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RECEIVED

October 1, 2010

OCT 01 2010

VIA FEDERAL EXPRESS

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Joint Application of West Penn Power Company doing business as Allegheny Power, Trans-Allegheny Interstate Line Company and FirstEnergy Corp. for a Certificate of Public Convenience Under Section 1102(A)(3) of the Public Utility Code Approving a Change of Control of West Penn Power Company and Trans-Allegheny Interstate Line Company, Docket Nos. A-2010-2176520, A-2010-2176732

Dear Secretary Chiavetta:

Enclosed for filing are an original and three copies of the Motion on behalf of West Penn Power Company, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. to Strike the Supplemental Direct Testimony of Direct Energy Services, LLC. Pursuant to 52 Pa. Code § 1.11(a)(2), the enclosed Motion shall be deemed filed on October 1, 2010, which is the date it was deposited with Federal Express as shown on the Federal Express delivery receipt.

**REQUEST FOR CONFIDENTIAL
TREATMENT OF PROPRIETARY INFORMATION**

Also enclosed is an envelope containing an original and three copies of the Motion with a confidential Appendix A that includes supplemental rebuttal testimony of Anthony J. Alexander containing commercially sensitive material. Portions of the testimony have been marked as "Highly Sensitive" in accordance with the Protective Order entered in these proceedings. Consistent with Paragraph 5 of the Protective Order, a copy of the Protective Order is also enclosed. The Joint Applicants request confidential treatment of this version of the Motion and its appendix in accordance with the Protective Order.

Philadelphia Washington New York Los Angeles San Francisco Miami Pittsburgh Princeton Chicago Minneapolis
Palo Alto Dallas Houston Harrisburg Irvine Boston Wilmington London Paris Brussels Frankfurt Beijing Tokyo

DB1/65730053.1

Rosemary Chiavetta, Secretary
October 1, 2010
Page 2

As evidenced by the attached Certificate of Service, copies of the Motion are being served on the Administrative Law Judges and all parties of record. Also enclosed is an additional copy of this letter and of the Answer, which we request be date-stamped as evidence of filing and returned to us in the stamped, pre-addressed envelope provided.

Sincerely,



Thomas P. Gadsden

Enclosures

c: Per Certificate of Service (w/encls.)



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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

October 1, 2010

VIA FEDERAL EXPRESS

Honorable Wayne L. Weismandel
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

Honorable Mary D. Long
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
Piatt Place, Room 220
301 Fifth Avenue
Pittsburgh, PA 15222

Re: Joint Application of West Penn Power Company doing business as Allegheny Power, Trans-Allegheny Interstate Line Company and FirstEnergy Corp. for a Certificate of Public Convenience Under Section 1102(A)(3) of the Public Utility Code Approving a Change of Control of West Penn Power Company and Trans-Allegheny Interstate Line Company, Docket Nos. A-2010-2176520, A-2010-2176732

Dear Judge Weismandel and Judge Long:

Enclosed are two copies of the confidential and non-confidential Motion of West Penn Power Company, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. ("Joint Applicants") to Strike the Supplemental Direct Testimony of Direct Energy Services, LLC. As indicated on the transmittal letter to Secretary Chiavetta and accompanying Certificate of Service, which are also enclosed, the Joint Applicants' Motion has been filed with the Pennsylvania Public Utility Commission and served on all parties.

Sincerely,



Thomas P. Gadsden

TPG/tp

Enclosures

cc: All parties of record

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

JOINT APPLICATION OF WEST PENN :
POWER COMPANY doing business as :
ALLEGHENY POWER, TRANS- :
ALLEGHENY INTERSTATE LINE :
COMPANY AND FIRSTENERGY CORP. :
FOR A CERTIFICATE OF PUBLIC :
CONVENIENCE UNDER SECTION :
1102(A)(3) OF THE PUBLIC UTILITY CODE :
APPROVING A CHANGE OF CONTROL OF :
WEST PENN POWER COMPANY AND :
TRANS-ALLEGHENY INTERSTATE LINE :
COMPANY :

DOCKET NOS. A-2010-2176520
A-2010-2176732

**MOTION ON BEHALF OF WEST PENN POWER COMPANY,
TRANS-ALLEGHENY INTERSTATE LINE COMPANY, AND FIRSTENERGY CORP.
TO STRIKE THE SUPPLEMENTAL DIRECT TESTIMONY OF
DIRECT ENERGY SERVICES, LLC**

I. INTRODUCTION

Pursuant to 52 Pa. Code §5.103, West Penn Power Company (“West Penn”), Trans-Allegheny Interstate Line Company (“TrAILCo”), and FirstEnergy Corp. (“FirstEnergy”) (collectively, the “Companies” or “Joint Applicants”) move to strike Direct Energy Services, LLC (“Direct Energy”) Statement 1-Supplemental, the testimony of Dr. Mathew J. Morey (“Morey Supplemental Testimony”), which was served on September 17, 2010.

The Morey Supplemental Testimony should be stricken because the Scheduling and Briefing Order issued by Administrative Law Judges Long and Weisman del (“ALJs”) did not provide for such a submission, Direct Energy did not seek leave to submit the Morey Supplemental Testimony, and the Joint Applicants were not provided with an opportunity to submit rebuttal testimony in response. In the alternative, the Joint Applicants request leave to submit supplemental rebuttal testimony of Anthony J. Alexander, President and Chief Executive

NON-CONFIDENTIAL VERSION

Officer of FirstEnergy, to respond to the Morey Supplemental Testimony. A copy of the supplemental rebuttal testimony of Mr. Alexander is attached to this Motion as Appendix A.

