

Bidder Information Session November 9, 2011

FirstEnergy Ohio Utilities' Competitive Bidding Process for SSO Supply Procurement

Auction Date: January 24, 2012

Delivery Period: June 1, 2012 – May 31, 2014

Introduction

Welcome to this bidder information session for FirstEnergy Ohio Utilities' Competitive Bidding Process (CBP)

- FirstEnergy Ohio Utilities: The Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company
- CBP is designed to procure full requirements service for SSO Customers of the FirstEnergy Ohio Utilities ("Standard Service Offer Load" or "SSO Load")
 - Load not being served by a Competitive Retail Electric Service ("CRES") Supplier
 - Excludes Percentage of Income Payment Plan ("PIPP") Customers
- Winning bidders will assume all responsibilities of a PJM Load Serving Entity ("LSE"), with the exception of procurement to meet any renewable energy requirements
- Auction date is January 24, 2012
- Delivery period is June 1, 2012 through May 31, 2014

Presentation is being made by representatives from

- CRA International, the independent CBP Manager

Introduction

Questions

3 ways to submit questions during the presentation – questions will be answered only after the prepared presentation

- Use the WebEx “chat room” feature or
- Send an email to cbpmanager@crai.com or
- Use operator assisted call-in number – 888-810-9646
 - Inform the operator you have a question by pressing *1 at any time
 - Operator will place you into queue
 - Your position in queue will be noted, but you will be on mute and unable to ask your questions until prompted later following the prepared presentation

Following the prepared presentation

- Questions will be queued in the order above and answered
- After questions sent via “chat room” and emails are answered, the phone line will be opened for callers who use the call-in number
- Callers will be introduced using an assigned port number
- When asking a question, callers should NOT identify themselves

Introduction

Disclaimer

On March 23, 2010, Ohio Edison, The Cleveland Electric Illuminating Company, and Toledo Edison filed an Electric Security Plan (“ESP”) with the Public Utilities Commission of Ohio (“PUCO”) – Case No. 10-388-EL-SSO, which was approved on August 25, 2010. Under the Plan, which covers the period of June 1, 2011 through May 31, 2014, a competitive bidding process is used to establish generation supply and pricing for SSO customers.

The information contained in this presentation material is intended to provide only generally descriptive and summary information. The information and material provided on the Auction Information Website and filed with the PUCO are controlling. Any conflict with the information conveyed during the bidder information session, or with information or material other than what is provided on the Auction Information Website, is unintentional.

Certain information may be subject to modification and approval by the PUCO.

Overview

Communications

Product overview

Qualification process

Credit provisions

PJM settlement

Bidding format

CBP calendar

Q&As

Communications

Central source of information is the Auction Information Website:
www.firstenergyCBP.com or www.firstenergycbp.com (case not important)

- Documents – CBP participation documents, load data, etc.
- Calendar
- Results – from previous CBP auctions
- News
- FAQ
- Ask – submit a question
- About – links to background information
- Registration – register to receive future notifications

Communications Protocols (available on Information Website)

- Promote a fair, open, transparent, objective, and non-discriminatory CBP
- CBP Manager is the communication point for prospective bidders
- Information is distributed and disseminated equally and fairly to all prospective bidders

Product Overview

Full requirements service for SSO Customers of the FirstEnergy Ohio Utilities excludes load being served by a CRES Supplier and load associated with PIPP customers but includes:

- Energy
- Capacity
- Market-based transmission services
- Market-based transmission ancillaries
- Any other LSE service or other service as may be required by PJM to serve the SSO Load of the FirstEnergy Ohio Utilities except those listed in Section 2.3 of the Master SSO Supply Agreement

Winning bidders will be responsible at their sole cost and expense for:

- Any changes in PJM products and pricing during the contract term
- Any congestion costs incurred to supply its SSO share
- Remaining a member in good standing of PJM

Each SSO Supplier shall be responsible and liable to PJM for the performance of its LSE obligations associated with the provisions of SSO Supply

Product Overview

(continued)

SSO Suppliers will be obligated under the Master SSO Supply Agreement to

- Deliver full requirements service of the slice of system of the FirstEnergy Ohio Utilities for purposes of meeting SSO Load
- Assume specified LSE obligations for purposes of PJM settlement

