

FirstEnergy

FILE

RECEIVED-DOCKETING DIV

78 South Main St.
Akron, Ohio 44308

2003 MAR 10 PM 4:27

1-800-633-4766

PUCO

March 10, 2003

The Public Utilities Commission of Ohio
Attention: Docketing Division
180 East Broad Street
Columbus, OH 43215

Dear Docketing:

Pursuant to the Commission's Entry in Case No. 02-2877-EL-UNC dated December 5, 2002, certain annual filings were scheduled to commence beginning March 1, 2003. This filing relates to FirstEnergy's proposed changes to its Ohio operating companies' sales targets and end dates for RTC recovery periods. The enclosed report is being filed to comply with the above mentioned Commission Entry. For the initial filing an extension was agreed to beyond the March 1 date.

If you have any questions, please contact me at 330.384.5724.

Sincerely

Kevin L. Norris/DRC

Kevin L. Norris
Manager, Rate Strategy

Cc: DMBlank
JWBurk

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
Technician Am Date Processed 3/10/03

Sales Targets and End Dates
For RTC Recovery Periods

This report is filed in compliance with the Commission's Entry in Case No. 02-2877-EL-UNC dated December 5, 2002. Item (8) in the Entry, supported by the fifth ordering paragraph, requires FirstEnergy to file annually its proposed changes to its sales targets and end dates for RTC recovery periods.

KWH TARGET

The Stipulation established a process for RTC recovery that ultimately resulted in an overall kWh target for each operating company and a specific tracking mechanism to know when the kWh target was reached (Section IX.1, page 16 and Attachment 7). The Stipulation also allowed for several items to modify this kWh target, some which would increase it and some which would decrease it. Each of these potential items are discussed on the attached Exhibit A under Item I. At this point only two items have impacted the original target. These are:

- (1) "difference between the market support price ...and the incentivized shopping credit ...of the customers who shop times their kWh usage"(which increases the kWh target) and
- (2) "any rate discounts that would have otherwise resulted during the market development period as a result of the taxes, plus interest on such amounts using the rate of return otherwise applicable to RTC costs" (created by changes in taxes required by Am. Sub. S.B. No. 3 and causing some rates to be less than the rates frozen at current levels). This item decreases the kWh target.

The Initial RTC kWh Target is impacted by these two items, based on current information, as shown below:

	<u>OE</u>	<u>CEI</u>	<u>TE</u>
Initial RTC kWh Target (Per Attachment 7 of Stipulation)	141,466,775,832	166,653,665,406	71,613,788,718
Current RTC kWh Target (For Items 1 and 2 above)	172,135,390,381	177,325,288,235	75,970,121,616

RTC RECOVERY PERIOD

As noted, the Stipulation provided for a tracking mechanism such that when a specific level of kWh are met on a Company-by-Company basis, then the RTC recovery for that Company would cease. Further, the RTC recovery periods were set to "not extend beyond December 31, 2006 for OE, June 30, 2007 for TE and December 31, 2008 for CEI" unless extended for provisions included in the Stipulation and discussed in more detail below.

In this report only two factors of those described on Exhibit A, under Item I, affect the recovery date:

- (1) "the difference between the market support price and the incentivized shopping credit...of the customers who shop times their kWh usage" (Section VIII.2 of Stipulation).
- (2) "any rate discounts that would have otherwise resulted during the market development period as a result of the taxes, plus interest on such amounts using the rate of return otherwise applicable to RTC costs." (Section VIII.5.b of the Stipulation)

As stated in the Stipulation "the RTC recovery periods shall not extend beyond December 31, 2006 for OE, June 30, 2007 for TE and December 31, 2008 for CEI, unless the additional time is necessary to amortize the deferrals resulting from more than 20% of any class by Company having shopped, and/or to accommodate a significant change in the business environment or economy which results in a substantial deviation from the estimated sales used herein as determined by the Commission" (Stipulation Section IX.3.). Both items, based on current information, serve to extend the stated dates as follows : for OE, to mid-February 2008; for CEI, to late January 2010; and for TE to early February 2008.

Exhibit A

Changes to kWh Target Pursuant to Stipulation
(Explanation and Current Status)

I. CHANGES TO KWH TARGET

Stipulation – Section IX.2, page 16

The original kWh target shown on Attachment 7 of the Stipulation can be reduced for:

- (1) “If OE, CEI and/or TE sell any generating asset to a non-affiliated company for cash at a price above the fair market value used in the Filing, then any net after tax gain using that fair market value as the basis will be used to adjust RTC recovery” (Stip. Section VIII.4)
- (2) “rate discounts that would have otherwise resulted during the market development period as a result of taxes, plus interest on such amounts using the rate of return otherwise applicable to RTC costs.” These rate discounts result from the tax changes from Am. Sub. S. B. No. 3 not being implemented (rates were frozen at current levels), per the Stipulation, until the end of the market development period. (Stip. Section VIII.5.b)
- (3) 50% of any rate discounts resulting from any 69 kV or greater customer qualifying for and receiving transmission service under applicable provisions of the FERC transmission tariff; (Stip. Section V.4)
- (4) any reduction in RTC recovery caused by failure to reach 20% shopping levels, limited to a maximum reduction of \$500 million. (Stip. Section V.3)
- (5) net savings in interest as a result of securitization (Stip. Section X)

Items (1), (3), (4), and (5) have not occurred and as a result have not had any impact on the kWh target. There has been no sale of generating assets (item 1) nor any customer at 69 kV or greater qualifying for and receiving transmission service under FERC transmission service (item 2). In regard to item 4, all classes for all three of FirstEnergy operating companies have reached the required 20% shopping levels. Confirmation of shopping levels reaching the 20% levels was included in Commission Entry at Case No. 02-2877-EL-UNC. As there has been no securitization, item 5 has not impacted the RTC recovery target.

Only item 2, rate discounts that would have otherwise occurred absent frozen rates, has actually reduced the kWh target.

The target shown on Attachment 7 can be increased for:

- (1) the “difference between the market support price ... and the incentivized shopping credit ...of the customers who shop times their kWh usage; (Stip. Section VIII.2) and
- (2) “charges assumed by OE, CEI, and TE for MISO and PJM transmission in excess of \$10 million” (Stip. Section V.4 and Section VIII.3)

Item 1, the difference between market support prices and incentivized shopping credits, has had a significant impact on the kWh target. Item 2, which considers charges assumed by FE for MISO or PJM transmission costs, has not exceeded the \$10 million threshold.