ohio Utilities' fixed-price load for 1, 2, and 3-year terms. In subsequent years, there will be four Solicitations. Each of these Solicitations will procure approximately one twelfth of the FirstEnergy Ohio Utilities' fixed-price load for a term of three years, such that each year the four Solicitations will together procure approximately one third of that load for a rolling three-year period.

The four Solicitations that the FirstEnergy Ohio Utilities will conduct in 2008 to procure full requirements service for their Standard Service Offer Load ("SSO Load") for the period beginning January 1, 2009 and ending no later than May 31, 2012 will be under the terms described below. ***SSO Load*** will be the FirstEnergy Ohio Utilities' aggregate requirements associated with SSO Customers, and will include distribution losses. For purposes of these Rules for the Competitive Bidding Process by Slice of System ("CBP Rules"), an ***SSO Customer*** is a retail customer on a fixed-price tariff (and not an hourly price tariff) taking Standard Service Offer. All retail customers who have appropriate interval metering and communication capabilities can elect to take an hourly pricing service from the FirstEnergy Ohio Utilities; each such customer is an ***HP Customer***. Competitive Retail

Electric Service suppliers ("***CRES suppliers***") are licensed by the PUCO and serve shopping customers. SSO Load will exclude the requirements of wholesale customers, the requirements of HP Customers, and the requirements of customers served by CRES suppliers. SSO Load will include the requirements of any customers of the Cleveland Electric Illuminating Company still under Special Contracts until December 31, 2012 ("SC customers"). Information concerning the dates of expiration of special contracts will be provided to suppliers, as detailed in section II. A. The Toledo Edison Company and Ohio Edison Company will not have any retail customers still under Special Contracts as of January 1, 2009. SSO Load will include the requirements of larger non-residential customers than have elected to participate in the Load Response Program ("LRP") offered by the FirstEnergy Ohio Utilities. Participation in the LRP is limited to 500MW. Information concerning enrollment in this program and circumstances under which customers can be asked to curtail will be provided to suppliers, as detailed in section II. A. Each customer (who is not a wholesale customer, is not an HP Customer, and is not a CRES customer) becomes an SSO Customer on January 1, 2009 and is served collectively by all winning bidders. A shopping customer may become an SSO Customer on any meter reading date in accordance with standard switching requirements, including required prior notice. An SC customer may remain an SSO Customer when its special contract expires if the SC customer does not elect at that time to be served by a CRES supplier. An HP Customer faces a 12-month minimum stay and may become an SSO Customer with a 60-day notice. The FirstEnergy Ohio Utilities will utilize a descending clock format (described below in section III. A) to solicit bids.

The CBP is designed to procure full requirements service for fixed-price customers of the FirstEnergy Ohio Utilities. ***Full requirements service*** includes energy, all ancillary services, firm transmission services, current MISO resource adequacy requirements, and other services necessary to serve the load of fixed-price customers of the FirstEnergy Ohio Utilities. Full requirements service is defined more precisely in the Master Standard Service Offer Supply Agreement ("SSO Agreement").

In the Solicitations of the 2009 CBP, bidders in a given Solicitation bid to provide full requirements service for at least one supply period. Bidders will be able to bid on up to three (3) different supply periods, namely supply periods of 17 months, 29 months, and 41 months.

Each supply period begins on January 1, 2009 and ends on May 31 of 2010, 2011 or 2012. A ***product*** is the SSO Load of the FirstEnergy Ohio Utilities for a specific term; e.g., the SSO Load for a 17-month period is a product, and the SSO Load for a 29-month period is a product. SSO Load will be divided into ***tranches***, with each tranche representing approximately 100 MW of peak demand, as defined more precisely below.

Each Solicitation held under the CBP will use a descending clock format, and will proceed in a series of rounds. During the bidding phase of each round, each bidder must indicate how many tranches of each available product the bidder wishes to serve at the prices announced at the start of the round by the CBP Manager. A ***bid*** is the number of tranches of each product that a bidder wants to serve at the announced prices. If the number of tranches bid by all bidders on any product is greater than the number of tranches needed for that product, the CBP Manager reduces the price for that product by a decrement in the next round. A ***decrement*** is a given percentage of the previous price. The CBP Manager then announces these new prices before bidding in the next round opens. Generally, bidding continues, and the prices tick down, until the total number of tranches offered for all products falls to the point where it equals the number of tranches needed. The prices at which there is just sufficient supply are the ***clearing prices***. The winners are those still holding tranches when bidding ends. All winners for a given product receive the same clearing price for that product. The clearing prices are expressed in \$/MWh rounded off to the nearest cent.

If the Commission approves the results of the Solicitations conducted under the CBP, SSO Customers will pay rates that are derived from the clearing prices. The payment to winning suppliers for a given product in a Solicitation is a seasonal function of the clearing price for that product in that Solicitation. The summer payment, received from June 1 through August 31, will be higher than the clearing price. The winter payment, received for the remaining months, will be lower than the clearing price. Preliminary seasonal factors by which the clearing prices will be multiplied to obtain the summer and winter payments are provided in section I. C.

The Commission and the PUCO Staff will oversee the conduct of the CBP. The Commission may retain an advisor to help in overseeing the conduct of the CBP. Within two (2) days of the conclusion of a Solicitation, the Commission will decide whether to approve the results. If the Commission approves the clearing prices, the Commission will authorize the winners to become ***SSO Suppliers***, and as such the winners will be considered certified suppliers. The SSO Suppliers will be required to execute the SSO Agreements within three (3) days of the Commission decision.

I. B. Standard Service Offer ("SSO") Service and Load to be Procured

SSO Service will be the electric service provided by winning bidders to those customers who are not wholesale customers, who are not HP Customers, and who are not shopping and served by a CRES supplier. SSO Load will be the load associated with these customers. SSO Load will be served collectively by all winning bidders. A shopping customer may start to take SSO Service and become an SSO Customer on any meter reading date in accordance with standard switching requirements, including required prior notice. An SC customer may remain an SSO Customer when its special contract expires if the SC customer does not elect at that time to be served by a CRES supplier. An HP Customer faces a 12-month minimum stay and may become an SSO Customer with a 60-day notice.

Table 1 below provides the rate schedules of SSO Customers:

Table 1. Rate Schedules

Rate Schedules of SSO Customers
RS - Secondary Service, less than or equal to 600 volts
GS - Secondary Service, less than or equal to 600 volts
STL- Street Lighting Service
TRF – Traffic Lighting Schedule
POL _ Private Outdoor Lighting Service
GP - Primary Service, all other available voltages
GSU - Sub-Transmission service, 23,000 volts three wire and 34,500 volts three wire (for OE and TE); 11,000 volts three wire and 36,000 volts three wire (for CE)
GT - Transmission Service – Greater than or equal to 69,000 volts

The FirstEnergy Ohio Utilities will, on an hourly basis, divide the total load of the FirstEnergy Ohio Utilities into SSO Load, CRES load by CRES supplier, load for all HP Customers, and wholesale load by wholesale customer. All hourly loads will be determined in the first instance from either interval metering (applicable generally to larger customers and to HP Customers) or load profiling. SSO Load will be determined for the FirstEnergy Ohio Utilities in the aggregate. Hourly loads will be adjusted by distribution loss factors to determine estimated hourly loads including distribution losses. Hourly loads adjusted by distribution loss factors will be further adjusted on an hourly basis so that the sum of all hourly loads equals the hourly total load for which the FirstEnergy Ohio Utilities, wholesale customers, and CRES suppliers are in the aggregate responsible to MISO. The methodology used for determining SSO Load as well as the distribution loss factors that will be applied, have been approved by the PUCO as part of the FirstEnergy Ohio Utilities' CRES tariffs. Transmission loss factors on MISO-controlled facilities will not affect hourly load as MISO charges for transmission losses are done on a marginal loss basis.

For purposes of the CBP, SSO Load is divided into units called tranches, each representing the same percentage of SSO Load. The ***MW-measure*** of each tranche provides, for reference purposes only, a figure in megawatts corresponding to a certain percentage of the peak load share. The ***size*** of a tranche for each class provides the percentage of SSO Load that a tranche represents. The ***peak load share*** is the hourly load coincident with the FirstEnergy balancing authority peak load, measured at the customer meter and including losses, of a recent twelve-month period, for all customers of the FirstEnergy Ohio Utilities. As shown in the table below, the peak load share of the most recent twelve months was approximately 11,500 MW, so that there are 115 tranches total and each tranche represents 0.87% of peak load.

Table 2. Illustrative Number of Tranches and Size of Tranches

	Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-measure of Tranche
SSO Load	11,500	115	0.87%	100

As mentioned above, each product is the SSO Load for a given supply period. There are three (3) products in total for the CBP: a 17-month product, a 29-month product, and a 41-

month product. Illustrative numbers of tranches in each Solicitation of the CBP for each product are provided in the table below.

Table 3. Illustrative Number of Tranches for Each Solicitation in the 2009 CBP

Solicitation	Peak Load Share (MW)	Product	Number of Tranches	Size (%)	MW-Measure
January 2008	2,900	17-month	10	0.87	100
		29-month	10	0.87	100
		41-month	9	0.87	100
April 2008	2,900	17-month	10	0.87	100
		29-month	9	0.87	100
		41-month	10	0.87	100
September 2008[1]	2,900	17-month	9	0.87	100
		29-month	10	0.87	100
		41-month	9	0.87	100
November 2008	2,800	17-month	9	0.87	100
		29-month	10	0.87	100
		41-month	9	0.87	100

In subsequent CBPs, there will be a single supply period of three (3) years. Thus, there will be one product. Illustrative numbers of tranches for each Solicitation of the 2010 CBP are provided in the tables below.

Table 4. Illustrative Number of Tranches for Each Solicitation in the 2010 CBP

RFP Date	Peak Load Share (MW)	Product	Number of Tranches	Size (%)	MW-Measure
September 2009	1,000	3-year	10	0.87	100
November 2009	1,000	3-year	10	0.87	100
January 2010	900	3-year	9	0.87	100
March 2010	900	3-year	10	0.87	100

These values are provided for reference purposes only and may be updated no later than ten (10) days[2] before suppliers must first apply to participate in the CBP. The CBP Manager

[1] To encourage development of renewable generation sources, one 41-month tranche is being set aside to be supplied 100% from renewable generation sources. This tranche will be procured through a Request for Proposals to be held in September 2008.

may further update MW-measures and, if an update is available, it will be provided no later than ten (10) days before suppliers must submit to the second part of the application process (as further explained below).

The FirstEnergy Ohio Utilities do not represent that each tranche will have the loads shown above or any particular MW value. The actual SSO Load will depend upon many factors including customer migration to CRES suppliers and weather conditions. Suppliers are responsible for evaluating the uncertainties associated with SSO Load.

I. C. Payment to SSO Suppliers and Rates

Information regarding definitions and payment bases are given in these CBP Rules solely for the convenience of bidders and are not to be relied upon by the bidders. The SSO Agreement, as approved by the Commission, provides the official definitions and payment terms.

An SSO Supplier provides full requirements service for the percentage of SSO Load corresponding to the number of tranches won by the supplier. Full requirements service means that the SSO Supplier is responsible for fulfilling all requirements including energy, current MISO resource adequacy requirements, ancillary services and transmission, and any other service as may be required by MISO to serve the customers. The FirstEnergy Ohio Utilities provide distribution services, but suppliers will be responsible for Network Integrated Transmission Services ("NITS") and all associated ancillary services. The SSO Agreement includes provisions intended to protect SSO Suppliers from additional charges stemming from new MISO charges such as resource adequacy or capacity requirements that may be initiated by MISO during the length of the SSO Agreement. Any such protections are subject to PUCO approval.

An SSO Supplier for a given product receives the clearing price for that product times a ***seasonal factor*** (a ***summer factor*** in the summer or a ***winter factor*** in the winter, as described below) for every MWh of load served. The summer factor will ensure that SSO Suppliers are paid more than the clearing price for sales in the summer months, while the winter factor will mean that SSO Suppliers are paid less than the clearing price for sales in the winter months.

[2] Unless otherwise specified, "days" refer to business days.

Table 5 provides the provisional seasonal factors. These seasonal factors will be in effect on January 1, 2009. The seasonal factors may be different for future CBPs.

Table 5. Provisional Summer Factor and Winter Factor

Summer Factor (June 1-August 31)	Winter Factor (January 1 – May 31 and September 1 – December 31)
1.267	0.903

The provisional seasonal factors by which the clearing prices are multiplied to obtain the summer and winter payments are shown above. The final seasonal factors will be announced to suppliers prior to the CBP and will be constant during the duration of each SSO Agreement.

Example 1. Supplier Payments[3].

The summer factor is 1.267 and the winter factor is 0.903.

A bidder in the Solicitation wins three (3) 17-month tranches at a price of $60.00/MWh. The size of each tranche is 0.87% of the SSO Load. Thus, the bidder will serve approximately 2.61 % of the total load between January 1, 2009 and May 31, 2010. The bidder receives $76.02 ($60.00 x 1.267) for each MWh of load served in the summer months and $54.18 ($60.00 x 0.903) for each MWh of load served in the winter months.

The commodity portion of the rates of SSO Customers will be a function of the tranche-weighted average of the clearing prices obtained for the various contract terms procured through the CBP. The cost of a tranche being supplied entirely through renewable generation sources will also be blended with the clearing prices. For example, in January 2009, SSO Load will be served from SSO Agreements for each of three (3) overlapping terms, namely: from January 1, 2009 to May 31, 2010; from January 1, 2009 to May 31, 2011; and from January 1, 2009 to May 31, 2012. Each term will have been procured through four (4) different

[3] This and all other examples in these CBP Rules are for illustrative purposes only.

Solicitations. The tranche-weighted average of these prices will be seasonally adjusted. The commodity portion of the rates of SSO Customers will also depend on the amount of load under Special Contracts. The conversion from the clearing prices to the actual rates will be determined based on a pricing matrix. The pricing matrix and the seasonal factors will be made available to suppliers in advance of the CBP.

The increase in the 2009 total electric bill of some or all Residential SSO Customers resulting from prices obtained through the CBP may be capped through a phase-in program. Any increase in the total electric bill in excess of the cap will be paid by all SSO Customers over a three-year period. This three-year period begins in 2010 for SSO Customers of The Toledo Edison Company and Ohio Edison Company while it begins in 2011 for SSO Customers of The Cleveland Electric Illuminating Company. The cap is set at a 15% increase in the total electric bill of Residential SSO Customers, or at such increase that would result in $150 million in deferred cost, whichever is reached first.

I. D. Review of Results

The PUCO will conduct a prompt consideration of the results of each Solicitation. Within one (1) business day of the close of bidding, the CBP Manager will present a confidential report to the PUCO regarding the process. The PUCO will decide whether or not to approve the results within two (2) days of the close of bidding. If the Commission approves the results and authorizes the winners to become SSO Suppliers, each winner and the FirstEnergy Ohio Utilities will have three (3) days from the time at which the Commission approves the results to execute the SSO Agreements.