SSO Suppliers will not be obligated to provide

- Distribution services
- Alternative or renewable energy requirements

SSO Load will be divided into identical units called tranches

- Each tranche represents one percent (1%) of the actual hourly energy required for SSO Load for the applicable Delivery Period as well as one percent (1%) of the PJM capacity requirement for the applicable Delivery Period
- Intent is to procure 100 tranches for each delivery period over multiple CBP auctions

Product Overview

(continued)

Table below shows the tentative, nominal MW quantity associated with the energy obligation and the capacity obligation for each tranche based on historical data

Number of Tranches Per Delivery Period	Size of Tranche (%)	Energy Obligation		Capacity Obligation	
		Peak Load Share (MW)	MW-Measure of Tranche	Peak Load Share (MW)	MW-Measure of Tranche
100	1%	11,500	115	13,000	130

The energy obligation quantity is not necessarily indicative of the actual energy quantity to be delivered for each tranche because the amount of actual SSO Load during the Delivery Period will depend upon many factors, including but not limited to customer migration to CRES Suppliers and weather conditions

Bidders are responsible for evaluating the uncertainty associated with supplying a wholesale energy tranche which could vary each hour from the nominal 115 MW of maximum hourly energy for the delivery period shown in the table

The capacity obligation estimated associated with the Peak Load Share quantity to be delivered for each tranche also is shown in the table

These values are provided for reference purposes only and may be updated prior to the auction as explained in the Bidding Rules

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 during the Delivery Period will depend upon many factors

Product Overview

Six Procurements

	Auction Date	# Tranches to Procure	Delivery Period			
			June 2011	June 2012	June 2013	June 2014
Completed: October 20, 2010	October 2010	17	12 months June 2011 thru May 2012			
		17	24 months June 2011 thru May 2013			
		16	36 months June 2011 thru May 2014			
	Load Cap = 40					
Completed: January 25, 2011	January 2011	17	12 months June 2011 thru May 2012			
		17	24 months June 2011 thru May 2013			
		16	36 months June 2011 thru May 2014			
	Load Cap = 40					
Completed: October 25, 2011	October 2011	17	24 months June 2012 thru May 2014			
	Load Cap = 14					
Next: January 24, 2012	January 2012	17	24 months June 2012 thru May 2014			
	Load Cap = 14					
Date TBD (October 2012)	October 2012	17	12 months June 2013 thru May 2014			
	Load Cap = 14					
Date TBD (January 2013)	January 2013	17	12 months June 2013 thru May 2014			
	Load Cap = 14					

Product Overview

Minimum and Maximum Starting Prices

Prior to the auction, the CBP Manager will announce a minimum and maximum starting price range for the auctioned product

- As part of the application process, Qualified Bidders submit indicative offers based on the minimum and maximum starting prices which will be used to determine the Bidder's initial eligibility in the auction

The CBP Manager may determine that due to extraordinary events, the minimum or maximum starting prices requires revision

- If indicative offers have already been received, the CBP Manager will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process has not been completed) modify their indicative offers on the basis of the revised minimum starting price and the revised maximum starting price
- Such an event also may require a revision to the schedule for the CBP auction

No later than three (3) business days before bidding starts, the CBP Manager will inform Registered Bidders of the starting price for round 1

Qualification Process

Overview

Part 1 Application: Prospective bidders apply to become Qualified Bidders

- Start Date: Thursday, November 17, 2011
- Due Date: Wednesday, December 7, 2011, 12:00 noon ET

Part 2 Application: Each Qualified Bidder provides certifications, its indicative offer, and pre-bid security in order to become a Registered Bidder

- Start Date: Tuesday, December 20, 2011
- Due Date: Tuesday, January 10, 2012, 12:00 noon ET

Only Registered Bidders can participate in the bidding

NOTE: Prospective bidders will be able to fill out, submit, and upload their supporting documentation for the Part 1 and Part 2 Applications on-line through the secure Online Application Process

Qualification Process

Part 1 Application – Due Wednesday, December 7, 2011, 12:00 noon ET

Submit an application from a person with the power to bind the bidder and agree to:

- Comply with all rules of the auction
- If they become winning bidders, they will execute the Master SSO Supply Agreement with the FirstEnergy Ohio Utilities

