



Need to Know: **FirstEnergy's electric security plan**

Updated April 2009

With a new electric energy law in place, Ohio's investor-owned electric utilities have been required to submit plans for the way they charge consumers for the electricity they use.

Based on the new law, the FirstEnergy utilities in Ohio filed two plans in July 2008 at the Public Utilities Commission of Ohio (PUCO) for new electric rates. One would give FirstEnergy the ability to price electricity based on market rates, while the other would establish an Electric Security Plan to price electricity over the next three years.

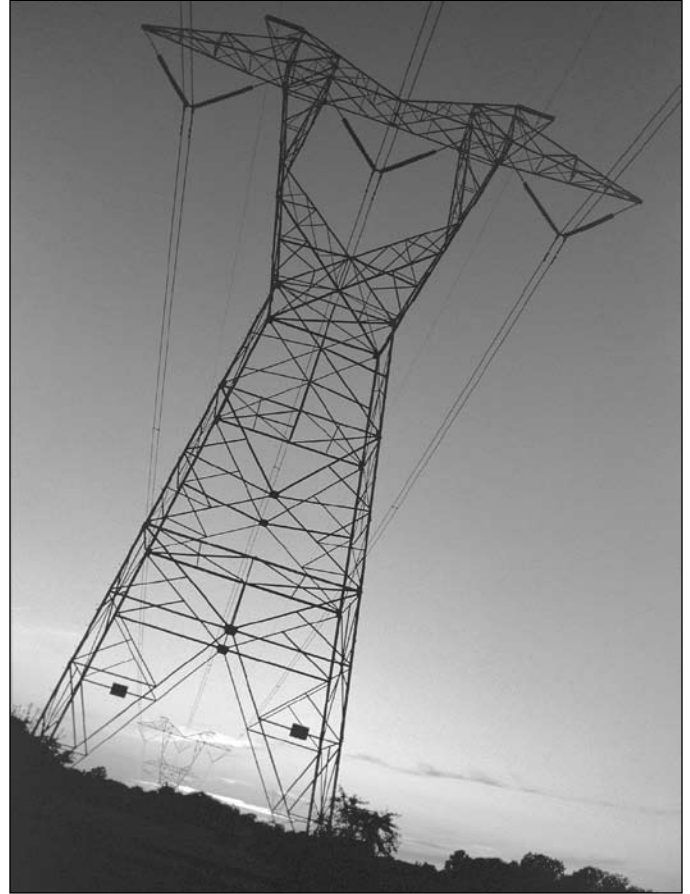
The Office of the Ohio Consumers' Counsel (OCC) analyzed the proposals and made several recommendations for changes to FirstEnergy's plans. In November 2008, the PUCO rejected FirstEnergy's market rate offer proposal because it failed to meet a number of fundamental requirements under Ohio's new energy law.

The PUCO modified and approved FirstEnergy's Electric Security Plan proposal in December 2008. In its order, the PUCO agreed with many of the OCC's arguments and adjusted the proposed generation rates downward, refused to allow the utility to defer costs into the future and decided to rule separately on distribution rates in the pending rate case. Following the PUCO's December decision, FirstEnergy withdrew its Electric Security Plan as allowed under a provision in the state's energy law.

The PUCO ordered its staff to make a proposal to parties in the case. This became the foundation for a new electric security plan.

Members of the Ohio Consumer and Environmental Advocates (OCEA) – including the Office of the Ohio Consumers' Counsel – did not sign a Feb. 19, 2009, agreement among FirstEnergy, Public Utilities Commission of Ohio staff and other parties because proper consumer protections were not included.

On Feb. 26, 2009, OCEA members signed a supplemental agreement that provided consumer protections and benefits in FirstEnergy's proposed



electric security plan.

Through the original agreement, the FirstEnergy utilities will obtain generation to be provided to customers through May 31, 2009 at an average rate of approximately seven cents per kilowatt hour. This is the same rate was obtained through a bidding process held by FirstEnergy in December 2008 to serve customers the first three months of 2009. An auction will be used to determine the price of generation charged to customers from June 1, 2009, through May 31, 2011.

In the supplemental agreement, the OCEA obtained more benefits for residential consumers by adding better terms for government aggregation, low-income payment assistance, a renewable energy credit program and consumer representation in the development of energy efficiency programs.

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Parties that have signed the supplemental agreement include: the Office of the Ohio Consumers' Counsel, Northeast Ohio Public Energy Council (which includes more than 100 local governments in nine counties), Citizen Power, Consumers for Fair Utility Rates, Empowerment Center of Greater Cleveland, Neighborhood Environmental Coalition, Cleveland Housing Network, Natural Resources Defense Council, Northwest Ohio Aggregation Coalition (including the City of Toledo, Lucas County and other local governments), Ohio Environmental Council and United Clevelanders Against Poverty.

The improvements for governmental aggregation, which allows local governments to band customers together to buy electricity at a competitive rate, will allow residents in northern Ohio the opportunity to seek generation service at rates lower than those of FirstEnergy. The utility agreed to a phase-in credit on generation rates that will remove competitive barriers to aggregation that might otherwise exist if the PUCO orders a phase-in of new generation rates.

A low-income fuel fund of \$6 million will be made available, over three years, to help low-income consumers who are at, or below, 200 percent of

the federal poverty guidelines over the next three years. FirstEnergy will allocate \$2 million to the fund per year with \$330,000 per year to Toledo Edison customers; \$695,000 per year to Cleveland Electric Illuminating customers; and \$975,000 per year to Ohio Edison customers.

The renewable energy credit program will be created by June 30, 2009, to make it more affordable for residential customers to take advantage of renewable energy. The details of the program, to be developed in consultation with OCEA parties, could include installing solar panels or other renewable energy sources to help FirstEnergy meet its obligations under Ohio's new electric policy. The program may help offset the costs of the customer-sited renewable energy.

Residential customers also will have greater participation and representation in the development and implementation of energy efficiency programs such as rebates for Energy Star appliances and discounts for home energy audits and weatherization programs. A working group will consist of interested OCEA members and other parties that signed the agreement.

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