The PUCO may release information regarding the CBP, including the clearing prices and the names of the winners, no earlier than thirty (30) days after the Commission decides whether or not to approve the results of the final Solicitation in a CBP. All the costs associated with the CBP will be collected through a Bid Participation Fee to be submitted at the beginning of the application process, and a Tranche Fee charged to winning bidders, as further explained below.

II. BEFORE BIDDING

II. A. Information Provided to Bidders

The FirstEnergy Ohio Utilities will make economic data available to suppliers in advance of qualification. The economic data will be posted on the CBP web site (www.firstenergy-auction.com).

The FirstEnergy Ohio Utilities will provide economic data for a historical three-year period or for the longest historical period for which data are available. The FirstEnergy Ohio Utilities will provide hourly load data for total retail load, and SSO Load (the load of customers who are not served by a CRES supplier). The FirstEnergy Ohio Utilities will provide switching statistics as provided by the PUCO, historical load profiles, and historical shopping credits. The FirstEnergy Ohio Utilities will provide expiration dates of special contracts, and will provide a load profile or hourly loads for such special contracts as available. The FirstEnergy Ohio Utilities will also provide information regarding customers that elect hourly pricing and eligible customers from the GT Rate Schedule that elect to participate in the Load Response Program.

Suppliers will be provided with a pricing matrix that will illustrate how the clearing prices will be translated into customer rates.

II. B. Qualification Process

No later than ten (10) days before suppliers must first apply to participate in the CBP, the CBP Manager will provide the number of tranches needed for each product in each Solicitation, as well as the size and MW-measure of tranches in the CBP. The number of tranches needed for a product is called a ***tranche target***. The MW-measure of each tranche may be updated before each Solicitation, in which case such update will be provided no later than ten (10) days prior to when suppliers must submit to the second part of the application process (as further explained below). The CBP Manager will also at that time announce a load cap for each Solicitation. A ***load cap*** is a maximum number of tranches that any one bidder can bid and win in any particular Solicitation. Load caps limit the impact that any one bidder may have on the outcome and limit FirstEnergy Ohio Utilities' and their customers' exposure to default by any single supplier. Illustrative data are presented below.

Table 6. Illustrative Number of Tranches and Load Caps – January 2008 Solicitation

Product	Tranche Target	Solicitation Volume	Load cap
17-month	10	29	21
29-month	10		
41-month	9		

No later than ten (10) days before suppliers must first apply to participate in a Solicitation, the CBP Manager will announce a minimum starting price and a maximum starting price. The ***minimum and maximum starting prices*** establish the range of possible round 1 prices for the products in the Solicitation. The ***round 1 prices*** are the prices at which bids are submitted in the first round. The round 1 price for a product may be different from the round 1 price of another product. The CBP Manager and the FirstEnergy Ohio Utilities, in consultation with PUCO Staff, will establish the minimum and maximum starting prices. The CBP Manager, in consultation with PUCO Staff and the FirstEnergy Ohio Utilities, will choose round 1 prices for each product and will inform bidders no later than three (3) days before bidding starts. The round 1 price for a product will be between the minimum and maximum starting prices.

The application process is in two (2) parts. Interested parties may first submit a ***Part 1 Application***. ***Prospective bidders*** – namely, entities that submit a Part 1 Application– will be required to:

- Agree to comply with all rules of the CBP;
- Agree that if they become winners, they will execute the SSO Agreement within three (3) days of Commission approval of the results;
- Agree that if they become winners, they will join the MISO Planning Reserve Sharing Group;
- Show either that they are MISO Market Participants, or that there exist no impediments to them becoming MISO Market Participants by the start of the supply period;
- Agree that if they become winners, they will demonstrate compliance with the creditworthiness requirements set forth in the SSO Agreement;

- Certify that if they qualify to participate, they will not disclose information regarding the list of qualified bidders;
- Certify that they will destroy documents with this information provided by the CBP Manager within five (5) days of the Commission deciding whether to approve the results, as explained further in this document in section V, "Association and Confidential Information Rules";
- Certify that if they qualify to participate, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as qualified bidders to another entity.

There are no state licensing requirements as winning SSO Suppliers will be deemed certified suppliers by the Commission. Prospective bidders will be asked to submit financial information so that the FirstEnergy Ohio Utilities can conduct an assessment of their creditworthiness. Such creditworthiness requirements will take into consideration all load serving obligations held by the prospective bidder. Such obligations will include the prospective bidder's obligations from load won in past Solicitations.

Applications must be submitted no later than noon[4] on the ***Part 1 Application Date***, which will be no earlier than ten (10) days after the maximum and minimum starting prices have been announced. Prospective bidders will be notified whether they succeeded in qualifying to participate no later than three (3) days after the Part 1 Application Date. A prospective bidder that has qualified becomes a ***qualified bidder***. A supplier that has become a qualified bidder for a Solicitation will be able to take part in an abbreviated qualification process for future Solicitations in the same CBP. The CBP Manager will send simultaneously to each qualified bidder a list of all qualified bidders. The CBP Manager will send a list of qualified bidders to other parties as necessary to oversee the proper conduct of the CBP. These other parties include representatives from the FirstEnergy Ohio Utilities, PUCO Staff and any advisor that PUCO Staff may have retained for this purpose. These parties will have undertaken to maintain the confidentiality of the list of qualified bidders. Prospective bidders, in their Part 1 Applications, will also have undertaken to maintain the confidentiality of the list of qualified bidders.

With their Part 1 Applications, all prospective bidders will be required to pay a ***Bid Participation Fee*** that will contribute to covering the administration costs of the CBP. The Bid

[4] Unless otherwise specified, times are those prevailing in the Eastern Time Zone on the respective date.

Participation Fee will be paid with each Part 1 Application, even if a supplier takes part in an abbreviated qualification process after having been previously qualified as a bidder in a given CBP. If a prospective bidder is successful in its Part 1 and Part 2 Applications, and goes on to win tranches in the Solicitation, this Bid Participation Fee will be deducted from the ***Tranche Fee*** that is paid by all winners. The amount of the Bid Participation Fee will be announced at the same time as the tranche targets and load caps, no later than ten (10) days prior to the Part 1 Application for the first Solicitation of the CBP. The amount of the Tranche Fee will be announced no later than six (6) days prior to the first Solicitation in the CBP.

Qualified bidders must successfully submit to a ***Part 2 Application*** process to bid in the Solicitation. Only qualified bidders may submit a Part 2 Application.

Part 2 Applications must be submitted no later than noon on the ***Part 2 Application Date***. No later than ten (10) days before the Part 2 Application Date, the CBP Manager may provide an update to the MW-measure of each tranche if available. Qualified bidders will be notified whether they succeeded in the Part 2 Application process no later than five (5) days after the Part 2 Application Date. In the Part 2 Application, each qualified bidder will make a number of certifications regarding associations, to ensure that they are bidding independently of other qualified bidders and to ensure the confidentiality of information regarding the CBP. A qualified bidder is ***associated with*** another qualified bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of each Solicitation and the ability of the CBP to deliver competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the CBP Manager relies on a number of factors, including the number of independent competitors, to appropriately set the solicitation volume, using inaccurate information in such decisions due to insufficient disclosure of associations in the Part 2 Application can create adverse impacts. The ***solicitation volume*** is the sum of the tranche targets for all products in a Solicitation. Associations may be considered in setting the solicitation volume and may be used in the application of load caps. See "Association and Confidential Information Rules" in section V of this document for more precise criteria.

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

With its Part 2 Application, a qualified bidder will be required to submit an indicative offer and to post pre-bid security sufficient for this indicative offer. The ***indicative offer*** specifies two (2) numbers of tranches. The first number represents the amount that the qualified bidder is willing to serve at the maximum starting price in aggregate for all products in the Solicitation and the second number represents the amount that the qualified bidder is willing to serve at the minimum starting price in aggregate for all products in the Solicitation. At each of the maximum and the minimum starting prices, the number of tranches indicated by the qualified bidder cannot exceed the load cap for the Solicitation. A qualified bidder will also be required to provide its preliminary interest in each product. The number of tranches indicated as preliminary interest on any one product at a given price cannot exceed the qualified bidder's indicative offer at that price. However, the sum of the qualified bidder's preliminary interest across all products at a given price *can* exceed the number of tranches that the qualified bidder submitted as an indicative offer at that price.

Indicative offers are important in two (2) respects. First, the CBP Manager, the FirstEnergy Ohio Utilities, and the PUCO Staff may use the indicative offers to inform the setting of round 1 prices. Second, the number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's ***initial eligibility***. A bidder will never be able to bid in the Solicitation on a number of tranches greater than the bidder's initial eligibility. Thus, the qualified bidder is encouraged to state the maximum possible number of tranches that it would be ready, willing, and able to serve. Information that a qualified bidder provides regarding its interest in any particular product has no effect on initial eligibility or subsequent bidding.

Example 2. Preliminary Interest.

Suppose that the load cap is 21 tranches (approximately 75% of the load to be procured in the Solicitation).

A qualified bidder submits an indicative offer of 18 tranches at the maximum starting price. The qualified bidder's initial eligibility for this Solicitation is 18 tranches, which is less than load cap (21). The qualified bidder will never be able to bid on more than 18 tranches during the Solicitation.

At the maximum starting price, the qualified bidder may indicate a preliminary interest in as many tranches as the tranche target for each product, namely 10 tranches for the 17-month product, 10 tranches for the 29-month product and 9 tranches for the 41-month product.

At the maximum starting price, the qualified bidder actually submits, as its preliminary interest in each product:

- 9 tranches for the 17-month product;
- 7 tranches for the 29-month product; and
- 7 tranches for the 41-month product.

This means that of the 23 tranches of SSO load that the qualified bidder is willing to serve, the qualified bidder is willing to serve at most 9 of them for the 17-month product, 7 for the 29-month product, and 7 for the 41-month product.

The sum of the bidder's preliminary interests in each product at the maximum starting price is 23 (9 + 7 + 7), which exceeds the amount of the indicative offer at the maximum starting price (18). This is acceptable.

Each qualified bidder must post pre-bid security sufficient for its indicative offer at the maximum starting price. Each qualified bidder must post a letter of credit in an amount no less than $500,000 per tranche of a bidder's indicative offer at the maximum starting price. Letters of credit must be in a form acceptable to the FirstEnergy Ohio Utilities. Sample letters of credit that are in a form acceptable to the FirstEnergy Ohio Utilities will be posted to the CBP web site. Depending upon the creditworthiness assessment made at the time of the Part 1

Application, a qualified bidder may be required to provide additional pre-bid security in the form of a letter of intent to provide a guaranty and/or a letter of reference. Any such additional pre-bid security must be submitted in a form acceptable to the FirstEnergy Ohio Utilities. Samples for the letter of intent to provide a guaranty and for the letter of reference will also be posted to the CBP web site.

Example 3. Pre-Bid Security.

The maximum starting price for the January 2008 Solicitation is $100/MWh and the load cap is 21 tranches. The maximum indicative offer that a bidder could submit is 21 tranches, which is the load cap. A qualified bidder submits an indicative offer of 20 tranches at the maximum starting price. The qualified bidder must submit a letter of credit of $500,000 per tranche of this indicative offer. The qualified bidder thus posts a letter of credit of $10M (20 x $500,000).

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

For a Part 2 Application to be accepted, it must be complete, including its indicative offer, letter of credit, and additional security (if necessary). The letter of credit and additional security must be provided in a form considered acceptable to the FirstEnergy Ohio Utilities and must be sufficient to cover the indicative offer at the maximum starting price. After its Part 2 Application is accepted, a qualified bidder becomes a ***registered bidder***. The CBP Manager will send simultaneously to each registered bidder, and to those other parties as necessary to oversee the proper conduct of the CBP, a list of registered bidders, the total initial eligibility, and the clearing prices from any prior Solicitations in the current CBP. The list of registered bidders, the total initial eligibility, and the prior clearing prices (if any) will not be released publicly. Qualified bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of registered bidders, the total initial eligibility, and the prior clearing prices for the current CBP, and to destroy documents with this information provided by the

CBP Manager within five (5) days of the Commission deciding whether to approve the results, as explained further in this document in section V.

Letters of credit and additional security (if required) will remain in full force until the PUCO decides whether to approve the results. After the results are approved, a bidder's financial guarantees will be marked cancelled and returned:

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

The FirstEnergy Ohio Utilities can collect the financial guarantees of bidders that win tranches but that fail to sign the SSO Agreement or fail to comply with the creditworthiness requirements within three (3) days of the PUCO's approval of the results. If the results are rejected, each bidder's financial guarantees will be marked cancelled and returned as soon as practicable.

II. C. Round 1 Prices

Three (3) days before bidding starts, the CBP Manager informs all registered bidders of the round 1 prices. The round 1 price for a product will be no higher than the maximum starting price and no lower than the minimum starting price. The CBP Manager will set the round 1 prices in consultation with the PUCO Staff and with the FirstEnergy Ohio Utilities.

II. D. Extraordinary Events

The CBP Manager, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, may determine that, due to extraordinary events, the maximum starting price and the minimum starting price require revision. In this event, the schedule may also be revised. If the indicative offers have already been received, the CBP Manager would request that the registered bidders (or the qualified bidders if registration had not been completed) revise their indicative offers on the basis of the revised maximum starting price and the revised minimum starting price.

For such a revision to be necessary, an extraordinary event must occur between the time at which the maximum starting price and the minimum starting price are announced (no later than ten (10) days before suppliers must first apply to participate in a Solicitation) and the day on which bidding starts. An extraordinary event must be agreed to by the FirstEnergy Ohio Utilities, the CBP Manager, and the PUCO Staff. Such events could include, for instance, the advent of war, the disruption of a major supply source for potentially extended periods, or other similar events that could significantly impact the cost of supply.

If an extraordinary event occurs during that time, the CBP Manager will, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, determine a revised maximum starting price and a revised minimum starting price. New indicative offers will be required from bidders. The determination of new maximum and minimum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the schedule, the CBP Manager will, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, determine a revised schedule.

The CBP Manager, in consultation with the FirstEnergy Ohio Utilities and the PUCO Staff, may determine that, due to extraordinary events, the winter and summer factors require revision. In this event, the schedule may also be revised. For a revision of the summer and winter factors to be necessary, an extraordinary event must occur before the first Solicitation of the CBP starts. If the indicative offers have already been received, the CBP Manager would provide the opportunity for new indicative offers to be submitted on the basis of this revision. The CBP Manager will provide bidders sufficient time to revise their indicative offers.