Show that they either satisfy the three requirements below, or have no existing impediments to them satisfying all the requirements by the start of the supply period

- Transmission Customer of PJM and have executed the applicable PJM Agreements
- Have PJM E-Accounts necessary to provide SSO Supply
- PJM Market Participant and a Load Serving Entity in PJM

Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the Master SSO Supply Agreement

Certify that if they qualify to participate, they will not:

- Disclose information regarding the list of Qualified Bidders
- Disclose confidential information about Qualified Bidders obtained during the bidding process
- Substitute another entity in their place
- Transfer their rights to another entity
- Otherwise assign their status as Qualified Bidders to another entity

Qualification Process

Part 1 Application *(continued)*

A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder

CBP Manager will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders – relevant parties that will receive this list of Qualified Bidders are:

- Each Qualified Bidder
- Other parties as necessary to oversee the proper conduct of the auction, including representatives from the FirstEnergy Ohio Utilities, PUCO Staff, and the advisor that PUCO Staff has retained for this purpose

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

Part 1 Applicant also must submit financial information and Draft Pre-Bid Letter of Credit, Draft Letter of Intent, and/or Draft Letter of Reference (described later)

Prospective bidders will be notified by the CBP Manager no later than three (3) business days after the Part 1 Application Due Date whether they succeeded in becoming a Qualified Bidder

Qualification Process

Part 1 Application (*continued*)

Part 1 Applications can be submitted online

- The Part 1 Application process opens on Thursday, November 17, 2011
- Due Date: Wednesday, December 7, 2011, 12:00 noon ET

Two types of participants:

- Previously Qualified Bidders – i.e., who had a successful Part 1 Application leading up to the October 2011 auction
- Other, new prospective bidders for the January 2012 auction

Applicants must submit a new Part 1 Application at least once per year to participate in FirstEnergy Ohio Utilities' CBP auctions

- All new applicants that wish to participate in the January 2012 CBP auction must complete a new Part 1 Application
- Previously Qualified Bidders from the October 2011 CBP auction can re-use their Part 1 Application for the January 2012 CBP auction

Qualification Process

Part 1 Application – Account Request Form

FirstEnergy Ohio Utilities' Competitive Bidding Process

Account Request Form: Request for Part 1 and Part 2 Application Online Account

With access to an Online Account for the Part 1 Application and Part 2 Application process, a prospective bidder will be able to submit and check the status of their Part 1 Application and Part 2 Application as well as upload supporting documentation.

To open an Online Account please fill in the following information:

Company Name: _____ **Date:** _____
MM/DD/YYYY

Please provide the First Name, Last Name, and E-mail Address for every person that you request to be given access to your online Application. Each person listed below will receive a unique username and password combination that they will be able to use to login to the online application of the Company named above.

	First Name	Last Name	E-mail Address
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Qualification Process

Part 1 Application – Previously Qualified Bidders

Around November 11, CBP Manager will email your Authorized Representative with two attachments:

- Account Request Form (see example above) used for previous Part 1 Application – to confirm which persons are allowed to access the Online Account
- New form with 3 checkboxes for those with successful Part 1 Applications from the October 2011 auction:
 - I will not participate in the January 2012 auction
 - I, Applicant, may participate in the January 2012 auction but do not need to make changes to my Part 1 Application in effect for the October 2011 auction
 - I, Applicant, may participate in the January 2012 auction but do need/want to make changes to my Part 1 Application in effect for the October 2011 auction (we will need to unlock your online Application)

(note that at least some previously Qualified Bidders likely will need to make changes to their Part 1 Application due to more recent quarterly financial data becoming available)

To access your prior Part 1 Application, log in to your existing online account using the same Website address and login credentials as you used before – if forgotten, send an email to cbpmanager@crai.com

Decide whether you need/want to make changes

Proposed changes to credit documents – to be emailed to the CBP Manager – are not considered a change to your Part 1 Application itself (but are due by the Part 1 Application Due Date)

Qualification Process

Part 1 Application – New Prospective Bidders

Complete the Account Request Form (see example two slides up) and email it to cbpmanager@crai.com

Account Request Form is available on Information Website www.firstenergycbp.com on Home page under “Upcoming Events”

