

Exhibit 2

RULES FOR COMPETITIVE BIDDING PROCESS

August 1, 2008

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I. INTRODUCTION

I. A. Overview

The Competitive Bidding Process (“CBP”) consists of one or more solicitations, 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 all of their retail customers that take retail generation service from the FirstEnergy Ohio Utilities. This CBP was established through an application to the Public Utilities Commission of Ohio (“PUCO” or “Commission”) under R.C. 4928.141 and R.C. 4928.142 and all applicable administrative rules.

This CBP refers to one or more Solicitations in a given twelve-month period. In 2008, one Solicitation will be held to allow new generation pricing resulting from the CBP to be implemented by January 1, 2009. Beginning with the 2010 CBP, in order to smooth out potentially volatile market prices, two Solicitations will be held for each CBP. The Solicitations held for supply starting in a given year are collectively referred to as that year’s CBP. For example, the 2009 CBP refers to the solicitation for supply starting on January 1, 2009, which will take place in December 2008. This Solicitation will procure one third of the supply requirements of the FirstEnergy Ohio Utilities’ SSO load for the period from January 1, 2009 through May 31, 2010, one-third for the period January 1, 2009 through May 31, 2011, and one-third for the period January 1, 2009 through May 31, 2012. In subsequent CBPs, there will be two Solicitations and each will procure approximately one sixth of the FirstEnergy Ohio Utilities’ retail load for a term of three years. Each year the two Solicitations together will procure approximately one third of the FirstEnergy Ohio Utilities’ SSO load for a rolling three-year period.

The one Solicitation 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 and will include distribution losses. For purposes of these Rules for the Competitive Bidding Process (“*CBP Rules*”), an *SSO Customer* is a retail customer taking Standard Service Offer.

Competitive Retail Electric Service suppliers (“*CRES suppliers*”) are certified by the PUCO and serve shopping customers. SSO Load will exclude the requirements of wholesale customers and the requirements of customers served by CRES suppliers. SSO Load will include the requirements of any customers of the FirstEnergy Ohio Utilities served under Special Contracts, which is any contract under terms and conditions different than the applicable tariff rate (“*SC customers*”). Each of the FirstEnergy Ohio Utilities may, during the term of the supply period, enter into additional Special Contracts. Information concerning the dates special contracts begin and expire will be provided to suppliers, as detailed in section II. A. Each customer (who is not a wholesale 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. The FirstEnergy Ohio Utilities will utilize a descending clock procurement format (described below in section III. A) to solicit bids.

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

In the Solicitation of the 2009 CBP, bidders 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 supply period; e.g., the SSO Load for the period January 1, 2009 to May 31, 2010 is the 17-month product, and the SSO Load for the period January 1, 2009 to May 31, 2011 is the 29-month 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 a 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* may be 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 winner or winners are those still holding tranches when bidding ends and are the least cost bidder or bidders. 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.

Pursuant to R.C. 4928.142(C), upon the completion of the competitive solicitation, the Commission shall select the least-cost bid winner or winners of that process, and such selected bid or bids shall be the utility's standard service offer unless the Commission, by order issued before the third calendar day following the conclusion of the competitive bidding process determines that one or more of the following criteria were not met: (1) each portion of the bidding process was oversubscribed, such that the amount of supply bid upon was greater than the amount of the load bid out; (2) there were four or more bidders; and (3) at least twenty five per cent of the load is bid upon by one or more persons other than the electric distribution utility.

SSO Customers will pay rates that are derived from the clearing prices. The payment to SSO Suppliers for a given product in a Solicitation will be 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. B.

For the initial solicitation planned for December 2008, SSO Suppliers will immediately execute the SSO Master Agreement following the close of the solicitation, once the specific pricing information and load obligations have been filled in upon completion of the bid. For subsequent solicitations, winning bidders will be required to execute the SSO Master Agreement within three business days of the close of a solicitation.

SSO Service will be the electric service provided by winning bidders to those customers who are not wholesale 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.

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

SC Customers also receives SSO Service and are part of SSO Load as a retail customer of the FirstEnergy Ohio Utilities.

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, 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) 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 included on a marginal loss basis in the calculation of the LMP.

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 2009 CBP: a 17-month product, a 29-month product, and a

41-month product. Illustrative numbers of tranches in the Solicitation of the 2009 CBP for each product are provided in the table below.