III. BIDDING RULES

Bidders must have been successful in the Part 1 Application process and the Part 2 Application process, as explained in section II. B of the present CBP Rules. Bidders participating in a given Solicitation are registered to bid on all products in that Solicitation. There are three (3) products in the each of the first four Solicitations: 17-month, 29-month, and 41-month.

After presenting an overview of the format and an overview of the bidding day, the following sections will explain the bidding and other procedures in detail.

III. A. Overview of the Format

Each Solicitation is conducted using a simultaneous, multiple round, descending clock format. This format's features can be explained by simply "unpacking" this terminology.

The bidding is simultaneous because tranches for all the products in a given Solicitation are put on offer at the same time. Bidding proceeds in rounds. In a round, the CBP Manager announces a price for each product. Bidders bid by providing the number of tranches that they are willing to serve for each of these products at the prices announced by the CBP Manager. If the number of tranches bid is greater than the number of tranches needed for a product, the price for that product is reduced for the next round. In the next round, bidders are given an opportunity to bid again.

The format is characterized as a descending clock because prices "tick down" as rounds progress, starting high and being reduced gradually until the supply bid is just sufficient to meet the load to be procured. Prices that tick down in a round decrease by a decrement, which is a given percentage of the previous going price. The bidders holding the final bids when bidding closes are the winners.

Example 4. Prices Tick Down When There Is Excess Supply.

Suppose there are 16 bidders in the January 2008 Solicitation. The tranche targets are listed in the table below.

	Price $/MWh	*Number of tranches bid*	*Tranche target*	*Excess supply*	*Oversupply ratio*
ROUND 1					
17-month	95.00	24	10	14	0.4667
29-month	85.00	18	10	8	0.2667
41-month	80.00	9	9	0	0.0000

The CBP Manager reduces the price of a product if the number of tranches bid is greater than the number of tranches desired. The amount of the price reduction depends on the oversupply ratio, which is the ratio of the excess supply for that product to an estimate of the maximum possible excess supply for that product, taking into account the total excess supply for all products. Roughly speaking, the larger the oversupply ratio for a product, the larger is the portion of maximum excess supply that is actually on that product, and the larger is the price decrease. A formula for the oversupply ratio is provided in section VII.

In round 1, all bidders combined stand ready to supply 24 tranches of the 17-month product at a price of $95.00/MWh. The number of tranches bid (24) exceeds the number of tranches desired (10) by 14 tranches. The price for the 17-month product will tick down.

The actual excess supply for the 17-month product is 14 tranches. The maximum possible excess supply is the total excess supply for all the products, or 22 (14 + 8= 22). If all the excess bids in the Solicitation had been bid on the 17-month product, the 17-month would have 22 tranches of excess supply. The estimate of the maximum excess supply used to calculate the oversupply ratio is the upper bound of the range of total excess supply for the Solicitation reported to bidders, which is 30. Thus, the oversupply ratio for the 17-month product is 0.4667 (14 / 30). Roughly speaking, 47% of the total excess supply for the Solicitation is bid on the 17-month product.

Example 4. Prices Tick Down When There Is Excess Supply. (continued)

The CBP Manager reduces the price of a product if the number of tranches bid is greater than the number of tranches desired. The amount of the price reduction depends on the oversupply ratio, which is the ratio of the excess supply for that product to an estimate of the maximum possible excess supply for that product, taking into account the total excess supply for all products. Roughly speaking, the larger the oversupply ratio for a product, the larger is the portion of maximum excess supply that is actually on that product, and the larger is the price decrease. A formula for the oversupply ratio is provided in section VII.

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The oversupply ratio is calculated in a similar manner for all other products.

The CBP Manager will lower the price in round 2 for every product except the 41-month product, since for every product except the 41-month product the number of tranches bid exceeds the number of tranches needed. The largest decrement will be for the 17-month product, which has the largest oversupply ratio, and the smallest decrement will be for the 29-month product, which has the smallest oversupply ratio.

Example 4. Prices Tick Down When There Is Excess Supply. (continued)

In round 2 below, prices have fallen from round 1 for all but the 41-month product. The price for the 17-month product, which had the largest decrement from round 1, fell the most; the price for the 29-month product, which had the smallest decrement from round 1, fell the least. Bidders submit new bids at these prices. The total excess supply range reported to bidders is 21-30 (so that 30 is used as the measure of maximum excess supply for calculating the oversupply ratio).

	Price $/MWh	*Number of tranches bid*	*Tranche targets*	*Excess supply*	*Oversupply ratio*
ROUND 2					
17-month	90.57	17	10	7	0.1600
29-month	82.73	15	10	5	0.1400
41-month	80.00	10	9	1	0.0600

Bidding is held simultaneously for all products. A bidder qualified and registered for bidding can switch tranches from one product to any other product. Four additional aspects of the bidding process should be briefly highlighted at the outset. These are as follows:

1. Winners for each product are not determined until the bidding has closed for all products. When the number of tranches bid in a round for a product does not exceed the number of tranches desired, the price for that product will not tick down for the next round. However, as bidding progresses and the prices for the other products tick down, some bidders may re-assign tranches and increase the number of tranches bid on that product, which may cause the price for the product to tick down again in future rounds. Hence, the winners cannot be determined for any one product until bidding stops for all products. It is only at the end of bidding that suppliers reveal themselves to be winners by not withdrawing from bidding.

2. Every bid is a binding obligation to provide the supply for a product at the price at which the bid was made. By placing its bid, the bidder is declaring that it stands ready, willing and able to supply the load represented by the tranches that it bid, at the going prices of each of the products. If a bidder placed a bid on a product in the preceding round and the price of the product's tranches did not tick down for the current round, the bidder cannot reduce the number of tranches bid for that product in the current round, either through a withdrawal or a switch.

3. Bidders can never, from one round to the next, increase the total number of tranches they bid on all products. Once a bidder bids a total number of tranches in the first round, the bidder will never be able to bid more than that total in subsequent rounds. Once a tranche is withdrawn, it can never be bid again.

4. All bidders that win tranches for a particular product and are authorized as suppliers receive the same price for that product.

III. B. Overview of the Round Phases and Bidding Day

Bidding proceeds in rounds. Each ***round*** is divided into three (3) phases: a bidding phase, a calculating phase, and a reporting phase.

In the ***bidding phase*** of the round, bidders place their bids stating the number of tranches they want to supply for each product. To be valid, a bid must be submitted and verified by the bidder during the bidding phase, and processed. The time-stamp of a bid is the time at which the bid is processed.

In the ***calculating phase*** of the round, the CBP Manager tabulates the results of that round's bidding phase and calculates the prices for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.

In the ***reporting phase*** of the round, the CBP Manager informs the bidders of the results of that round's bidding phase. All round results are confidential. All bidders are informed of the prices for the next round's bidding phase and are provided with a range of total excess supply (i.e., excess supply for all products combined). Each bidder also privately receives the results of its own bid from that round, indicating to each bidder its obligation at this point in the bidding. A bidder receives no information regarding any other bidder's bid. A bidder with no remaining obligation loses its access to round results.

III. C. Round 1

III. C. 1. Definition of a Bid and Bidding Phase

The CBP Manager informs registered bidders of the round 1 prices for each product no later than three (3) days prior to the start of bidding. These starting prices are the prices in force, or the going prices, in round 1. In general, the ***going prices*** in a round are the prices at which the CBP Manager solicits bids in that round.

A bidder selects how many tranches it wants to serve for each product at the round 1 prices. Specifically, for Solicitations in the 2009 CBP, a bidder will submit a ***bid*** that indicates:

- A number of tranches of SSO Load for a 17-month supply period;
- A number of tranches of SSO Load for a 29-month supply period; and
- A number of tranches of SSO Load for a 41-month supply period.

The number of tranches that a bidder chooses for one product may or may not be the same as the number of tranches that the bidder chooses for another product. A number of tranches is an integer (0, 1, 2,...). A number of 0 (zero) for one product means that at the round 1 price for the product the bidder does not want to supply any of that product. A registered bidder who, in round 1, bids 0 on all products withdraws from bidding. The bidder will not be able to bid in round 2 or in any future round.

Example 5. A Round 1 Bid.

Bidder A specifies the number of tranches for each product in the Solicitation, as illustrated below.

	Price ($/MWh)	*Number of tranches bid*
ROUND 1		
17-month	95.00	8
29-month	85.00	6
41-month	80.00	2

Then (8, 6, 2) is a round 1 bid and it indicates that the bidder stands ready to supply 8 tranches of the 17-month product, 6 tranches of the 29-month product, and 2 tranches of the 41-month product at the round 1 prices.

A bid submitted in round 1 must satisfy two (2) conditions; the first condition relates to the total number of tranches bid, while the second relates to the number of tranches bid for any one product.

The first condition is that the total number of tranches that a bidder bids for all products cannot exceed the bidder's initial eligibility. A qualified bidder's round 1 ***eligibility*** is that bidder's initial eligibility. In its Part 2 Application, a bidder provides an indicative offer at the maximum starting price. The number of tranches in this indicative offer is the bidder's initial eligibility. The total number of tranches that a bidder bids for all products cannot exceed the bidder's initial eligibility. Since a bidder's initial eligibility cannot exceed the load cap, this condition will also ensure that the bidder's bid does not exceed the load cap (please refer to Table 6 for illustrative load caps).

The second condition is that the number of tranches that a bidder bids for a given product cannot exceed the tranche target for that product. The tranche target is the number of tranches needed for that product in a given Solicitation.

Example 6. Constraints on the First Round Bid.

Suppose the load caps and tranche targets are those shown in Table 6. Also suppose Bidder A submitted an indicative offer of 20 tranches at the maximum starting price. Bidder A's initial eligibility is 20 tranches.

Bidder A's bid in round 1 is (8, 6, 2). This bid satisfies all requirements:

- In total, Bidder A is bidding on 16 tranches, which does not exceed Bidder A's initial eligibility of 20 tranches.
- For each product, Bidder A is bidding on a number of tranches that does not exceed that product's tranche target. For example, Bidder A is bidding 8 tranches for the 17-month product, which does not exceed the tranche target of 10.
- Bidder A is bidding on a total number of tranches (16) that does not exceed the load cap (21).

III. C. 2. Calculating Phase, Reporting Phase and Potential Volume Cutback

The calculating phase of round 1 immediately follows the bidding phase. In the ordinary course of events, the CBP Manager reviews the results and sets the prices that will be in force in round 2 for all products. Round 1 moves to the reporting phase and the CBP Manager reports to bidders the results of bidding in round 1 as well as the round 2 prices for all products. The CBP Manager provides to bidders an indication of total excess supply in round 1. The ***excess supply for a product*** is the greater of (1) the total number of tranches bid for the product minus the tranche target for that product, or (2) zero. The ***total excess supply*** is the sum, over all products, of the excess supplies of the individual products, plus free eligibility, which is defined below in section III. E. A bidder is never provided any information regarding any other individual bidder's bids.

The CBP Manager may call a ***time-out*** during the calculating phase of round 1 if the CBP Manager needs to consider whether to cut back the solicitation volume to ensure a competitive bidding environment. As soon as practicable during such a time-out, the CBP Manager will either announce that the solicitation volume will remain the same, or the CBP

Manager will announce that revisions are needed to ensure a competitive bidding environment. If a cutback to the solicitation volume occurs, the CBP Manager will also announce a revised tranche target for each product and will announce a revised load cap (if needed). The manner in which the tranche targets will be changed on the basis of the revised solicitation volume will be announced no later than six (6) days prior to the start of bidding. It is not expected that the CBP Manager would revise the load cap except if the sum of the tranche targets for the products falls below the load cap. However, the CBP Manager retains the discretion to make revisions to the load cap based on the revised solicitation volume.

As soon as practicable during a time-out in round 1, the CBP Manager will start the reporting phase of round 1. The CBP Manager will report to the bidders the prices in force for round 2, and an indication of the total excess supply in round 1. If a load cap is reduced because it exceeds the total of the tranche targets, the CBP Manager reports to a bidder whose number of tranches bid exceeds the reduced load cap that the bidder's bid has been adjusted to conform to the reduced load cap. The bidder receives free eligibility in the amount of the reduction. The bidder withdraws any eligibility that exceeds the revised load cap in round 2.

If the solicitation volume is cut back, the removed tranches are offered in the next Solicitation within the CBP. If the Solicitation for which the solicitation volume is cutback is the last of the CBP, the FirstEnergy Ohio Utilities will purchase the supplies needed to serve the load associated with the removed tranches in MISO-administered markets. This purchase plan in the case of a cutback to the solicitation volume is referred to as the FirstEnergy Ohio Utilities' ***Contingency Plan***.

The CBP Manager will use a confidential set of guidelines to decide whether to cut back the solicitation volume and to determine the magnitude of any necessary cutback. If the solicitation volume is cut back, it will be cut back to the number of tranches bid in round 1 divided by a parameter called the ***target eligibility ratio*** (a desired ratio of tranches bid to the solicitation volume). The precise value of this parameter depends on various factors, such as the number of bidders and characteristics of individual bids.

Example 7. Cutback to Solicitation Volume.

In the bidding phase of round 1, the solicitation volume in the Solicitation is 29 tranches (this is the sum of the tranche targets for all products: 10 + 10 + 9 = 29). Suppose that a total of 39 tranches are bid. Further, suppose that given the number of bidders and the characteristics of the bids, the CBP Manager sets the target eligibility ratio at 1.5.

The actual eligibility ratio is approximately 1.34 (39 / 29). The CBP Manager reduces the solicitation volume to attain the target eligibility ratio of 1.5 by cutting back the solicitation volume by 3 tranches to 26 tranches (39 / 1.5 = 26).

After the cutback, there will be 1.5 tranches bid for every tranche to be purchased through the Solicitation (26 * 1.5 = 39).

The CBP Manager may further revise the solicitation volume on the basis of the bids after round 1. If such a revision is necessary to ensure a competitive bidding environment, the CBP Manager will call a time-out during the calculating phase of a round. As soon as practicable during the time-out, the CBP Manager will advise the bidders of the revised solicitation volume. Further, if the solicitation volume is reduced, the CBP Manager announces a revised tranche target for each product.

No later than six (6) days prior to the start of bidding, the CBP Manager may release further information regarding the range of values of the target eligibility ratio and the circumstances under which a second cutback to the solicitation volume may be undertaken.

III. D. Bidding in Round 2

III. D. 1. Definition of a Bid and Bidding Phase

A bidder selects how many tranches to bid for each product at the round 2 prices.

A bid submitted in round 2 (and all subsequent rounds) must satisfy two (2) conditions.

The first condition is that the total number of tranches that a bidder bids for all products cannot exceed the bidder's eligibility. A bidder's ***eligibility*** in round 2 is the bidder's total number of tranches bid in round 1. This implies that, as stated in the introduction to the bidding format, a bidder cannot increase its total number of tranches bid at the round 2 prices from its total number of tranches bid in round 1. However, a bidder may increase its number of tranches bid for one or more products if the bidder is simultaneously decreasing its number of tranches bid for other products, as explained below. The total number of tranches that a bidder bids for all products will not exceed the load cap, since a bidder's eligibility cannot increase from one round to the next.