If you have trouble, email cbpmanager@crai.com

Qualification Process

Part 2 Application – Due Tuesday, January 10, 2012, 12:00 noon ET

Qualified Bidders from the Part 1 Application process submit a Part 2 Application to become Registered Bidders

The Part 2 Application process opens on Tuesday, December 20, 2011

Due Date: Tuesday, January 10, 2012, 12:00 noon ET

In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding associations to ensure that they are participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction

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

Qualification Process

Part 2 Application *(continued)*

With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer – two (2) numbers of tranches for the product in the auction – and to post pre-bid security sufficient for this indicative offer

- First number is the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for the product in the auction
- Second number is the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for the product in the auction
- At the minimum and the maximum starting prices, the number of tranches indicated by the Qualified Bidder cannot exceed the Qualified Bidder's credit-based and/or load tranche caps (described later)

Bidder's initial eligibility

- This is the maximum total number of tranches the Qualified Bidder can bid for the product in round 1 of the auction and may be subject to a load cap
- Determined by the number of tranches in the Qualified Bidder's indicative offer at the maximum starting price
- Thus, the indicative offer at the maximum starting price needs to state the maximum possible number of tranches that the bidder would be ready, willing, and able to serve

Qualified Bidders will be notified by the CBP Manager no later than three (3) business days after the Part 2 Application Due Date whether they succeeded in becoming a Registered Bidder

Credit Provisions

Required Credit and Financial Information

For bidder or bidder's Guarantor:

- **Financial statements** (most recently issued SEC Form 10-K, 10-Q, 8-K)
- **A statement of rulings or judgments** relating to financial status that have had a material impact on financial status
- **A debt rating** from at least one of the following rating agencies: S&P, Fitch, or Moody's (with supporting documentation) – tranche limits apply to potential participants that are not rated
- **Contact information** for the Bidder's/Guarantor's credit representative to answer questions on the documentation provided

Credit Provisions

Credit-Based and Load Tranche Caps

These tranche caps limit the bidder's initial eligibility – i.e., maximum number of tranches the Qualified Bidder is allowed to bid on in round 1 for the product

Credit-Based tranche cap is based on the credit rating of the Qualified Bidder or its Guarantor – Qualified Bidder or Guarantor must:

- Be rated by at least one of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch, Inc. ("Fitch")
- For Qualified Bidder not rated by any of the rating agencies, the credit-based tranche cap is 6 tranches

Load cap is a percentage of load aggregated for the product for each auction date

- The PUCO has ordered a load cap of 80 percent
 - Load cap = 14 tranches (tranche target = 17 tranches)
- No bidder may bid on and win more tranches than the load cap
- The load cap is enforced by ensuring that each bidder's initial eligibility does not exceed the load cap in an auction

Credit Provisions

Pre-Bid Security – 3 Options

1) Seek an unsecured line of credit by relying on Bidder's own financial standing

- Part 1: Submit a Draft Pre-Bid Letter of Credit (LOC)
- Part 2: Submit an executed Pre-Bid LOC or cash deposit (**\$500,000**/tranche)

2) Seek an unsecured line of credit by relying on Guarantor's financial standing

- Part 1: Submit a Draft Pre-Bid LOC and a Draft Letter of Intent to Provide a Guaranty
- Part 2: Submit an executed Pre-Bid LOC or cash deposit (**\$500,000**/tranche); and Submit a Letter of Intent to Provide a Guaranty (**\$1,000,000**/tranche)

3) Not qualified or elect not to apply for an unsecured line of credit

- Part 1: Submit a Draft Pre-Bid LOC and a Draft Letter of Reference
- Part 2: Submit an executed Pre-Bid LOC or cash deposit (**\$500,000**/tranche); and Submit a Letter of Reference (**\$1,000,000**/tranche)

Credit Provisions

Master SSO Supply Agreement – Key Elements of Credit Provisions

Security posted during the term of the SSO Delivery Period will depend upon a creditworthiness evaluation

- Unsecured credit may be granted based on the Supplier's (or its Guarantor's) Tangible Net Worth and credit rating (see Sections 6.4 and 6.6 of Master SSO Supply Agreement)
- Total Exposure Amount less any unsecured credit (Margin) must be met with cash or Letter of Credit (Appendix D of Master SSO Supply Agreement)
- Margin could be met with either cash or Letter of Credit