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

Solicitation	Peak Load Share (MW)	Product	Supply Period	Number of Tranches	Size (%)	MW-Measure
		17-month	1/1/09-5/31/10	38	0.87	100
December 2008	11,500	29-month	1/1/09-5/31/11	39	0.87	100
		41-month	1/1/09-5/31/12	38	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

Solicitation	Peak Load Share (MW)	Product	Supply Period	Number of Tranches	Size (%)	MW-Measure
October 2009	1,900	3-year	6/1/2010-5/31/13	19	0.87	100
January 2010	1,900	3-year	6/1/2010-5/31/13	19	0.87	100

These values are provided for reference purposes only and may be updated no later¹ than eight (8) days² 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 eight (8) days before suppliers must submit to the second part of the application process (as further explained below).

¹ All references to the schedule are for the first Solicitation only. Future solicitations may take place over a longer timeframe.

² Unless otherwise specified, “days” refer to business days.

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, changing load profiles, and weather conditions. Suppliers are responsible for evaluating the uncertainties associated with SSO Load.

I. B. 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 Master 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.

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 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)
1.1180	0.9581

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

Example 1. Supplier Payments³

The summer factor is 1.1180 and the winter factor is 0.9581.

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 \$67.08 ($\60.00×1.1180) for each MWh of load served in the summer months and \$57.49 ($\60.00×0.9581) 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. For example, in January 2009, SSO Load will be served from SSO Master 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 the December 2008 Solicitation. The tranche-weighted average of these prices will be seasonally adjusted. Any cost associated with procuring supply from renewable energy sources, as required by R.C. 4928.64, will also

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

be blended with the clearing prices. The seasonal factors will be made available to suppliers in advance of the CBP.

I. C. Review of Results

Upon the conclusion of each solicitation, the CBP Manager will present a report to the PUCO identifying the least cost bid winner or winners for each product, as well as a statement whether the three statutory criteria set forth in R.C. 4928.142(C) were met: (1) each portion of the bidding process was oversubscribed, such that the amount of supply bid upon was greater than the amount of the load bid out; (2) there were four or more bidders; (3) at least twenty five per cent of the load is bid upon by one or more persons other than the electric distribution utility.

The Commission shall select the least-cost bid winner or winners of that process, and such selected bid or bids shall be the utility's standard service offer unless the Commission, by order issued before the third calendar day following the conclusion of the competitive bidding process determines that one or more of the three statutory criteria set forth in R.C. 4928.142(C) and identified above were not met. For the initial solicitation planned for December 2008, each winner and the FirstEnergy Ohio Utilities will immediately execute the SSO Master Agreement following the close of the solicitation, once the specific pricing information and load obligations have been filled in upon completion of the bid.

The PUCO may release information regarding the CBP, including the clearing prices and the names of the winners. 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 certain 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.

II. B. Qualification Process

No later than eight (8) 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 four (4) days prior to when suppliers must submit to the second part of the application process (as further explained below).

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 CBP Manager may reevaluate the starting price after round 1 in an effort to increase bidder participation as a part of the ongoing competitive solicitation. The round 1 price for a given product may be different from the round 1 price of another product. The CBP Manager will establish the minimum and maximum starting prices. The CBP Manager 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 immediately execute the SSO Master Agreement subject to the Commission's determination that all three statutory criteria set forth in R.C. 4928.142(C) were met;
- 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 Master 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 the conclusion of the competitive solicitation, 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 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. In future CBPs, such obligations will include the prospective bidder's obligations from load won in past Solicitations.

Applications must be submitted no later than noon⁴ on the *Part 1 Application Date*, which will be no earlier than eight (8) 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. ORC 4928.142(A)(1)(E) provides that no generation supplier shall be prohibited from participating in the bidding process. A prospective bidder that has qualified becomes a *qualified bidder*. In future CBPs, if a supplier becomes a qualified bidder for a Solicitation, the supplier 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

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

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 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 a 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, no later than eight (8) 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 three (3) days prior to the first Solicitation in the CBP.

Qualified bidders must successfully submit to a ***Part 2 Application*** process to bid in a 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 three (3) 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 three (3) 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, 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, but each separate entity will be considered a bidder. 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. 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 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.

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.

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 and the total initial eligibility. The list of registered bidders and the total initial eligibility 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 and the total initial eligibility, and to destroy documents with this information provided by the CBP Manager within five (5) days of the conclusion of the competitive solicitation, as explained further in this document in section V.

Letters of credit and additional security (if required) will remain in full force until the fifth calendar day after the conclusion of the competitive solicitation. After the above, 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 Master Agreement and has complied with all creditworthiness requirements of the SSO Master 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 Master Agreement or fail to comply with the creditworthiness requirements immediately following the close of the solicitation. 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

No more than 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.