The second condition is that the number of tranches that a bidder bids for a given product cannot exceed the tranche target for that product. The tranche target is the number of tranches needed for that product in a given Solicitation.

Fully specifying a bid in round 2 (and in subsequent rounds) may require a bidder to provide ***exit prices*** (defined below). Exit prices can be required when a bidder is reducing its total number of tranches bid. Fully specifying a bid in round 2 may require a bidder to provide ***switching priorities*** (defined below). Switching priorities are required when a bidder is switching and increasing the total number of tranches bid on two or more products.

III. D. 2. Bidding, Withdrawals and Switches

A bidder can always select in round 2 the same number of tranches for each product as in round 1. Alternatively, a bidder can request a withdrawal or a switch.

When a bidder reduces the total number of tranches bid, the bidder is requesting a ***withdrawal*** from at least one product.

A bidder can only request a withdrawal from a product when the price for that product has ticked down from the previous round (in round 2, when the price has ticked down from round 1 to round 2). If the price for a product has not ticked down, then the bidder's offer in round 1 at that price is binding and cannot be reduced. As explained below, a bidder can always bid more tranches for a product whose price has not changed from round 1 by reducing the number of tranches from one or more other products whose price(s) have ticked down and switching the tranches to the product whose price has not ticked down.

A bidder that withdraws tranches from a product must name an exit price. An ***exit price*** is a best and last offer on tranches that are being withdrawn. A bidder names an exit price when it is willing to bid a tranche at the previous going price but is unwilling to bid this tranche at the current going price. A bidder that withdraws several tranches previously bid at the round 1 price for a given product must specify the same exit price for all tranches from that product. An exit price must be less than or equal to the last going price at which the tranches were freely bid (in round 2, this is the price in round 1) and must be higher than the product's current going price (in round 2, this is the round 2 price, a price at which the bidder is no longer willing to bid the tranches being withdrawn). A bidder that withdraws tranches from more than one product can specify a different exit price for each product.

A bidder that withdraws tranches from a product loses some or all of its eligibility, and forfeits the right to bid these tranches on any product in any future round of bidding. A bidder who requests a withdrawal may see its request refused, as explained further below.

An exit price enables the CBP Manager to determine which bidder would have remained ready to serve a product had the price ticked down continuously rather than in uneven, discrete decrements. The CBP Manager relies on exit prices when the number of tranches bid on a product at the round 2 going price falls short of that product's tranche target due to reductions from withdrawals, or due to reductions from withdrawals and switches. The CBP Manager will then refuse some or all requests for withdrawals, as needed to fill the tranche target of the product. The tranches with lower exit prices are retained first, and they are retained at the exit price that the bidder has named. The eligibility represented by the withdrawn tranches is lost even if the withdrawn tranches from the product are retained. Any withdrawn tranches that are retained in a round will be released (and the request to withdraw will be accepted at that later point) if new tranches for the product are bid at the going price and can serve to fill the tranche target for that product.

If two or more bidders are tied at an exit price, and if the CBP Manager must retain some but not all the tranches from these two or more tied bidders to fill the tranche target of a product, then the CBP Manager, for each tranche to be retained, will choose at random the bidder whose tranche is retained. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has bid at the exit price divided by the total number of tranches bid at the exit price. If a second tranche is needed at the exit price, the CBP Manager again will choose the bidder whose tranche will be retained at random. The probability that any one bidder is chosen is the number of tranches that the bidder has bid at the exit price and that have not yet been retained divided by the total number of tranches bid at the exit price and that have not yet been retained. The CBP Manager repeats this procedure until the tranche target for the product is filled.

Example 8. Withdrawals.

	ROUND 1		ROUND 2
	Price ($/MWh)	*Bid (tranches)*	*Price ($/MWh)*
17-month	75.00	8	71.25
29-month	75.00	6	75.00
41-month	75.00	3	73.67

Bidder A cannot bid fewer tranches for the 29-month product in round 2 because the price for this product has not fallen from round 1.

Bidder A reduces the number of tranches bid for the 17-month product from 8 to 7. The bidder enters an exit price of $74.75/mwh, which is between $71.25/MWh and $75.00/MWh. (The exit price could have been equal to $75.00 but not equal to $71.25/MWh.)

A bidder ***switches*** when a bidder is simultaneously decreasing the number of tranches bid for one or more products, and increasing the number of tranches for one or more other products while leaving the total number of tranches bid unchanged.

Example 9. Switching.

Suppose the load cap is 21 tranches for the Solicitation. The following are the round 1 and round 2 prices and the bids for Bidder A

	17-month	*29-month*	*41-month*
ROUND 1			
Price ($/MWh)	75.00	75.00	75.00
Bid (tranches)	6	5	3
ROUND 2			
Price ($/MWh)	75.00	74.05	73.00
Bid (tranches)	8	5	1

In round 2, Bidder A is increasing by 2 the number of tranches bid on the 17-month product. Also, Bidder A is reducing by 2 the number of tranches bid on the 41-month product. Since the total number of tranches bid is the same (14), the bidder is switching. Bidder A can reduce the number of tranches bid on the 41-month product since its price has decreased in round 2. Bidder A can bid for more tranches of the 17-month product (the number of tranches bid for all products combined in round 1 is less than the load cap). If the price of a product does not change, a bidder cannot bid *fewer* tranches but can bid *more* tranches for that product.

As is the case when the bidder is reducing the number of tranches bid on a product because the bidder is withdrawing tranches, the bidder can reduce the number of tranches bid on a product through a switch only if the price for that product has ticked down from the previous round (in round 2, when the price has ticked down from round 1). If a bidder is reducing the number of tranches bid through a switch for a product whose price has ticked down, the bidder can increase the number of tranches bid on any other product, including a product whose price has not ticked down.

A bidder may determine that it wishes to both withdraw and switch tranches from products. If a bidder is both switching and withdrawing, a bidder can reduce tranches from a particular product only if the going price for that product has decreased from the previous round (in round 2, the price has ticked down from round 1).

If a bidder increases the number of tranches bid on more than one product, the bidder must assign a unique ***switching priority*** to each of the products for which the bidder is increasing the number of tranches bid. A switching priority of "1" is the highest priority and it is assigned to only one product; the next highest priority is "2" and it is assigned to a different and unique product, etc. A switching priority indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product (with priority 1) be increased first.

Example 10. Switching Priorities.

Bidder B submits the following bid in round 2 after this history in round 1:

Product	*17-month*	*29-month*	*41-month*
ROUND 1			
Price ($/MWh)	75.00	75.00	75.00
Bid (tranches)	7	4	2
ROUND 2			
Price ($/MWh)	75.00	74.05	73.00
Bid (tranches)	8	2	3

In round 2, Bidder B is increasing the number of tranches bid on the 17-month product and the 41-month product while reducing the number of tranches bid on the 29-month product. Since the total number of tranches bid is the same (13) in both rounds, the bidder is switching. Bidder B gives the switching priority to the increase on the 41-month product.

If the CBP Manager will allow one of Bidder B's reductions but needs to deny the other, then the increase for the 41-month product will be allowed and the increase for the 17-month product will not be allowed. The denied switch (a 29-month tranche) will be retained at a price of $75/MWh, which is the last price at which the tranche was freely bid.

The CBP Manager will use the switching priorities provided by a bidder only when, to keep the tranche target for a product filled, the CBP Manager must retain all tranches that were withdrawn out of that product (if any) and must deny some, but not all, reductions from that product that come from a single bidder's switch. (Please see section III. D. 3 for a description of how generally the CBP Manager fills the tranche target for a product.) Whenever possible, the CBP Manager will fill the needed number of tranches for that product by denying the lowest priority (1 is the highest priority) switch first, and then successively denying higher priority switches until the tranche target is met. The ***denied switches*** are retained at the price at which they were last freely bid (in round 2, this is the round 1 going price).

A bidder that is both switching and withdrawing can reduce the number of tranches bid for more than one product and increase the number of tranches bid for at least one product. In that case, the bidder will be asked to specify which tranches are being withdrawn and which tranches are being switched. The tranche or tranches that the bidder specifies to be withdrawn are the tranche(s) for which the bidder will name an exit price. The bidder may also be required to specify switching priorities if the bidder is increasing the number of tranches bid on more than one product.

Example 11. Switching and Withdrawing.

Bidder C submits the following bid in round 2 after this history in round 1:

	17-month	*29-month*	*41-month*
ROUND 1			
Price ($/MWh)	75.00	75.00	75.00
Bid (Tranches)	8	8	1
ROUND 2			
Price ($/MWh)	74.10	72.78	75.00
Bid (Tranches)	7	6	2

Bidder C bids a total of 17 tranches in round 1 and 16tranches in round 2. Bidder C is withdrawing 1 tranche and will name an exit price for that tranche.

Since Bidder C reduces the number of tranches bid for both the 17-month product and the 29-month product, Bidder C's intentions are not clear unless the CBP Manager asks Bidder C for additional information. Indeed, it could be that Bidder C is withdrawing from the 17-month product and switching the remaining tranches. Or it could be that Bidder C is withdrawing 1 tranche from the 29-month product and switching the remaining tranches.

Bidder C is asked to select whether it is withdrawing a tranche from the 17-month product or the 29-month product. Bidder C selects that it is withdrawing a tranche from the 17-month product, and is asked to name an exit price for this tranche.

III. D. 3. Calculating and Reporting Phases in Round 2

The calculating phase starts immediately after the bidding phase. Once the CBP Manager has tabulated and reviewed the results, the reporting phase begins. The CBP Manager informs all bidders of the round 3 price for each product. The CBP Manager provides to all bidders a range for the total excess supply in round 2. The range of total excess supply reported to bidders will change as bidding progresses. In earlier rounds, a narrower range will be reported when total excess supply is high. A wider range will be reported to bidders in later rounds as bidding is closer to ending and total excess supply is lower. The exact ranges of total excess supply that will be provided as bidding progresses will be specified in detail in advance of the CBP. All bidders are provided with information regarding the going prices for all products and the total excess supply.

In addition to what the CBP Manager tells all bidders about the range of total excess supply and the going prices for the next bidding phase. The CBP Manager also provides a round report privately to each bidder, including the bidder's eligibility for the next round (round 3). A bidder's ***eligibility*** for round 3 is the bidder's eligibility in round 2, minus the number of tranches that the bidder withdrew for all products in round 2. The CBP Manager also reports privately to each bidder on the bidder's own bid.

When a bidder bids in round 2 the same number of tranches on each product as in round 1, the CBP Manager reports the bid made in round 2.

A bidder may request withdrawals or switches. If all requests are accepted, the CBP Manager reports the bid made in round 2. However, the CBP Manager may disallow reductions that a bidder wants to make from a product. The CBP Manager retains withdrawn tranches if, by accepting all withdrawals and switches, the tranche target for that product would no longer be filled. Similarly, the CBP Manager denies switches if, after retaining all withdrawn tranches from that product, accepting all switches would prevent the tranche target for that product from being filled. In sum, to fill the tranche target of a product, the CBP Manager: 1) first takes tranches that are bid at the round 2 price for that product; 2) then retains tranches that bidders want to withdraw from that product; and 3) finally denies switches that bidders have requested from that product, as necessary.

If the bidder requested to withdraw tranches from a product and some or all of these tranches are retained, the CBP Manager informs the bidder of the number of withdrawn tranches that are being retained and the price at which these tranches are retained. The CBP Manager will report that the request to withdraw is partially or completely granted when there have been a sufficient number of new tranches bid at the going price to replace some or all of the withdrawals that had been retained to fill the tranche target. The price at which the withdrawn tranches are retained is the exit price. The CBP Manager will continue to report that some or all of these tranches are being retained in subsequent rounds as long as they are needed to fill the product's tranche target. While eligibility to bid these tranches is lost for the remainder of the rounds, these tranches still remain as binding offers by the bidder until the request to withdraw is granted (which may or may not occur). If these tranches are retained until the end of bidding, the bidder wins the tranches.

If a bidder requested a switch, and if some or all of these are denied, the CBP Manager informs the bidder of the number of tranches for which the switch is denied. The tranches that the bidder intended to reduce from a product will be retained at the last price at which the tranches were freely bid. In round 2, this price is the round 1 price.

If there are several bidders who requested switches, and some, but not all switches must be denied, for each tranche of the target that must be filled by denying a reduction from a switch, the CBP Manager chooses at random the bidder whose switch is denied. For the first switch that must be denied, the probability that the CBP Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could be denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by switches from all bidders and that could be denied. If a second switch must be denied, the CBP Manager again chooses at random the bidder whose switch will be denied. The probability that the CBP Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could have but have not yet been denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by all switches from bidders and that could have been but have not yet been denied. The CBP Manager repeats this procedure until the tranche target for the product is filled. The CBP Manager continues to report that some or all of these switches are being denied in subsequent rounds as long as they are still needed to fill the product's tranche target. If additional tranches are bid on this product in a later round by any bidder, resulting in an excess number of tranches for that round, then the denied switches may then be freed up (see ***free eligibility*** below).

Example 12. Denied Switches.

Bidders A, B and C are the only bidders bidding for tranches of the 17-month product, the 29-month product, and the 41-month product for which the total of the tranche targets is 29. Their bids in rounds 1 and 2 are given below:

	17-month	*29-month*	*41-month*
Tranche Target	10	10	9
ROUND 1			
Price ($/MWh)	75.00	75.22	75.00
Bidder A Bid (tranches)	6	1	0
Bidder B Bid (tranches)	3	2	4
Bidder C Bid (tranches)	2	3	0
ROUND 2			
Price ($/MWh)	74.72	75.01	75.00
Bidder A Bid (tranches)	5	2	0
Bidder B Bid (tranches)	1	3	5
Bidder C Bid (tranches)	2	3	0

Bidder A switches, increasing the number of tranches bid on the 29-month product to 2 and reducing the number of tranches bid on the 17-month product. Bidder B is also switching. Bidder C's bid remains the same. In total, 3 fewer tranches are bid on the 17-month product. The number of tranches bid on the 29-month product and the 41-month product are both increased. Bidder B gives the 29-month product the switching priority.

No other bidders bid on tranches for the 17-month product in round 2. In round 1, the 17-month product's tranche target is more than filled with 11 tranches bid at the round 1 price. In round 2, the 8 tranches bid at the round 2 price are insufficient to fill the tranche target of 10.