Independent Credit Requirement (ICR)

- \$1,500,000/tranche for 24-month product
- ICR declines over the term of the Master SSO Supply Agreement

Letter of Credit (Appendix D of Master SSO Supply Agreement)

Guaranty (Appendix E of Master SSO Supply Agreement)

Information Website

www.firstenergycbp.com

Information Website for the CBP Process is www.firstenergycbp.com

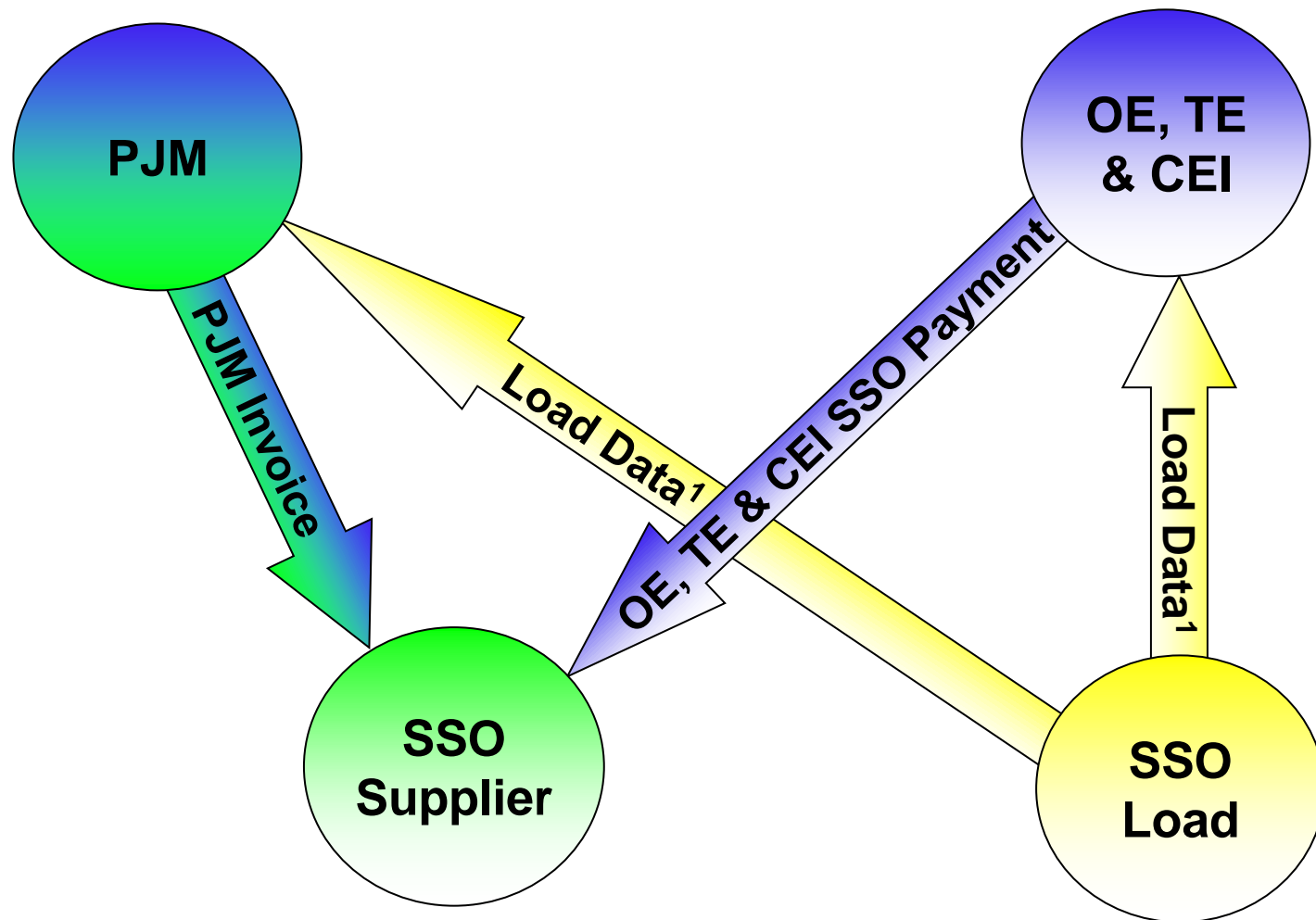
- Information about the CBP
- Download Supplier documents (Master SSO Supply Agreement, Bidding Rules, etc.)
- Download load and other data
- Auction calendar
- Results from prior FEOU CBP auctions
- News and announcements
- Frequently Asked Questions (FAQs)
- Register to receive updates
- Submit questions
- Information about FirstEnergy, CRA International, PJM