II. D. Extraordinary Events

The CBP Manager, in consultation with the FirstEnergy Ohio Utilities, 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 eight (8) 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 and the CBP Manager. 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, 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, determine a revised schedule.

The CBP Manager, in consultation with the FirstEnergy Ohio Utilities, 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 one Solicitation for the 2009 CBP: 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 may be 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 December 2008 Solicitation. The tranche targets are listed in the table below.

	<i>Price \$/MWh</i>	<i>Number of tranches bid</i>	<i>Tranche target</i>	<i>Excess supply</i>
ROUND 1				
17-month	95.00	24	10	14
29-month	85.00	18	10	8
41-month	80.00	9	9	0

The CBP Manager reduces the price of a product if the number of tranches bid is greater than the number of tranches desired.

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 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.

In round 2 below, prices have fallen from round 1 for all but the 41-month product. Bidders submit new bids at these prices.

	<i>Price \$/MWh</i>	<i>Number of tranches bid</i>	<i>Tranche targets</i>	<i>Excess supply</i>
ROUND 2				
17-month	90.25	17	10	7
29-month	80.75	15	10	5
41-month	80.00	10	9	1

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.		
	<i>Price (\$/MWh)</i>	<i>Number of tranches bid</i>
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.

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.

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.

III. C. 2. Calculating Phase, Reporting Phase

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.

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.

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 7. Withdrawals.

	ROUND 1		ROUND 2
	<i>Price (\$/MWh)</i>	<i>Bid (tranches)</i>	<i>Price (\$/MWh)</i>
17-month	75.00	8	71.25
29-month	75.00	6	75.00
41-month	75.00	3	73.67
<p>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.</p> <p>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.)</p>			

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 8. Switching.

The following are the round 1 and round 2 prices and the bids for Bidder A			
	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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
<p>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. If the price of a product does not change, a bidder cannot bid <i>fewer</i> tranches but can bid <i>more</i> tranches for that product.</p>			

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 9. Switching Priorities.

Bidder B submits the following bid in round 2 after this history in round 1:			
<i>Product</i>	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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
<p>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.</p> <p>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.</p>			

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 8. Switching and Withdrawing.

Bidder C submits the following bid in round 2 after this history in round 1:			
	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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
<p>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.</p> <p>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.</p> <p>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.</p>			

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 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 11. 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:

	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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
<p>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.</p> <p>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.</p>			

Example 11. 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 the 17-month product’s tranche target of 10.

	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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 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 12. Anti-Stalling.

Bidder A’s bids in rounds 6 and 7 are given below (Bidder A does not bid for any other products):		
	<i>17-month</i>	<i>29-month</i>
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
<p>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).</p>		
	<i>17-month</i>	<i>29-month</i>
Report to Bidder A	2 denied switches @ \$67.50	2 @ \$66.98
<p>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.</p>		
	<i>17-month</i>	<i>29-month</i>
Price Round 8 (\$/MWh)	66.34	66.81
Bidder A Bid (tranches)	1	1
Denied Switches	2 denied switches @ \$67.50	
<p>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.</p>		
	<i>17-month</i>	<i>29-month</i>
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's determination that all three statutory criteria set forth in R.C. 4928.142(C) were met. 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 size of the excess supply range reported to bidders may be fixed for the auction, or it may vary based on the amount of excess supply. 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. 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 6 below provides illustrative ranges of total excess supply.

Table 6. Illustrative Total Excess Supply Ranges

Ranges for Excess Supply	
Total excess supply falls to 20 tranches or fewer: a single range remains (the last range)	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.

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.

The decrement will be larger at the start of the bidding than in later rounds. Early in the bidding the decrement will not exceed 5% of the previous round price. In no event will the price decrement be less than 0.25% of the previous going price. The price decrement for each product will be chosen at the Auction Manager's discretion. 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. 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 9. Recesses.

In round 5, bidders are not able to request a recess since round 11 has not yet been reached.

In round 12, bidders can request a recess since round 11 has 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 14. Default Bid.

Bidder A submits the following bid in round 5:			
	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
ROUND 5 (Bid)			
Round 5 Price	85.25	80.71	81.00
Bid (Tranches)	2	4	0
<p>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.</p>			
	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
ROUND 6 (Bid)			
Round 6 Price	84.25	79.71	80.00
Bid (Tranches)	0	4	2
<p>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.</p> <p>The CBP Manager thus reports the following:</p>			
	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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 14. 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.