Example 12. Denied Switches. (continued)

Two of the three reductions from the 17-month product must be denied. For the first tranche that must be filled by denying a switch, the probability that each bidder is chosen is 1/3 for Bidder A and 2/3 for Bidder B. Bidder B is chosen at random. The CBP Manager repeats the procedure for the second tranche that must be filled by denying a switch. The probability that each bidder is chosen is 1/2 for Bidder A and 1/2 for Bidder B. Bidder A is chosen at random. This means that the CBP Manager denies Bidder A its intended switch and that Bidder B is allowed to switch 1 of the 2 tranches requested. Adding the 2 denied switches to the 8 tranches bid at the round 2 price fills the17-month product's tranche target of 10.

	17-month	*29-month*	*41-month*
Round 1 Price ($/MWh)	75.00	75.22	75.00
Round 2 Price ($/MWh)	74.72	75.01	75.00
Report to Bidder A	5 @ 74.72 1 denied switch @ $75.00	1 @ 75.01	0
Report to Bidder B	1 @ 74.72 1 denied switch @ $75.00	3 @ 75.01	4 @ 75.00
Report to Bidder C	2 @ 74.72	3 @ 75.01	0

The CBP Manager reports to Bidder A that its switch was denied. The CBP Manager also reports to Bidder A that it has 5 17-month tranches bid at the round 2 price of $74.72/MWh and 1 denied switch, a 17-month tranche at the round 1 price of $75.00/MWh. The CBP Manager reports to Bidder B that Bidder B has 1 tranche of the 17-month product bid at the round 2 price of 74.72 $/MWh and 1 denied switch, a 17-month tranche at the round 1 price of 75.00 $/MWh. The CBP Manager reports to Bidder B that Bidder B has four (4) 41 - month tranches bid at 75.00 $/MWh. The CBP Manager also reports to Bidder C that Bidder C has 2 tranches of the 17-month product bid at the round 2 price and 3 tranches of the 29-month product bid at the round 2 price.

III. E. Round 3 and All Subsequent Rounds

Round 3 and all subsequent rounds generally proceed as does round 2. In the bidding phase of a round, a bidder bids by stating the number of tranches it is willing to serve of each product at the going prices for the round. At all times, the total number of tranches bid by a bidder for all the products cannot exceed the bidder's ***eligibility***. The bidder's eligibility for a round is its eligibility for the previous round, minus the number of tranches that the bidder withdrew in the previous round. At all times, the total number of tranches that a bidder bids for all products cannot exceed the load cap. At all times, the total number of tranches that a bidder bids for a product cannot exceed the product's tranche target.

A bidder can request to withdraw or switch tranches from a product, provided that the bidder reduces its number of tranches bid only from products for which the price has ticked down. To fully specify a bid, the bidder may be required to provide exit prices and/or switching priorities. In the reporting phase of the round, the CBP Manager reports a range of total excess supply and the going prices for the next bidding phase. The CBP Manager also provides a round report privately to each bidder.

Starting in round 3 and for all subsequent rounds, a bidder may face the following new situations and be subject to the following additional rules:

- A bidder's denied switches may be outbid and become free eligibility.
- A bidder's retained tranche from a withdrawal may be released.
- A bidder with retained tranches on a product from a denied switch who bids new tranches for this same product at the going price for the current round will be deemed to have bid all tranches (including retained tranches from the denied switch) at the going price.

Each of these circumstances or rules is explained in more detail below.

If a bidder has one or more tranches retained from a denied switch in a round, these tranches may be ***outbid*** in a subsequent round. This means that a tranche from a denied switch is being replaced in filling the tranche target for the product by a tranche that has been newly bid at the going price by another bidder. This occurs because the CBP Manager takes bids in increasing order of price to fill the tranche target, first taking tranches bid at the going price, then withdrawn tranches, and finally denied switches. New tranches bid at the going price first replace the highest-priced tranches, which are the denied switches. If switches from more than one bidder are retained, and if not all denied switches are outbid, the CBP Manager chooses at random, for each denied switch that will be outbid, the bidder whose switch will be outbid. For the first denied switch that is outbid, the probability that the CBP Manager chooses a bidder's denied switch is the bidder's number of denied switches divided by the total number of denied switches for that product. If a second denied switch must be outbid, the CBP Manager again will choose at random the bidder whose denied switch will be outbid. The probability that the CBP Manager chooses a bidder's denied switch is the bidder's number of denied switches that have not yet been outbid divided by the total number of denied switches that have not yet been outbid. The CBP Manager repeats this procedure until the required number of denied switches has been outbid.

A tranche from a denied switch for a product that is outbid becomes ***free eligibility*** in the next round. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost. A tranche of free eligibility can be bid on any product. If it is not bid it will be considered to be withdrawn; when a tranche of free eligibility is withdrawn, the bidder does not name an exit price and the tranche will not be retained.

If a bidder has one or more tranches retained from a requested withdrawal, these tranches may be released and the withdrawal granted as new tranches bid at the going price replace the tranches retained from withdrawals in filling the tranche target. As new tranches are bid at the going price these tranches outbid denied switches (if any) and then replace withdrawn tranches, starting with tranches withdrawn at the highest exit price. During the reporting phase, the CBP Manager reports privately to a bidder if a tranche – that had been withdrawn from a product and that had been retained – is now being released and thereby irrevocably removed from further bidding.

If withdrawn tranches from more than one bidder had been retained at the same exit price, and if not all retained tranches at that exit price are being released, the CBP Manager chooses at random the bidder or bidders whose tranches are released and thereby irrevocably removed from further bidding. For the first retained tranche that should be released, the probability that a bidder is chosen is the bidder's number of retained tranches for the product at the tied exit price divided by the total number of retained tranches at that exit price for that product. If a second retained tranche needs to be released, the CBP Manager again will choose at random the bidder whose retained tranche will be released, and the probability that any one bidder is chosen is the bidder's number of retained tranches at the tied exit price that have not yet been released divided by the total number of retained tranches at the tied exit price that have not yet been released. The CBP Manager repeats this procedure until the required number of tranches has been released.

If a bidder has retained tranches on a product from a denied switch and if this bidder bids new tranches for this same product at the going price, the bidder will be deemed to have bid all tranches at the going price for that product. That is, tranches from the denied switch become tranches that are bid at the price for the current round. The CBP Manager, in filling the tranche target for the product, will take first tranches bid at the going price; in these tranches at the going price, the CBP Manager will include any denied switches that have become tranches bid at the current round price (because the bidder has bid new tranches for this same product at the current round price, and is thus indicating a willingness to serve this product at the going price).

Example 13. Anti-Stalling.

Bidder A's bids in rounds 6 and 7 are given below (Bidder A does not bid for any other products):

	17-month	*29-month*
Price Round 6 $/MWh)	67.50	68.00
Bidder A Bid (tranches)	4	0
Price Round 7 ($/MWh)	66.34	66.98
Bidder A Bid (tranches)	0	4

In round 7, Bidder A requests to switch 4 tranches. The CBP Manager denies part of the switch. Bidder A, in the reporting phase of round 7, is informed that its bid consists of 2 tranches of the 29 month product at $66.98/MWh and 2 denied switches of the 17-month product at $67.50/MWh (the price at which the tranches of the 17-month product were last freely bid).

	17-month	*29-month*
Report to Bidder A	2 denied switches @ $67.50	2 @ $66.98

In round 8, Bidder A reduces its number of tranches bid on the 29-month product by 1 and increases its number of tranches bid on the 17-month product. At the round 8 prices, Bidder A bids 1 tranche of the 29-month product and 1 tranche of the 17-month product at the going price. The denied switches are kept on the 17-month product and cannot be freely bid.

	17-month	*29-month*
Price Round 8 ($/MWh)	66.34	66.81
Bidder A Bid (tranches)	1	1
Denied Switches	2 denied switches @ $67.50	

Bidder A has bid a new tranche of the 17-month product at the round 8 price while having switches denied on the same product at a higher price. Bidder A is then deemed to have bid all 3 the 17-month tranches at the round 8 price of $66.34, as shown below. All 3 tranches of the 17-month product become tranches bid at the round 8 price.

	17-month	*29-month*
Price Round 8 ($/MWh)	66.34	66.81
Report to Bidder A	3 @ $66.34	1

III. F. Reporting General Bidding Results

During the reporting phase, the CBP Manager reports a range of total excess supply and the going prices for the next bidding phase to all bidders with positive eligibility or with retained withdrawals, to a list of representatives from the FirstEnergy Ohio Utilities, and to the PUCO Staff. The PUCO Staff also has access to information contained in all submitted bids. These bidding results are confidential. The bidders, the FirstEnergy Ohio Utilities, the CBP Manager, and the PUCO Staff will hold any results to which they have access to be confidential. Before becoming registered bidders, the bidders will agree to keep all results confidential, except for any aspects of the results that the Commission releases as part of its decision of whether to approve the results, or that the Commission explicitly authorizes can be released. Bidders will also agree to destroy documents with information related to the CBP provided by the CBP Manager within five (5) days of the Commission deciding whether to approve the results. A bidder loses its access to bidding results no earlier than the round after the bidder has been first informed that it has zero eligibility and no retained withdrawals, and in any event no later than eight rounds after first being so informed.

The total excess supply is the sum of the excess supplies for each of the individual products, plus all tranches of free eligibility, when applicable. The CBP Manager reports a range of total excess supply. The largest integer of each such range will be divisible by 5. The manner in which the total excess supply is reported to bidders changes as the bidding progresses. Early in the bidding, when total excess supply is larger relative to the solicitation volume, the CBP Manager will report a narrower range of total excess supply. Toward the end of bidding, when total excess supply is small relative to the solicitation volume, the CBP Manager will report total excess supply in a wider range. When the total excess supply has reached zero, bidding has closed.

The CBP Manager will announce the ranges of total excess supply that will be used when the CBP Manager announces the number of tranches to be procured for each product and when the CBP Manager announces the load caps. The CBP Manager will inform the registered bidders of any changes to these ranges of total excess supply no later than six (6) days prior to the start of bidding. Table 7 below provides illustrative ranges of total excess supply.

Table 7. Illustrative Total Excess Supply Ranges

Ranges for Excess Supply	
Total excess supply falls to 20 tranches or fewer: a single range remains (the last ran7ge)	0-20
Total excess supply is between 21 and 50 tranches: ranges count 10 integers	21-30
	31-40
	41-50
Total excess supply is 51 tranches or more: ranges count 5 integers	51-55
	56-60
	61-65 (etc.)

The CBP Manager also reports the going prices for the products for the next bidding phase. The going prices are calculated through formulas as explained below.

III. G. Price Decrements

The price for a product only ticks down if the number of tranches bid for the product exceeds the tranche target for that product. The amount by which a price ticks down is called a decrement and it is a percentage of the previous going price.

The decrement for a product is larger (and thus the price for a product ticks down more quickly) if the excess supply for that product is larger. The excess supply for a product is measured against an estimate of the maximum possible excess supply that the product could attract. This estimate takes into account the total excess supply, the load cap, the tranche target of the product, and the number of registered bidders.

The decrement formulas allow the price decrements to be larger at the start of the bidding than in later rounds. Early in the bidding, when the number of tranches bid on a product exceeds the tranche target, the decrement is between 0.5% and 5% of the previous round price. Decrements continue to be between 0.5% and 5% of the previous round price until the going prices for round 4 are calculated or until total excess supply falls to the last range, whichever comes later. In the next round, decrements will be between 0.25% and 2.5% of the previous going price, and will remain so until the end of bidding. The CBP Manager may override the price decrement calculation; in such cases, the CBP Manager would advise all bidders that such an override has occurred. The CBP Manager may inform registered bidders no later than six (6) days prior to the start of bidding that the provisional decrement formulas in section VII have been modified. Prices are measured in $/MWh and will be rounded off to the nearest cent.

III. H. Pauses

The progress of the rounds can be paused or modified either by the bidders or by the CBP Manager. Any one bidder can modify the progress of the rounds by requesting an extension during a bidding phase or a recess during a calculating phase or a reporting phase (subject to the conditions below). The CBP Manager can also call a time-out at any time during a round.

III. H. 1. Pauses Called by Bidders

When a bidder requests an ***extension*** during the bidding phase of a round, such a request extends the bidding phase of the round for all bidders. Typically, an extension will be 15 minutes, but the CBP Manager may set a longer or shorter length for an extension. Bidders will be advised of the length of an extension at any point during bidding. An extension allows a bidder additional time to consider its bid for the current round or allows a bidder to deal with technical difficulties in submitting bids. The bidding phase of a round can be extended only once. Each bidder is allowed two (2) extensions over the course of all rounds. A bidder with positive eligibility is automatically deemed to have requested an extension if the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions. Extensions from all bidders are granted but all extensions run concurrently. All bidders that have requested an extension during the bidding phase of a round will see their available number of extensions reduced and the extension will last only 15 minutes (or the time for an extension set by the CBP Manager). The CBP Manager reports to all bidders at the end of the planned bidding phase that the bidding phase has been extended.

A ***recess*** may only be requested during: 1) the calculating phase; or 2) during the reporting phase, before the earlier of: a) the scheduled last half of the reporting phase of a round starts; or b) the last five (5) minutes of the reporting phase of a round. (That is, if the reporting phase of a round is scheduled to be 8 minutes, then the recess must be requested before the last 5 minutes of the reporting phase; if the reporting phase of a round is scheduled to be 14 minutes, then the recess must be requested before the last 7 minutes of the reporting phase.) A recess may only be requested by a bidder after round 10 and only if the total excess supply is 30 tranches or fewer. The CBP Manager retains the discretion to set the length of a recess but the CBP Manager will not set the recess time to be less than 15 minutes. The CBP Manager will advise all bidders of the length of a recess at any point during bidding.

As soon as is feasible after the time at which a recess can be requested has passed, the CBP Manager reports to all bidders that a recess has been called. Each bidder is allowed to request at most one recess over the course of all rounds. All recess requests are granted, but all requested recesses run concurrently. All bidders making a request in a given calculating or reporting phase will be deemed to have used a recess request. All bidders that have requested a recess will see their available number of recesses reduced by one.

Example 14. Recesses.

The total number of tranches in the Solicitation is 29.

In round 5, total excess supply is reported to be in the 56-60 range. Bidders are not able to request a recess in round 5 since round 11 has not yet been reached.

In round 12, the total excess supply is reported to be in the 0-20 range for the first time. Bidders can request a recess in round 13, since the total excess supply reported in the previous round (round 12) was at 20 tranches or below, and round 11 had been reached.

III. H. 2. Pauses Called by the CBP Manager

The CBP Manager can call a time-out at any time during a round. A typical time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a cutback to the solicitation volume that may require bidders time to consider or in case of an extraordinary event that requires consultation of the CBP Manager and the PUCO Staff. Whenever a time-out is called, the CBP Manager reports to all bidders with remaining obligations (i.e., with positive eligibility and/or retained withdrawals) how long the time-out is expected to last.