Register on the Information Website

- Register to receive information updates regarding CBP – provide name, company name, valid email address
- Once registered, prospective bidders can submit questions

PJM Settlement

Settlement Landscape



1. Load data are developed by the Meter Data Coordinator as designated on the Market Participant's application. The Meter Data Coordinator uses the same PJM settlement data to calculate the SSO Invoice as well as to submit the settlement data to PJM.

PJM Settlement

The Role of RTO Operations Settlements at FEOU

Acts as the Meter Data Coordinator for SSO Suppliers


- Submits load data to PJM for generation of Invoices
 - Primary and Secondary data
 - Re-Settlement periods as well
- SSO Load split by tranches won in Delivery Period

Uses PJM settlement load data to develop the SSO Invoices

- Primary and Secondary data are used for Final Monthly Energy Allocation (FMEA) and Preliminary Monthly Energy Allocation (PMEA)
- Spreadsheet format
- Emailed
- Based on tranches awarded in SSO procurement process

PJM Settlement

Example: SSO Service for an SSO Supplier

							
Billing Month	March						
Company Name	XXXXXXXX						
Billing Item	OE	CE	TE	Total	Seasonal Factor	Price	Charge
Primary	9,803,454	7,153,871	3,424,075	20,381,400	0.9581	\$ 61.50	\$ 1,200,936.29
Secondary	(284,776)	325,426	501,050	541,700	0.9581	\$ 61.50	\$ 31,918.67
Other Adjustments	-	-	-	-			
Total	9,518,678	7,479,297	3,925,125	20,923,100			\$ 1,232,854.96

PJM Settlement

Who at FEOU's RTO Operations Settlements Can Help?

Ed B. Stein

- steineb@firstenergycorp.com
- 330.384.5454

Caleb Jones

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David Husak

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- 330.761.4217

Bidding Format

Reservation Price and Starting Price

There is a reservation price

- No tranche will be procured at a price that is above the reservation price
- The reservation price will not be disclosed to bidders

Starting price = announced price for round 1

- Announced no later than three (3) business days before bidding starts
- No lower than the minimum starting price; no higher than the maximum starting price
- Starting price \geq reservation price

Bidding Format

Discretion to Reduce Tranche Target

Discretion to reduce tranche target (# tranches to procure)

- If there is insufficient supply bid for the tranches to ensure competitive bidding, CBP Manager may reduce the tranche target
 - The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced
 - Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce the tranche target will be eliminated and there will be no reduction in the tranche target
 - Any exercise of this discretion would be more likely in the earlier rounds of the auction
- If the CBP Manager reduces the tranche target for the auction, bidders will be informed of the revised tranche target

Bidding Format

Bidder's Eligibility

Bidder's eligibility

- This is the maximum number of tranches the bidder can bid in a round
- Bidder's eligibility for a round is the total number of tranches the bidder bid in the preceding round
- Thus, bidder's eligibility cannot increase during auction – only stays the same or declines

Bidding Format

2-Phase Auction Format

Bidders bid using CBP Manager's Bidding Website

The auction will include 2 phases:

- A Clock Phase: During the clock phase the CBP Manager will announce the price prior to each round and each bidder will bid the number of tranches it would supply at that announced price.
- A Sealed-Bid Phase: At some point during the Clock Phase, a Transition Rule based on excess supply may move the auction to the Sealed-Bid Phase. The Sealed-Bid Phase comprises a single round of bidding. Bidders participating in the Sealed-Bid Phase will submit their best and final *prices* for tranches they bid in the next-to-last round of the Clock Phase that they did not bid in the last round of the Clock Phase.

