



May 3, 2004

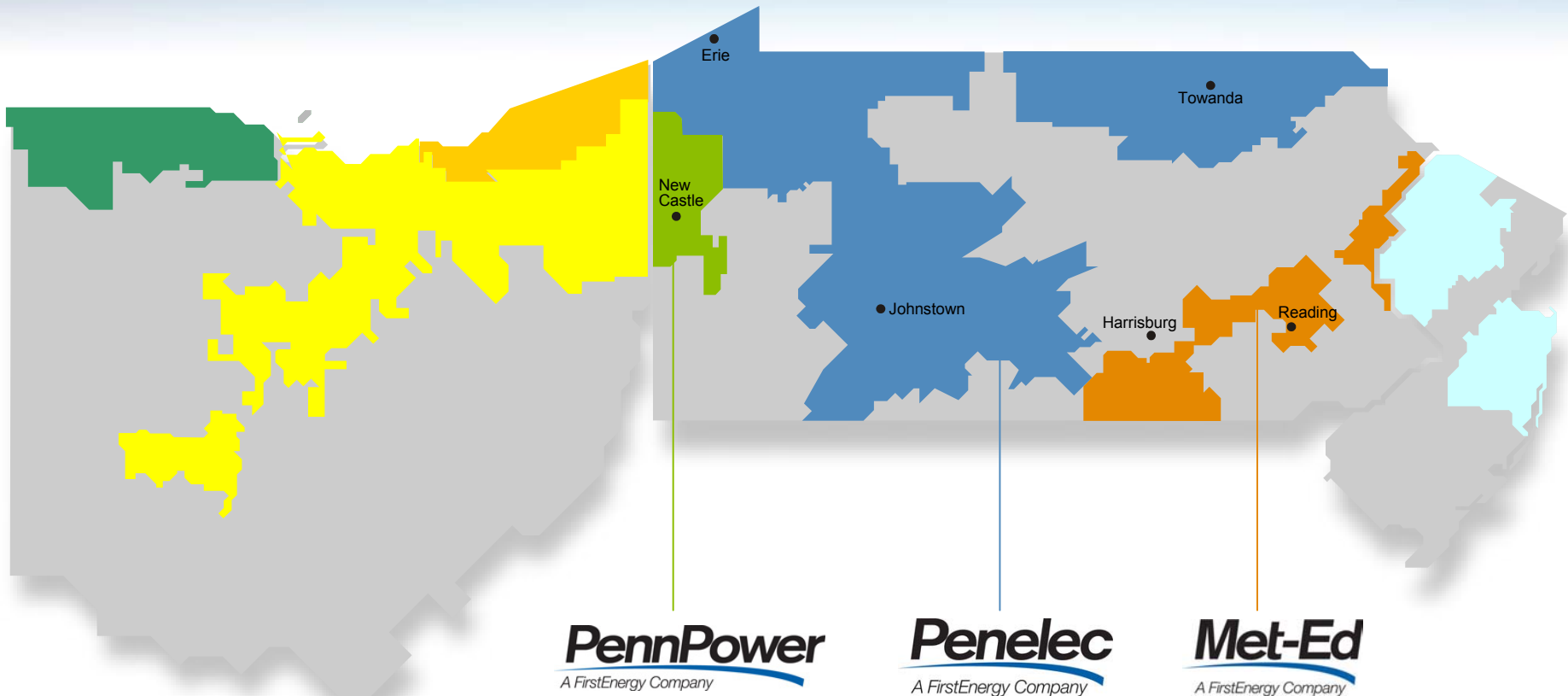
Pennsylvania Public Utility Commission Provider of Last Resort (POLR) Roundtable

Presentation by William D. Byrd

On Behalf of FirstEnergy Solutions Corp.

FirstEnergy System

FirstEnergy Solutions = Wholesale Marketer; Retailer; Generator



FES Key Recommendations:

- The EDC should retain POLR obligation
- Mandatory auction of generation service for POLR customers
- General uniformity and consistency across the EDCs in the State.
- EDC's POLR service should be tailored to size of customers.
- Each customer should have only one option for POLR service based on their rate schedule.
- Bilateral credit provisions should be adopted.

EDC should retain POLR Responsibility

- Risk of performance failure if POLR responsibility is assigned to non-EDC entity.
- Customer Care infrastructure in place.
- EDC only entity that cannot choose to exit the business.

Mandatory Auction for POLR generation service

- Efficient process linking to wholesale prices.
- One auction simultaneously procures POLR generation service for each EDC.
- Separate auctions may be required for PA EDCs operating in separate RTOs.
- EDC affiliates to participate in Auction.
- EDC load management programs must be disclosed

General Uniformity Across EDCs

- Generation Service Auction
- POLR generation service should be identically defined for all EDCs
 - Energy
 - Capacity
 - Generator supplied ancillaries
- Rate design philosophy should be consistent
 - All EDCs should have seasonal rates

POLR Products Should be Tailored to Customer size

- Small customers should receive POLR generation service at fixed prices
 - Facilitates competitive retail market
- Large customers should pay hourly variable price
 - Generally more sophisticated in making energy decisions.
 - Important that large customers see POLR generation prices that match their usage patterns.
 - Demand Response options promoted by hourly price exposure.

One Secure Choice, not a Menu

- Each customer should have only one option for POLR service based on their rate schedule.
- POLR generation service is a backstop
- POLR product options are unnecessary and potentially counter-productive.
- One Tariff Offering for POLR Service made per rate schedule.

Credit Provisions must extend both ways

- Bilateral Credit provisions should exist between an EDC and the winning auction bidders.
- Bilateral Credit and collateral provisions are common feature of wholesale marketplace.
- Without such provisions bidders will add contingency to cover perceived credit risk, increasing price to consumers.
- Regional issue requiring multi-state coordination