During the calculating phase of round 1, the CBP Manager may call a time-out to evaluate whether the solicitation volume should be adjusted. The CBP Manager has the discretion to call additional time-outs during the course of bidding. Such discretion could be used, for example, in case of an extraordinary event. The CBP Manager expects to exercise this discretion only rarely.

III. I. Failure to Submit a Bid

A bidder with positive eligibility must submit a bid in every round. This is true even when the bidder's bid does not change. This is also true when a bidder is bidding only on products whose prices have not ticked down.

If a bidder with positive eligibility does not submit a bid during the bidding phase of a round, the bidder is granted an extension whenever possible. If the bidder has previously used up all of its extensions, or if the bidder does not submit a bid during the extension to the bidding phase, then the bidder has failed to submit a bid. When a bidder with positive eligibility has failed to submit a bid in a round, the bidder is assigned a ***default bid***. A default bid for a bidder is the minimum number of tranches that the bidder could have bid on each product, as explained below.

The default bid for a bidder in round 1 is zero (0) tranches on each and every product.

The default bid for a bidder in round 2 and all subsequent rounds is described in detail as follows.

If the bidder had some tranches of free eligibility, these tranches are deemed to be withdrawn and are irrevocably removed.

If, in the previous round, a bidder did not bid any tranches on a product at the going price and, in the reporting phase of that round, the CBP Manager reported that the bidder did not have any retained withdrawals or denied switches for that product, then the bidder is assigned zero tranches for that product.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for the previous round, and if the product's price ticked down from the previous round to the current round, then the bidder is deemed to have withdrawn all tranches at the highest exit price, namely the price from the previous round. The bidder loses the eligibility associated with these tranches. All tranches with a lower exit price named by bidders that have submitted a bid in the current round are retained first. All tranches with the same exit price named by bidders that have submitted a bid in the current round are retained next. If all the withdrawn tranches by the bidder and by other bidders that were assigned a default bid are needed to fill the tranche target, these tranches are retained. If some but not all of the tranches submitted by the bidder and other bidders that were assigned a default bid are needed, tranches are chosen at random to fill the tranche target, in a procedure analogous to that used for bidders that submitted a bid, as described in section III. D. 2.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for that round, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from the previous round to the current round; and if there is excess supply for the product in the current round, so that the price will tick down in the next round, then:

- all withdrawals that were previously retained are released and the bidder has no remaining obligation from those tranches;
- all switches that had previously been denied are outbid and the bidder is assigned free eligibility for those tranches;

- all tranches previously bid at the going price are bid again on the product at the going price. If the bidder does not bid in the next round these tranches will be withdrawn and assigned the highest exit price.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product bid at the going price, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from that round to the current round; and if there is no excess supply for the product in the current round so that the price will not tick down in the next round, then:

- any tranches bid at the going price continue to be bid at the going price;
- if any new tranches were bid on the product at the going price in the current round, the denied switches (if any) of bidders that have been assigned default bids are outbid first, before the denied switches of bidders that have submitted a bid in the current round are outbid. If more than one bidder has been assigned a default bid, and if some but not all denied switches from such bidders are outbid, then for each denied switch that must be outbid, the CBP Manager chooses at random among the default bidders the bidder whose switch is outbid, in a procedure analogous to that used for bidders that submitted a bid, as described in section III. E;
- if any new tranches were bid on the product at the going price in the current round, and if all denied switches from default bidders and from bidders that submitted a bid are outbid, retained withdrawals are released, starting with the highest named exit price. For a given exit price, tranches from bidders that have been assigned default bids (if any) are released first, before the retained withdrawals of bidders that have submitted a bid in the current round. If more than one bidder has been assigned a default bid, and if some but not all of the retained withdrawals from such bidders must be released at a given exit price, then for each retained withdrawal that must be released, the CBP Manager chooses at random among the default bidders the bidder whose withdrawn tranche is released, in a procedure analogous to that used for bidders that submitted a bid, as described in section III. E.

The bidder can lose its ability to bid for all future rounds by failing to bid during the bidding phase of a round or during its extension. It is the responsibility of the bidder to ensure that bids are submitted on time.

Example 15. Default Bid.

Bidder A submits the following bid in round 5:

	17-month	*29-month*	*41-month*
ROUND 5 (Bid)			
Round 5 Price	85.25	80.71	81.00
Bid (Tranches)	2	4	0

The CBP Manager reports to Bidder A that its bid in round 5 is accepted as it was submitted. The CBP Manager announces the new prices for each product for round 6. Bidder A submits the following bid in round 6.

	17-month	*29-month*	*41-month*
ROUND 6 (Bid)			
Round 6 Price	84.25	79.71	80.00
Bid (Tranches)	0	4	2

This bid represents a switch, whereby Bidder A has increased the number of tranches on the 41-month product while decreasing the number of tranches on the 17-month product. Other bidders reduce their number of tranches bid on the 17-month product in the same round. To fill the tranche target of this product, the CBP Manager denies Bidder A's requested switches. These tranches will be retained at the last price at which they were freely bid.

The CBP Manager thus reports the following:

	17-month	*29-month*	*41-month*
ROUND 6 (Report)			
Round 7 Price	84.25	79.21	79.56
Report to Bidder A (Tranches)	2 denied switches @ $85.25	4	0

Example 15. Default Bid. (continued)

In round 7, the minimum number of tranches that Bidder A can bid on the 41-month product is zero, because Bidder A did not bid any tranches on this product in round 6. The minimum number of tranches that Bidder A can bid on the 29-month product is zero, since the price for the 29-month product has ticked down from \$79.71/MWh to \$79.21/MWh. The minimum number of tranches that Bidder A can bid on the 17-month product is 2, since the price for the 17-month product has not ticked down but Bidder A has two denied switches on the 17-month product.

In round 7, Bidder A fails to submit a bid in the bidding phase of the round. Bidder A is automatically granted an extension but does not submit a bid during the extension either. Bidder A will be assigned the following bid, which is its default bid. Bidder A is the only bidder that is assigned a default bid.

	17-month	*29-month*	*41-month*
ROUND 7 (Default Bid)			
Price (\$/MWh)	84.25	79.21	79.56
Default Bid for Bidder A (Tranches)	2 denied switches @ \$85.25	0	0

None of Bidder A's withdrawn tranches are retained; tranches from other bidders that actually submitted bids are sufficient to fill the tranche target for the 29-month product. During round 7, three new tranches are bid on the 17-month product by other bidders. Both of Bidder A's tranches become outbid denied switches and are free eligibility. Bidder A's eligibility for round 8 is 2. Should Bidder A again fail to bid in round 8, this free eligibility will be lost. Bidder A would be assigned eligibility of zero for round 9 and would lose the ability to submit any further bids.

III. J. End of Bidding

Bidding ends at the same time for all products, in the reporting phase before the first round in which total excess supply is zero. At that point, all prices have stopped ticking down any further and no bidder could change its bid.

At the end of the bidding, tranches are allocated to the winners and all the winners for a product receive the same price (the clearing price) for that product. As long as the tranche target is filled in any round prior to the final round, the tranche target for a product will be filled when bidding ends. For all products where the tranche target is filled when bidding ends, the clearing price is the lowest price bid that still allows supply just sufficient to fill the tranche target. The price for each product is determined more precisely as explained below.

The clearing price for a product depends on how the tranche target for the product was filled in the final round. When the tranche target of a product is filled when bidding ends, the clearing price is determined as follows.

If, to fill the tranche target for a product in the final round, only tranches bid at the price from the final round are used, the winners are those that submitted bids at the price from the final round. The clearing price given to all winners is the going price from the final round.

If, to fill the tranche target for a product in the final round, withdrawn tranches must be retained, but no switches were denied, then the winners are the bidders that submitted bids at the going price from the final round and the bidders that submitted the lowest of the exit prices. If, to fill the last tranches of the tranche target of a product in the final round, the CBP Manager must use some but not all the tranches from two or more bidders tied at the same exit price, then the CBP Manager, for each tranche, will choose at random the bidder whose tranche is retained, as described in section III. D. 3. The clearing price given to all winners is the last exit price that was accepted to fill the tranche target.

If, to fill the tranche target for a product in the final round the CBP Manager must deny requests to switch, then the winners are the bidders that submitted bids at the going price from the final round, the bidders that withdrew tranches (if any), and the bidders whose requests to switch (by reducing the number of tranches of that product) were denied. The clearing price received by all winners is the price at which the denied switches were last freely bid.

Example 16. End of Bidding.

The tranche target for the 17-month product is 10 tranches.

In round 74, 11 tranches for the 17-month product are bid at a price of $40.00/MWh. In round 75, 7 tranches for the 17-month are bid at a price of $39.90/MWh.

Bidder A bids 4 tranches for the 17-month product in round 74 and 2 tranches in round 75. Bidder A enters an exit price equal to the last round going price of $40.00/MWh for the 2 tranches it is withdrawing.

Bidder B bids 3 tranches for the 17-month product in round 74 and 1 tranche in round 75. Bidder B enters an exit price of $39.95/MWh for the 2 tranches it is withdrawing.

No other bidder changes its number of tranches bid on the 17-month product. Collectively, all other bidders bid 5 tranches for the 17-month product in both rounds 74 and 75. The total excess supply in round 75 is zero and bidding ends in round 75. Eight tranches for the 17-month product are allocated to the bidders that bid at the going price of $39.90/MWh. Two additional tranches are allocated to Bidder B since it submitted a lower exit price. Finally, Bidder A wins 1 additional tranche so that the tranche target is filled. All winning bidders will receive a price of $40.00/MWh, which is the lowest price at which the tranche target is filled.

The tranche target for a product will be filled when bidding ends as long as the tranche target was filled in any round prior to the final round. Once the tranche target for a product is filled in a round, the CBP Manager ensures that the tranche target remains filled by retaining withdrawals and denying switches if necessary. However, if in the final round the tranche target for a product is not filled, the winners (if any) are those that submitted bids at the round 1 price, which is the clearing price. The tranches from the product that are not filled would be served pursuant to the FirstEnergy Ohio Utilities' Contingency Plan.

IV. AFTER BIDDING ENDS

The PUCO will conduct a prompt consideration of the results of each Solicitation. Within one (1) business day of the close of bidding, the CBP Manager will present a confidential report to the PUCO regarding the process. The PUCO will decide whether or not to approve the results within two (2) days of the close of bidding. The PUCO Staff or its advisor may prepare a second independent confidential report on the process. If the Commission approves the results and authorizes the winners to become SSO Suppliers, the CBP Manager will notify each winner of the tranches it has won and will notify each winner of the associated clearing prices. The CBP Manager will notify the FirstEnergy Ohio Utilities of the following: the identities of the winners, the number of tranches won by each winner of each product, and the associated clearing prices. The names of the winners and the clearing prices remain confidential until publicly released by the PUCO.

If the Commission approves the results, the winning SSO Suppliers and the FirstEnergy Ohio Utilities will have three (3) days from the date of Commission approval to execute the SSO Agreements. Each winner will have these three (3) days to demonstrate compliance with the creditworthiness requirements set forth in the SSO Agreement and to submit the executed SSO Agreement(s) to the Commission for information. A winner's financial guarantee posted with its Part 2 Application may be forfeited if the winner does not execute the SSO Agreement within three (3) days, if the winner fails to demonstrate compliance with the creditworthiness requirements set forth in the SSO Agreement, or if the winner fails to agree to any of the terms of the SSO Agreement. If the FirstEnergy Ohio Utilities exercise their right to collect on the financial guarantees, then any contractual rights or other entitlements of the winners will immediately terminate without further notice by the FirstEnergy Ohio Utilities. In addition, winners will be liable for damages incurred by the FirstEnergy Ohio Utilities, which will be determined in accordance with the terms of the SSO Agreement as though the winner were a defaulting party to the SSO Agreement.

The Commission may release information regarding the CBP, including winning bidders and clearing prices, no earlier than thirty (30) days after the conclusion of the last Solicitation in the CBP. All the costs associated with the CBP will be collected through a Bid

Participation Fee to be submitted at the beginning of the application process, and a Tranche Fee charged to winning bidders.

V. ASSOCIATION AND CONFIDENTIAL INFORMATION RULES

The Association and Confidential Information rules are described below.

V. A. Process for Reporting Associations, Identifying Concerns and Remedies

A prospective bidder applying to qualify to bid will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of qualified bidders. A prospective bidder will also be required to certify that it accepts the terms of all SSO Agreements and, should it be a winner, it will sign the applicable SSO Agreement(s) and comply with all creditworthiness requirements within three (3) days of Commission approval of the results. With its Part 1 Application, each prospective bidder will be required to pay a Bid Participation Fee that will contribute to covering the administration costs of the CBP.

Once entities are qualified to bid, each bidder qualified will be asked in its Part 2 Application to make a number of certifications, each detailed below, and each bidder may be required to provide additional information to the CBP Manager if a certification cannot be made. In particular, each qualified bidder will be informed of the list of qualified bidders and will be asked to certify that it is not associated with any other qualified bidder. If a qualified bidder cannot make such a certification, it will be asked to identify associations it may have with other qualified bidders. The criteria that determine whether two bidders are associated with one another are given below. If two qualified bidders are associated with one another, the CBP Manager in consultation with PUCO Staff will determine whether the two qualified bidders can both participate to bid, as well as the terms and conditions of such participation. The CBP Manager in consultation with PUCO Staff may require qualified bidders that are associated with one another to bid as one entity or to take other appropriate actions so as to no longer be associated with one another.

Each qualified bidder will be asked to certify that it will undertake to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the CBP (both of which are defined in section V. C). A qualified bidder will also be asked to certify that it has not come and will not come to any agreement with another qualified bidder with respect to bidding in the CBP, except as disclosed and approved by the CBP Manager in its Part 1 Application.

Before obtaining final documentation necessary to participate in a given Solicitation, registered bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the CBP.

V. B. Association Criteria

1. Preliminary Definitions

   a. A party controls an entity directly if the party holds a majority of shares, majority voting power, a majority of common directors, can appoint a majority of directors, or if the party in fact controls the entity's affairs through some other means. A party controls an entity indirectly if the party controls another entity that controls the entity in question (or through a longer line of control; e.g., if the party controls another entity that controls an entity that controls the entity in question, etc.).

   b. A party participates directly in another entity Z if the party holds any class of listed shares, if it holds the right to acquire such shares, if it holds any option to purchase shares or if it has voting power. The participation is indirect if the party participates in another entity that participates in Z (with potentially a longer line of "indirect participation"). When the participation is indirect, the percentage of participation of the party in the entity is obtained by multiplying the percentages of participation at each level.

c. A party is concerned with the bid of a bidder if the party has Confidential Information relative to the bidders' bidding strategy (see definition in the next section), has agreed to provide assistance with financing or has agreed to provide assistance in another way.