Bidding Format

Clock Phase - Overview

Multiple-round, single-product, descending-price clock format

- Each round has specified start and end times
- The price is announced prior to each round – the announced price falls round to round
- When a round opens, each bidder submits the number of tranches of the product it is willing to supply at the product's announced price
- After round closes, rules determine whether
 - To continue with next round in the descending-price Clock Phase
 - To transition to Sealed-Bid Phase
 - Auction closing criteria have been met
- Round results are reported prior to the start of next round

Bidding Format

Excess Supply and the Transition to the Sealed-Bid Phase

At the end of each round of the Clock Phase, rules determine how to proceed

Excess supply = (# of tranches bid) – (tranche target)

- 1) If excess supply = 0:** The auction will close and the winning price will equal the last announced price. There will be no Sealed-Bid Phase.
- 2) If excess supply > 0:** Price for the product is reduced by a price decrement and the auction will continue with the next round in the Clock Phase.
- 3) If excess supply < 0 and only one bidder reduced the number of tranches it bid:** The auction will close with winning tranches comprising tranches bid in the last round (to be paid the announced price in that round) as well as a sufficient number of the reduced tranches by the bidder (to be paid the announced price in the next-to-last round) to meet the tranche target.
- 4) If excess supply < 0 and two or more bidders reduced the number of tranches they bid:** The auction will advance to the Sealed-Bid Phase.
- 5) If excess supply < 0 and no bidders reduced the number of tranches they bid:** This can occur only in round 1 of the auction. The CBP Manager may consider a tranche target reduction consistent with pre-specified criteria or the auction may close.

Bidding Format

The Sealed-Bid Phase

Bidders who reduced their tranches bid from the next-to-last round to the last round of the Clock Phase will submit their best and final prices for those reduced tranches

The sealed-bid round bids

- 1) Bidders participating in the sealed-bid round will specify a price for each tranche of sealed-bid round eligibility. A bidder may bid a separate price for each tranche.
- 2) For each tranche bid in the sealed-bid round, the bidder may not specify a price above the lowest announced price that the bidder bid on the tranche during the Clock Phase. This price is the announced price that was in effect in the next-to-last round of the Clock Phase.

Bidding Format

Default Bid

Default bid for a bidder: The Clock Phase

- If bidder entered round with positive eligibility but fails to submit a confirmed bid in the round, then default bid will be submitted on behalf of the bidder
- The default bid will be zero (0) tranches – because the announced price decreased from the prior round
- A bidder with zero (0) tranches bid will not be able to submit any more bids in the Clock Phase

Default bid for a bidder: The Sealed-Bid Phase

- If bidder is required to bid in the Sealed-Bid Phase of the auction and fails to submit a confirmed bid, then a default bid will be submitted on behalf of the bidder
- The default bid for each tranche that needs to be bid in the sealed-bid round will be the announced price that was in effect in the next-to-last round of the Clock Phase

Bidding Format

Winning Tranches, Bidders, and Prices – Three Cases

Case 1: If auction concluded in Clock Phase with Excess Supply = 0

- There will be no Sealed-Bid Phase and winning bidders will be determined based on the Clock Phase alone
- Winning tranches are the tranches bid in the last round of the Clock Phase
- Winning bidders are the bidders who bid those tranches
- Price to be paid for winning tranches will be the announced price for the last round of the Clock Phase

Case 2: If auction concluded in Clock Phase with Excess Supply < 0 AND only one bidder reduced the # of tranches it bid

- There will be no Sealed-Bid Phase and winning bidders will be determined based on the Clock Phase alone
- All tranches bid in the last round of the Clock Phase are winning tranches
 - They are paid the announced price in that round
- Some of the tranches reduced by the bidder are winning tranches
 - Enough so that # of winning tranches in total = tranche target
 - The reduced tranches that are winning tranches are paid the announced price in the next-to-last round of the Clock Phase (the last time the bidder bid the tranches)

Bidding Format

Winning Tranches, Bidders, and Prices – Three Cases (*continued*)

Case 3: If auction proceeded to Sealed-Bid Phase

- All tranches bid in the last round of the Clock Phase are winning tranches
 - They are paid the announced price in that round
- Winning tranches bid in the Sealed-Bid Phase will be determined based on their rank order
 - Lowest-priced tranches are selected first until the tranche target is fully subscribed
 - If a tie-breaker is needed, random numbers are assigned to tranches bid at the same price, and those tranches with the lowest random numbers are selected as winning tranches
 - Winning tranches in the Sealed-Bid Phase are paid the price they were bid at in the Sealed-Bid Phase

NOTE: A tranche can be a winning tranche only if its price \leq reservation price

Bidding Format

Illustrative Example

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

Excess supply < 0 in round 5, so that is the last round of the Clock Phase.