	<i>17-month</i>	<i>29-month</i>	<i>41-month</i>
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 15. 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

Upon the conclusion of the solicitation, the CBP Manager will present a report to the PUCO. The PUCO shall select the least-cost bid winner or winners of that process, and such selected bid or bids shall be the utility's standard service offer unless the Commission, by order issued before the third calendar day following the conclusion of the competitive solicitation determines that one or more of the three statutory criteria set forth in R.C. 4928.142(C) and identified above were not met. The CBP Manager will notify each winner of the tranches it has won and will notify each winner of the associated clearing prices unless the PUCO makes a determination that one or more of the three statutory criteria set forth in R.C. 4928.142(C) were not met. 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.

The winning SSO Suppliers and the FirstEnergy Ohio Utilities will immediately execute the Master SSO Supply Agreement following the close of the solicitation once the specific pricing information and load obligations have been inserted upon completion of the bid. Each winner must demonstrate compliance with the creditworthiness requirements set forth in the SSO Master Agreement and submit the executed SSO Master 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 immediately execute the SSO Master Agreement, if the winner fails to demonstrate compliance with the creditworthiness requirements set forth in the SSO Master Agreement, or if the winner fails to agree to any of the terms of the SSO Master 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 Master Agreement as though the winner were a defaulting party to the SSO Master Agreement.

The Commission may release information regarding the CBP, including winning bidders and clearing prices. 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 Master Agreements and, should it be a winner, it will immediately sign the applicable SSO Master Agreement(s) and comply with all creditworthiness requirements. 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. 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. B). 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. 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, the status of a bidder's participation, and all non-public reports of results and announcements made by the CBP Manager to all or any one bidder, in this or any prior Solicitation of the CBP.

V. C. Certifications and Disclosures to Be Made

In certifications 1 through 14 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 Master 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 conclusion of the solicitation if the Commission at that time has determined that one or more of the three statutory criteria set forth in R.C. 4928.142(C) were not met.
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 Master Agreement for that product.
4. A prospective bidder must certify that 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 Master Agreement(s), and that the

prospective bidder will immediately execute all applicable SSO Master Agreement(s) and comply with the creditworthiness requirements contained therein.

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 Master 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 three days after the conclusion of the competitive solicitation. 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, 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.

6. 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.

7. 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.

8. 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.

9. 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 10 through 12 which will apply from the time of the Part 2 Application.

10. 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.

11. 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.

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.

12. 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 Master Agreements are signed or until the results are rejected.

13. 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 close of the bidding.

14. 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. 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 close of the bidding.

The PUCO will publicly release the clearing prices and the names of the winners from a given 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. D. Actions to Be Taken if Certifications Cannot Be Made

If a bidder cannot make all the above certifications, the CBP Manager 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.

If qualified bidders do not comply with additional information requests by the CBP Manager regarding certifications required in the Part 2 Application 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 may be appropriate.

Should such an event occur, the CBP Manager 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.

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 are announced, no later than eight (8) 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 FirstEnergy Ohio Utilities 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, the status of a bidder's participation, and all non-public reports of results and announcements made by the CBP Manager to all or any one bidder, in this or any prior Solicitation of the CBP.

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 and capacity, specified ancillary and transmission services, then-current MISO resource adequacy requirements and other services necessary to serve the load of retail customers of the FirstEnergy Ohio Utilities. Full requirements service is defined more precisely in each of the SSO Master Agreements.

Going Prices

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

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.

Master Standard Service Offer Supply Agreement

The SSO Suppliers will be required to immediately execute the relevant Master Standard Service Offer Supply Agreements ("SSO Master Agreements") upon the close of bidding.

Maximum Starting Price

When the CBP Manager announces the number of tranches 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, 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 Master 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 Master 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 eight (8) days after the minimum and maximum starting prices, and tranche targets 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 supply period. The 2009 CBP will have three (3) products: 17-month (1/1/09-5/31/10), 29-month (1/1/09-5/31/11), and 41-month (1/1/09-5/31/12). Subsequent CBPs will contain one product, the SSO Load for a 3-year period (6/1/10-5/31/13, 6/1/11-5/31/14, etc.).

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. 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 and the FirstEnergy Ohio Utilities, will choose round 1 prices for each product, and will inform registered bidders no more than 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 Master 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 and the requirements of customers served by CRES suppliers. SSO Load will include the requirements of any customers of the FirstEnergy Ohio Utilities under Special Contracts ("SC customers"), which means taking retail generation service from the FirstEnergy Ohio Utilities under terms and conditions different than the otherwise applicable tariff.

SSO Service

SSO Service will be the electric service provided by winning bidders to all retail customers who are not wholesale 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.

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 three (3) 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.