2. Bidder A and Bidder B are associated with each other if Bidder A

   a. Controls bidder B, directly or indirectly; or
   b. Has at least a 10% participation in Bidder B and is concerned with Bidder B's bid; or
   c. Controls an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid; or
   d. Is controlled by an entity that controls Bidder B directly or indirectly; or
   e. Is controlled by an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid.

3. Bidder A and Bidder B are associated if there is a party which

   a. Controls Bidder A, directly or indirectly; or
   b. Has at least a 10% participation in Bidder A, directly or indirectly, and is concerned with Bidder A's bid; or
   c. Controls an entity that has at least a 10% participation in Bidder A, direct or indirect, and is concerned with Bidder A's bid; or
   d. Has Confidential Information about Bidder A's bid and is controlled by Bidder A; or
   e. Has Confidential Information about Bidder A's bid and is controlled by an entity or person that controls Bidder A directly or indirectly; or
   f. Has Confidential Information about Bidder A's bid and is controlled, directly or indirectly, by an entity that has at least a 10% participation in Bidder A and is concerned with Bidder A's bid;

   and if this same party also has any one of the relationships (a. through f. described above) with Bidder B.

4. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in both bidders.

5. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in Bidder A and that:

    a. Has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
    b. Is controlled by Bidder B; or
    c. Controls a person or entity that controls Bidder B; or
    d. Controls a person or entity that: has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
    e. Is controlled by a person or entity that controls Bidder B directly or indirectly; or
    f. Is controlled by a person or entity that has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
    g. Is controlled by a person or entity who controls a person who has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid.

V. C. Definitions of Confidential Information

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

Confidential Information regarding the CBP means information that is not released publicly by the PUCO or the CBP Manager and that a bidder acquires as a result of participating in the CBP, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future Solicitations, impair the ability of the FirstEnergy Ohio Utilities to hold future Solicitations, harm consumers, or injure bidders or applicants. Confidential Information regarding the CBP includes (but is not limited to) the list of qualified bidders, the list of registered bidders, the initial eligibility in a Solicitation, the clearing prices of the prior Solicitations in this year's CBP. the status of a bidder's participation in a Solicitation, and all non-public reports of results and announcements made by the CBP Manager to all or any one bidder during the CBP.

V. D. Certifications and Disclosures to Be Made

In certifications 1 through 15 below, "prospective bidder" refers to an entity submitting a Part 1 Application, "qualified bidder" refers to a bidder qualified to participate through a successful Part 1 Application, and "registered bidder" refers to a bidder registered to participate through a successful Part 2 Application.

A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the CBP. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP. A ***bidding consortium*** is a group of separate businesses or business people joining together to submit joint bids in the CBP.

In addition, a prospective bidder will be required to make the following certifications. Certification 1 will apply from the time that the Part 1 Application has been submitted. Certification 2, 3, and 4 will apply from the time that the Part 1 Application has been submitted until the SSO Agreements are signed or until the results are rejected.

1. A prospective bidder must certify that if it becomes a qualified bidder, the prospective bidder will not disclose information regarding the list of qualified bidders, including the number of qualified bidders, the identity of any or all qualified bidders, or the fact that an entity has not been qualified for further participation. The prospective bidder must

certify that it will destroy any document distributed by the CBP Manager that lists the qualified bidders within five (5) days of the Commission deciding whether to approve the results.

2. A prospective bidder must certify that if it becomes a qualified bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a qualified bidder to another entity. The prospective bidder must further certify that it understands that any such substitution, transfer, or assignment is null and void, and will result in its exclusion from further participation in a given Solicitation.

3. A prospective bidder must certify that it agrees that the submission of any bid on a product creates a binding and irrevocable offer to provide service under the terms set forth in the applicable SSO Agreement for that product.

4. A prospective bidder must certify that it agrees that upon the Commission approval of the results, a binding and enforceable contract to provide service with respect to the number of tranches for which the prospective bidder is a winner will arise under the applicable SSO Agreement(s), and that the prospective bidder will execute all applicable SSO Agreement(s) and comply with the creditworthiness requirements contained therein within three (3) days of Commission approval of the results.

Certification 5 will be required of each qualified bidder in its Part 2 Application and will apply from the time of qualification until the date the SSO Agreements are signed or until the results are rejected. Certifications 6 through 10 will be required of each qualified bidder in its Part 2 Application and will apply from the time of qualification until Commission approval of the results or until the results are rejected. Each qualified bidder must consult the list of all qualified bidders for a given Solicitation and attest to the following:

5. A qualified bidder must certify that it is not associated with any other qualified bidder according to the criteria given above.

A qualified bidder unable to make certification 5 must identify any and all qualified bidders with which it is associated and must provide a description of the nature of any and all such associations.

6. A qualified bidder must certify that, other than qualified bidders that were explicitly named in its Part 1 Application as entities with which the bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP, the bidder has not entered into any agreement with any other qualified bidder regarding bidding in the CBP, including, but not limited to, the amount to bid at certain prices, the product(s) on which bids are placed, when or at what prices bids are withdrawn or switched, and/or the amount of exit prices as defined in section III. D. 2.

An ***Advisor*** is a person or persons who will be advising or assisting the qualified bidder with respect to bidding strategy, estimation of the value of any tranche, or estimation of the risks associated with any tranche.

7. A qualified bidder must certify either: (i) that it has not retained an Advisor; or (ii) if it has retained an Advisor, that such Advisor is explicitly named in the Part 2 Application, and that such Advisor will: (a) not discuss Confidential Information relative to the qualified bidder's bidding strategy or Confidential Information regarding the CBP provided by the qualified bidder except with such qualified bidder; (b) not use Confidential Information relative to the qualified bidder's bidding strategy or Confidential Information regarding the CBP provided by the qualified bidder for any purpose other than to provide advice to the qualified bidder; (c) be bound by all certifications made by the qualified bidder in its Part 1 Application and in its Part 2 Application; (d) not provide any similar advice or assistance to any other qualified bidder.

A qualified bidder who has an Advisor must name the Advisor in its Part 2 Application. A qualified bidder who is unable to make certification 7 must identify all reasons for such inability. If the Advisor is providing similar advice or assistance to any other qualified bidder(s), or if the Advisor has access to Confidential Information relative to any other qualified bidder's bidding strategy, or if the Advisor has access to Confidential Information regarding the CBP other than as provided by the qualified bidder, the qualified bidder must describe any and all protections (such as confidentiality agreements) that have been put in place to ensure that the Advisor does not serve as a conduit of information between bidders, or as a coordinator of the bidding strategies of multiple bidders.

8. A qualified bidder must certify that the qualified bidder is not a purchasing party in any contract for any product, or any component of such product, related to the CBP, and (i) that would require the disclosure of any Confidential Information relative to bidding strategy or Confidential Information regarding the CBP to a counterparty under such a contract or to any other entity; or (ii) that would provide instructions, direct financial incentives, or other inducements for the qualified bidder to act in a way determined by a counterparty under such contract or in concert with any other bidder participating in the CBP. Notwithstanding the above, prior to each Solicitation, a qualified bidder may, during negotiations with an entity other than a qualified bidder regarding contractual arrangements for the qualified bidder to purchase all components to satisfy any product, or any component of such product, related to the CBP in the event that the bidder becomes a winning bidder, discuss with a prospective counterparty to such contract the nature of the product or components that the qualified bidder would purchase, the volume of any such product or components, and the prices of such product(s) or components.

A qualified bidder unable to make certification 8 must disclose the contractual arrangements that prevent the qualified bidder from making the certification.

9. A qualified bidder must certify that it does not have any knowledge of Confidential Information relative to the bidding strategy of any other qualified bidder.

A bidder unable to make certification 9 must name the other qualified bidder and the nature of the Confidential Information.

10. A qualified bidder must certify that it will not disclose Confidential Information relative to its own bidding strategy except to entities that were explicitly named in its Part 1 Application as entities with whom the bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP, to bidders with which it is associated as disclosed through certification 5, to its Advisor, and to its financial institution.

A qualified bidder unable to make certification 10 must identify all reasons and must identify the entities to which an information disclosure has or will be made.

In its Part 2 Application, a qualified bidder makes certifications 11 through 13 which will apply from the time of the Part 2 Application.

11. A qualified bidder must certify that, other than entities affiliated with the qualified bidder; other than entities with which the bidder has entered a bidding agreement, or a joint venture for purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBPs named in the Part 1 Application; and other than bidders with which the qualified bidder is associated as disclosed through certification 5; no entity has agreed to defray any of its costs in participating in the Solicitation, including the cost of preparing bids, the cost of any financial guarantees, the cost to be paid in the event such qualified bidder becomes a winning bidder, or any other participation cost or fee.

A qualified bidder unable to make certification 11 must identify the entity that has agreed to defray some or all of the qualified bidder's cost of participating in the Solicitation, and the nature of the participation costs that the entity has agreed to defray.

12. A qualified bidder must certify that if it becomes a registered bidder, the qualified bidder will not, at any time, disclose information regarding the total initial eligibility or the list of registered bidders, including the number of registered bidders, the identity of any or all registered bidders, or the fact that an entity has not been registered for further participation in the Solicitation.

This certification 12 provides an exception with respect to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

A qualified bidder unable to make certification 12 must identify all reasons and must identify the entities to which an information disclosure has been or will be made.

13. A qualified bidder must certify that it will not, at any time, disclose any Confidential Information regarding the CBP other than to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

A prospective bidder unable to make certification 13 must identify all reasons and must identify the entities to which an information disclosure has been or will be made.

In its Part 2 Application, a qualified bidder makes certification 14 which will apply from the time of the Part 2 Application until the date the SSO Agreements are signed or until the results are rejected.

14. A qualified bidder must also certify that if it becomes a registered bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a registered bidder to another entity. A qualified bidder must further certify that it understands that any such substitution, transfer, or assignment is null and void, and will result in its exclusion from participation in a given Solicitation.

Following a successful Part 2 Application, the registered bidder will be required to certify that it will continue to abide by its prior commitment to maintain the confidentiality of information regarding the CBP. The registered bidder will be required to do so before obtaining manuals and procedures essential to submit bids. The registered bidder also certifies that it will destroy all documents provided by the CBP Manager that contain confidential information within five (5) days of the Commission deciding whether to approve the results.

15. A registered bidder certifies that it continues to abide by its prior confidentiality certifications. The registered bidder will not disclose any Confidential Information regarding the CBP other than to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the CBP, or a bidding consortium, or any other arrangement pertaining to participating in the CBP; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5. Further, the registered bidder certifies that it will destroy all documents written or electronic provided by the CBP Manager that contain confidential information regarding the CBP within five (5) days of the Commission deciding whether to approve the results.

The PUCO will publicly release the clearing prices and the names of the winners from a given CBP no earlier than thirty (30) days after the Commission decides whether or not to approve the results of the final Solicitation in a CBP. The PUCO may choose to release additional information. After each Solicitation, a winner may itself release information regarding the number of tranches it has won and the products that the winner will be serving, and a losing bidder may itself release information only regarding the fact that it participated in a Solicitation. The winners and losing bidders otherwise continue to be bound by their certifications as described previously. In particular, no winner or losing bidder can itself reveal clearing prices of any Solicitation prior to these being publicly released by the PUCO.

V. E. Actions to Be Taken if Certifications Cannot Be Made

If a bidder cannot make all the above certifications, the CBP Manager in consultation with PUCO Staff will decide within five (5) days on a course of action on a case-by-case basis. To decide on this course of action, the CBP Manager may make additional inquiries to understand the reason for the inability of the bidder to make the certification.

In general, qualified bidders that are associated with one another, or that have entered into agreements regarding bidding for the CBP, are considered as one bidder for the purposes of application of the load caps and for the administration of a given Solicitation. Bidders can be allowed to bid independently or can be asked to end their association or agreement as a condition of participation, as circumstances warrant. If qualified bidders are asked to end their associations they will be given five (5) days to do so.

If qualified bidders do not comply with additional information requests by the CBP Manager regarding certifications required in the Part 2 Application, or do not comply with a request from the CBP Manager to end their associations, this may be sufficient grounds for the CBP Manager to reject the application.

Sanctions can be imposed on a qualified bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder without disclosing this fact, for releasing Confidential Information or disclosing information during the CBP (aside from only the specific exceptions provided above with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement, to an Advisor; or bidders with which it is associated), and in general for failing to abide by any of the certifications that the bidder will have made in its Part 1 or Part 2 Application. Such sanctions can include, but are not limited to, any one or more of the following: the loss of all rights to provide tranches won by such bidder; the forfeiture of letters of credit and other fees posted or paid; liquidated damages of $100,000; action (including prosecution) under applicable state and/or federal laws; attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; debarment from participation in future CBPs; and/or other sanctions that the PUCO may consider appropriate.

Should such an event occur, the CBP Manager in consultation with PUCO Staff will make a recommendation regarding a sanction.

VI. APPENDIX A: GLOSSARY OF TERMS

Advisor

An Advisor is a person or persons who will be advising or assisting the bidder with respect to bidding, estimation of the value of any tranche, or estimation of the risks associated with providing supply for any tranche.

Associated with

A qualified bidder is associated with another qualified bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. See "Association and Confidential Information Rules" in this document for more precise criteria.

Bid

A bid is the number of tranches of each product that the bidder wants to serve at the prices announced by the CBP Manager.

Bid Participation Fee

The Bid Participation Fee is a fee that is required from all prospective bidders with their Part 1 Applications. The Bid Participation Fee, together with the Tranche Fee, will be used to cover the administration costs of the CBP. The amount of the Bid Participation Fee is announced when the tranche targets, and load caps are announced, no later than ten (10) days prior to the Part 1 Application Date for the first Solicitation of the CBP.

Bidding Consortium

A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the CBP. A bidding consortium is also a set of companies joining together to supply load for products in the CBP with each providing different expertise or components.

Bidding Phase

In the bidding phase of the round, bidders place their bids stating the number of tranches they want to supply for each product.

Calculating Phase

In the calculating phase of the round, the CBP Manager tabulates the results of that round's bidding phase and calculates the prices for the next round.

Clearing Price

A clearing price is the price for a product at which there is just sufficient supply. All winners for a given product receive the same clearing price for that product. The clearing prices are expressed in $/MWh rounded off to the nearest cent.

Confidential Information regarding the CBP

Information that is not released publicly by the PUCO or the CBP Manager and that a bidder acquires as a result of participating in the CBP, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future Solicitations, impair the ability of the FirstEnergy Ohio Utilities to hold future Solicitations, harm consumers, or injure bidders or applicants. Confidential Information regarding the CBP includes (but is not limited to) the list of qualified bidders, the list of registered bidders, the initial eligibility in the Solicitation, the clearing prices of the prior Solicitations in this year's CBP, the status of a bidder's participation in the Solicitation, and all non-public reports of results and announcements made by the CBP Manager to all or any one bidder during the CBP.