In round 5, only 90 tranches of supply were bid against 100 tranches being procured – all 90 tranches are winning tranches.

10 of the 17 tranches to be bid in the sealed-bid round will be winning.

BidderA: Bid 15 tranches at \$62.00/MWh in round 4 and 0 tranches at \$59.50/MWh in round 5. Because BidderA reduced the tranches it bid by 15 tranches, it is required to bid 15 tranches in the Sealed-Bid Phase at prices no higher than \$62.00/MWh.

BidderB: Bid 48 tranches in rounds 4 and 5. Because BidderB did not reduce the tranches it bid, it does not participate in the Sealed-Bid Phase. BidderB wins 48 tranches at \$59.50/MWh.

BidderC: Bid 0 tranches at \$62.00/MWh in round 4 and is not eligible to participate in the Sealed-Bid Phase and does not win any tranches.

BidderD: Bid 44 tranches at \$62.00/MWh in round 4 and 42 tranches at \$59.50/MWh in round 5. BidderD wins 42 tranches at \$59.50/MWh and is required to bid 2 tranches in the Sealed-Bid Phase at prices no higher than \$62.00/MWh.

Bidding Format

Close of the Auction

Shortly after the last round of the auction, results are confirmed by the CBP Manager, then:

- CBP Manager provides to the FirstEnergy Ohio Utilities, the PUCO, and the PUCO advisor the identity of winning bidders, the number of tranches won by each winning bidder, and the prices for the tranches won
- CBP Manager notifies:
 - Each winning bidder of how many tranches the bidder has won and at what prices
 - Each unsuccessful bidder that the bidder has not won any tranches
- The PUCO will have 48 hours after the conclusion of the auction to determine if there has been a violation of the CBP bidding rules in such a manner as to invalidate the auction based upon an assessment from CRA and the PUCO's advisor

FirstEnergy Ohio Utilities and winning bidders will execute the Master SSO Supply Agreement

Bidding Format

Contingency Plan

Contingency Plan of the FirstEnergy Ohio Utilities

- See Section 11 of the Bidding Rules
 - If fewer tranches than the tranche target are purchased in the auction
 - If a winning bidder defaults prior to or during the SSO Delivery Period

Timeline for Next CBP Auction

Timeline for January 2012 Auction	
Activity	Date
WebEx Information Session	Wednesday, November 09, 2011
Deadline: CRA announces tranche target and tranche size (% and MW)	Thursday, November 17, 2011
Part 1 Applications can be submitted	Thursday, November 17, 2011
Deadline to submit Part 1 Applications	Wednesday, December 07, 2011
Deadline: CRA announces minimum and maximum starting prices	Tuesday, December 20, 2011
Part 2 Applications can be submitted	Tuesday, December 20, 2011
Deadline: CRA announces any update to the tranche size (MW)	Wednesday, January 04, 2012
Deadline to submit Part 2 Applications	Tuesday, January 10, 2012
Bidder User Manuals Distributed	Tuesday, January 17, 2012
Mock Auction for Registered Bidders	Thursday, January 19, 2012
Deadline: CRA announces starting price to Registered Bidders	Thursday, January 19, 2012
Auction for Registered Bidders	Tuesday, January 24, 2012
CRA notifies Companies and PUCO of results (tentative)	Tuesday, January 24, 2012
Master SSO Supply Agreements Signed (tentative)	Friday, January 27, 2012
Power Flow	Friday, June 01, 2012

Q&As

Please do NOT identify yourself if you have a question

Following the prepared presentation

- Questions received and queued during the prepared presentation will be answered in the following order:
 - WebEx chat room
 - Email
 - Verbal (to enter the queue, notify the operator)
- After questions sent via “chat room” and emails are answered, the phone line will be opened for callers interested in asking questions verbally
- The operator will introduce callers using an assigned port number
- Callers should NOT identify themselves when asking questions

Q&As raised during this bidder information session will be posted on the Auction Information Website

Thank you for your interest in the CBP