Contingency Plan

If the solicitation volume is cut back, the removed tranches are offered in the next Solicitation within the CBP. If the Solicitation for which the volume is cutback is the last of the CBP, the FirstEnergy Ohio Utilities will purchase the supplies needed to serve the load associated with the removed tranches in MISO administered markets.

CRES Supplier

CRES supplier means Competitive Retail Electric Service supplier.

Decrement

A decrement is a given percentage of the previous going price.

Default Bid

A default bid is the minimum number of tranches that the bidder can bid on each product.

Denied switches

Denied switches are those tranches of a product that a bidder has requested to switch, and for which the request to switch has been denied by the CBP Manager in order to keep the tranche target for that product filled.

Eligibility

A bidder's eligibility in round 1 is the bidder's initial eligibility (see Initial Eligibility). A bidder's eligibility in round 2 is the bidder's total number of tranches bid in round 1. For all subsequent rounds, the bidder's eligibility for a round is its eligibility for the previous round, minus the number of tranches that the bidder withdrew from all products in the previous round.

Excess Supply (for a product)

The excess supply for a product is the greater of (1) the total number of tranches bid for the product minus the tranche target for that product, or (2) zero.

Exit Price

An exit price is a best and last offer on tranches that are being withdrawn.

Extension

An extension typically extends the bidding phase for a round by 15 minutes, but the CBP Manager may set a longer or shorter length for an extension. The bidding phase of a round can be extended only once. Each bidder is allowed two (2) extensions over the course of all rounds. A bidder with positive eligibility is automatically deemed to have requested an extension if the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions.

Free Eligibility

A tranche from a denied switch for a product that is outbid becomes free eligibility in the next round. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost. A tranche of free eligibility can be bid on any product.

Full Requirements Service

Full requirements service includes energy, specified ancillary and transmission services, current MISO resource adequacy requirements and other services necessary to serve the load of fixed-price customers of the FirstEnergy Ohio Utilities. Full requirements service is defined more precisely in each of the SSO Agreements.

Going Prices

The going prices in a round are the prices at which the CBP Manager solicits bids in that round.

HP Customer

An HP Customer is a retail customer who has appropriate interval metering and communication capabilities and has elected to take an hourly pricing service from the FirstEnergy Ohio Utilities.

Indicative Offer

The indicative offer, submitted with the Part 2 Application, specifies two numbers of tranches. The first number represents the number of tranches that the qualified bidder is willing to supply at the maximum starting price and the second number represents the number of tranches that the qualified bidder is willing to supply at the minimum starting price.

Initial Eligibility

The number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's initial eligibility. A bidder will never be able to bid on a number of tranches greater than the bidder's initial eligibility.

Load cap

A load cap is a maximum number of combined tranches that any one bidder can bid and win for a Solicitation.

Master Standard Service Offer Supply Agreement

The SSO Suppliers will be required to execute the relevant Master Standard Service Offer Supply Agreements ("SSO Agreements") within three (3) days of the Commission decision.

Maximum Starting Price

When the CBP Manager announces the number of tranches, load caps, and MW-measures of each tranche, the CBP Manager at that time will also announce a maximum starting price and a minimum starting price. The maximum starting price is the maximum price that can be set in round 1 for each product. Each qualified bidder will, in its Part 2 Application, submit an indicative offer at the maximum starting price.

Minimum Starting Price

When the CBP Manager announces the number of tranches, load caps, and MW-measures of each tranche, the CBP Manager at that time will also announce a maximum starting price and a minimum starting price. The minimum starting price is the minimum price that can be set in round 1 for each product. Each qualified bidder will, in its Part 2 Application, submit an indicative offer at the minimum starting price.

MW-measure

The MW-measure of each tranche provides, for reference purposes only, a figure in megawatts corresponding to a certain percentage of the peak load share.

Outbid

When a denied switch from a previous round is being replaced by a tranche that is newly bid on that product in the current round, the denied switch that is replaced is said to be outbid. Tranches that are outbid become free eligibility in the next round.

Part 1 Application

The Part 1 Application is the first of the two parts of the application process for the Solicitation. In the Part 1 Application, prospective bidders are required to indicate their interest in participating in the Solicitation and provide identifying information and to pay a Bid Participation Fee. Prospective bidders are also required to accept the terms of the CBP Rules and the applicable SSO Agreements, to provide financial information for an assessment of their creditworthiness, and to certify that they have no impediments to meet the requirements or authorizations required by the SSO Agreements, including meeting the creditworthiness requirements set forth in the Agreements and becoming Market Participants in MISO by the start of the supply period if they are not already market participants in MISO in good standing.

Part 2 Application

The Part 2 Application is the second of the two parts of the single application process for the Solicitation. Qualified bidders must successfully submit to a Part 2 Application process to participate in the bidding. In the Part 2 Application, qualified bidders will make a number of certifications regarding associations, to ensure that they are bidding independently of other qualified bidders, and to ensure the confidentiality of information regarding the CBP.

Part 1 Application Date

Applications must be submitted no later than noon on the Part 1 Application Date, which is no later than ten (10) days after the minimum and maximum starting prices, tranche targets, and load caps are announced.

Part 2 Application Date

Part 2 Applications must be submitted no later than noon on the Part 2 Application Date.

Peak Load Share

The peak load share is the hourly load coincident with the FirstEnergy balancing authority peak load, measured at the customer meter and including losses, of a recent twelve-month period, for all customers of the FirstEnergy Ohio Utilities.

Pre-Bid Security

Each qualified bidder must post pre-bid security sufficient for its indicative offer at the maximum starting price. Each qualified bidder must post a letter of credit in an amount no less than $500,000 per tranche of a bidder's indicative offer at the maximum starting price. Letters of credit must be in a form acceptable to the FirstEnergy Ohio Utilities. Sample letters of credit that are in a form acceptable to the FirstEnergy Ohio Utilities will be posted to the CBP web site. Depending upon the creditworthiness assessment made at the time of the Part 1 Application, a qualified bidder may be required to provide additional pre-bid security in the form of a letter of intent to provide a guaranty and/or a letter of reference. Any such additional pre-bid security must be submitted in a form acceptable to the FirstEnergy Ohio Utilities. Samples for the letter of intent to provide a guaranty and for the letter of reference will also be posted to the CBP web site.

Product

A product is the SSO Load of the FirstEnergy Ohio Utilities for a specific term. The 2009 CBP will have three (3) products: 17-month, 29-month, and 41-month. Subsequent CBPs will contain one product, the SSO Load for a 3-year period.

Prospective Bidder

A prospective bidder is an entity that has submitted a Part 1 Application.

Qualified bidder

After its Part 1 Application is accepted, an entity becomes a qualified bidder.

Recess

A recess may only be requested during: 1) the calculating phase; or 2) during the reporting phase, before the earlier of: a) the scheduled last half of the reporting phase of a round starts; or b) the last five (5) minutes of the reporting phase of a round. A recess may only be requested by a bidder after round 10 and only if the excess supply is 30 tranches or fewer. The CBP Manager retains the discretion to set the length of a recess but the CBP Manager will not set the recess time to be less than 15 minutes. The CBP Manager will advise all bidders of the length of a recess at any point during bidding.

Registered bidder

After its Part 2 Application is accepted, a qualified bidder becomes a registered bidder.

Reporting phase

In the reporting phase of the round, the CBP Manager informs the bidders of the results of that round's bidding phase.

Round

Bidding proceeds in rounds. Each round has a bidding phase, a calculating phase, and a reporting phase.

Round 1 prices

The minimum and maximum starting prices establish the range of possible round 1 prices for the products. The CBP Manager, in consultation with PUCO Staff and the FirstEnergy Ohio Utilities, will choose round 1 prices for each product, and will inform registered bidders three (3) days before bidding starts.

Size of a Tranche

The size of a tranche for each class provides the percentage of the load for that class that a tranche represents.

Solicitation Volume

The solicitation volume is the sum of the tranche targets for all products in a Solicitation.

SSO Agreement

See Master Standard Service Offer Supply Agreement.

SSO Customer

An SSO Customer is a retail customer taking Standard Service Offer.

SSO Load

SSO Load will be the FirstEnergy Ohio Utilities' aggregate requirements associated with SSO Customers, and will include distribution losses. SSO Load will exclude the requirements of wholesale customers, the requirements of HP Customers, and the requirements of customers served by CRES suppliers. SSO Load will include the requirements of any customers of the Cleveland Electric Illuminating Company still under Special Contracts until December 31, 2012 ("SC customers").

SSO Service

SSO Service will be the electric service provided by winning bidders to those customers who are not wholesale customers, who are not HP Customers, and those customers who are not shopping and are not served by a CRES supplier.

SSO Supplier

An SSO Supplier provides full requirements service for the percentage of SSO Load corresponding to the number of tranches won by the Supplier in the Solicitation for the relevant product(s).

Summer factor

A summer factor is a seasonal payment factor by which the clearing prices are multiplied to obtain the summer payments for service provided during the period June 1 through August 31. The payments to suppliers of a product are a seasonal function of the clearing price for that product. The summer payments, made to suppliers for service provided from June 1 through August 31, are generally higher than the clearing price.

Switch

A bidder switches when a bidder is simultaneously decreasing the number of tranches bid for one or more products, and increasing the number of tranches for one or more other products while leaving the total number of tranches bid unchanged.

Switching priority

A switching priority is a unique rank assigned to each of the products for which the bidder is increasing the number of tranches bid. A switching priority of "1" is the highest priority and it is assigned to only one product; the next highest priority is "2" and it is assigned to a different and unique product, etc. A switching priority indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product (with priority 1) be increased first.

Target Eligibility Ratio

Target eligibility ratio is a desired ratio of tranches bid to the solicitation volume.

Time-out

A time-out is a pause called by the CBP Manager and a time-out can be called at any time during a round. A typical time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a volume adjustment that may require bidders time to consider or in case of an extraordinary event that requires consultation of the CBP Manager and the PUCO Staff.

Total Excess Supply

The total excess supply is the sum, over all products, of the excess supplies for the individual products, plus all tranches of free eligibility.

Tranche

For purposes of the CBP, SSO Load is divided into units called tranches, each tranche representing the same percentage of SSO Load.

Tranche Fee

The Tranche Fee is a fee required of winning bidders for each tranche that is won. This fee, together with the Bid Participation Fee, will be set to recover all the costs associated with the CBP. The CBP Manager will announce the fee per winning tranche no later than six (6) days prior to the start of bidding in the first Solicitation. The Bid Participation Fee will be deducted from any applicable Tranche Fees.

Tranche target

The tranche target for a product is the number of tranches needed for a product in a given Solicitation.

Winter Factor

A winter factor is a seasonal payment factor by which the clearing prices are multiplied to obtain the winter payments for service provided during the periods January 1 – May 31 and September 1 – December 31. The payments to suppliers of a product are a seasonal function of the clearing price for that product. The winter payments, made to suppliers for service provided from January 1 – May 31 and September 1 – December 31, are generally lower than the clearing price.

Withdrawal

A bidder requests a withdrawal from at least one product when the bidder is reducing the total number of tranches bid.

VII. APPENDIX B: PROVISIONAL DECREMENT FORMULAS

Decrement formulas may be updated by the CBP Manager along with the number of tranches for each product and the load cap no later than ten (10) days before suppliers must first apply to participate in the CBP. The CBP Manager may inform registered bidders no later than six (6) days prior to the start of bidding in each Solicitation that the decrement formulas have been further modified. Prices are measured in \$/MWh and will be rounded off to the nearest cent.

VII. A. Regimes

At the start of bidding, the Regime 1 decrement formulas are used. When Regime 1 decrement formulas are used, decrements are between 0.5% and 5% of the previous going price. Regime 1 continues until Regime 2 starts. When Regime 2 decrement formulas are used, decrements are between 0.25% and 2.5% of the previous going price. Regime 2 starts in the calculating phase of a round. Regime 2 starts in the calculating phase of round 4, or in the calculating phase of the first round in which the excess supply is first reported to bidders to be 20 or fewer tranches, whichever comes later. Regime 2 continues until bidding ends. The CBP Manager may override the price decrement calculation; in such cases, the CBP Manager would advise all bidders that such an override has occurred.

VII. B. Regime 1 Decrement Formula

Decrements are calculated separately for each product as a function of the excess supply on that product.

During Regime 1, the calculation of the size of the decrement, Δ, is based on the oversupply ratio, γ, which is the ratio of the excess supply for a product to an estimate of the maximum possible total excess supply:

$$\gamma = \frac{B - TT}{\min\left(\overline{RES}, n \cdot \min\{LC, TT\} - TT\right)}$$

The numerator is the excess supply for a product, which is the number of tranches bid at the going price (B) minus the tranche target (TT). The denominator is a measure of maximum possible excess supply for that product. The excess supply for a product must be less than or equal to the total excess supply. $\overline{RES}$ is the upper bound of the range of total excess supply reported to bidders and is used as the measure of excess supply. The excess supply for a product must also be less than or equal to the excess supply that would result from all bidders bidding the maximum possible number of tranches on that product. The maximum possible number of tranches that can be bid on a product is either the load cap (LC) or the tranche target for the product (TT), whichever is lower. Thus the excess supply that would result from all bidders bidding the maximum possible number of tranches on the product would be $n \cdot \min\{LC, TT\} - TT$ tranches, namely the number of registered bidders (n) times the load cap (LC) or the tranche target, minus the tranche target (to get a measure of excess supply). The measure of maximum possible excess supply for that product used for the decrement rule is the upper bound of the range of excess supply reported to bidders, or the measure based on the number of registered bidders, the load cap and the tranche target, whichever is smaller.

During Regime 1, the decrement for each product is set as follows:

$\Delta = \max\ [\ 0.005, \min\ \{(0.0834\,\gamma - 0.0075)\ , 0.05\}\ ]$

For example, if $\gamma = 0.4$, then $\Delta = 0.0259$, which means that prices are reduced by 2.59% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.15 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.6897 or greater, which means that the excess supply for the product reaches 68.97% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.15 and 0.6897, so that the excess supply for the product is between 15% and 68.97% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

VII. C. Regime 2 Decrement Formula

Later in the bidding, in Regime 2, the following decrement formula will be used for each product:

$$\Delta = \max [\, 0.0025, \min \{(0.0417\,\gamma - 0.0038)\,, 0.025\}\,]$$

For example, if $\gamma = 0.4$, then $\Delta = 0.0129$, which means that prices are reduced by 1.29% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.15 (but above 0), the decrement is set at 0.25%. The decrement is never more than 2.5% (subject to rounding off). When the oversupply ratio is 0.6897 or greater, which means that the excess supply for the product reaches 68.97% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.15 and 0.6897, so that the excess supply for the product is between 15% and 68.97% of its maximum, the decrement is between 0.25% and 2.5% according to the rule given above.