In further support of their Motion, the Joint Applicants state as follows:

1. On June 23, 2010, the ALJs issued a Scheduling and Briefing Order establishing the schedule for the service of direct, rebuttal and surrebuttal testimony. *See* Order, pp. 2-3. The deadline for service of direct testimony by parties and intervenors other than the Joint Applicants was August 17, 2010 and the deadline for service of rebuttal testimony by all parties and intervenors was September 13, 2010. *Id.*
2. On August 17, 2010, Direct Energy served three statements of direct testimony, including a statement from Dr. Morey (Direct Energy St. 1).
3. On September 13, 2010, the Joint Applicants served nine statements of rebuttal testimony in accordance with the Scheduling and Briefing Order.
4. On September 17, 2010, Direct Energy served the supplemental direct testimony of Dr. Morey.
5. Supplemental direct testimony after rebuttal testimony by any party was not provided for in the Scheduling and Briefing Order, and the propriety of the submission of such additional testimony should be determined by the ALJs. While the Joint Applicants acknowledge that the Morey Supplemental Testimony references documents produced following the ALJs' Order compelling the Joint Applicants to provide certain Hart-Scott-Rodino filing materials to Direct Energy and other parties to this proceeding, Direct Energy nevertheless failed

NON-CONFIDENTIAL VERSION

to seek leave to submit such testimony.¹ In addition, the Joint Applicants were not provided with an opportunity to file rebuttal testimony in response to the Morey Supplemental Testimony under the Scheduling and Briefing Order. For these reasons, the Morey Supplemental Testimony should be stricken from the record in this proceeding.

6. In the alternative, the Joint Applicants respectfully request leave to file the supplemental rebuttal testimony of Anthony J. Alexander, attached as Appendix A to this Motion, in order to respond to Morey Supplemental Testimony. In light of the incorrect statements of Dr. Morey regarding FirstEnergy's strategies (as explained by Mr. Alexander), the Joint Applicants will be severely prejudiced should they be precluded from offering testimony in response to Dr. Morey. No party will be prejudiced by this filing, and Mr. Alexander will be available for cross-examination on his supplemental rebuttal testimony as well as his direct and supplemental testimony at hearings.

¹ Notably, the Morey Supplemental Testimony relies in part upon documents that were available to Direct Energy before it filed its direct testimony. *See* Morey Supplemental Testimony, p. 2 & n.1 (referencing discovery responses produced by the Joint Applicants on July 6, 2010).

NON-CONFIDENTIAL VERSION

WHEREFORE, the Administrative Law Judges should issue an Order striking Direct Energy St. 1-Supplemental from the record in this case or, in the alternative, granting the Joint Applicants leave to file the attached supplemental rebuttal testimony by Anthony J. Alexander.

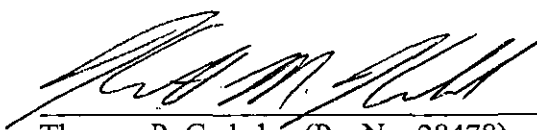
Respectfully submitted,

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*Counsel for West Penn Power
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Dated: October 1, 2010



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OCT 01 2010

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF WEST PENN
POWER COMPANY doing business as
ALLEGHENY POWER, TRANS-ALLEGHENY
INTERSTATE LINE COMPANY AND
FIRSTENERGY CORP. FOR A CERTIFICATE
OF PUBLIC CONVENIENCE UNDER
SECTION 1102(A)(3) OF THE PUBLIC
UTILITY CODE APPROVING A CHANGE OF
CONTROL OF WEST PENN POWER
COMPANY AND TRANS-ALLEGHENY
INTERSTATE LINE COMPANY

DOCKET NOS. A-2010-2176520
A-2010-2176732

SUPPLEMENTAL REBUTTAL TESTIMONY

WITNESS: ANTHONY J. ALEXANDER

SUBJECT: RETAIL MARKETING AND
COMPETITION ISSUES

DATED: OCTOBER 1, 2010

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND PURPOSE	1
II. RETAIL MARKETING AND COMPETITION ISSUES	2
III. CONCLUSION.....	13

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1
2
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6
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**SUPPLEMENTAL REBUTTAL TESTIMONY
OF
ANTHONY J. ALEXANDER**

I. INTRODUCTION AND PURPOSE

1. Q. Please state your name and business address.

A. My name is Anthony J. Alexander. My business address is 76 South Main Street, Akron, Ohio 44308.

2. Q. By whom are you employed and in what capacity?

A. I am employed as President and Chief Executive Officer of FirstEnergy Corp. (FirstEnergy).

3. Q. Have you previously submitted testimony in this proceeding?

A. Yes. My direct testimony, pre-marked Joint Applicants Statement No. 1, was filed with the May 14, 2010 Joint Application and contains a description of my qualifications and professional experience. I also filed supplemental testimony on July 15, 2010, pre-marked as Joint Applicants Statement No. 1-S.

4. Q. Please describe the purpose of your supplemental rebuttal testimony.

A. The purpose of my supplemental rebuttal testimony is to respond to various issues raised in the supplemental testimony of Matthew J. Morey on behalf of Direct Energy Services, LLC (“Morey Supplemental”). In his supplemental testimony, Dr. Morey makes several allegations regarding FirstEnergy’s post-merger retail and wholesale marketing strategies based

1 on materials produced by FirstEnergy to the United States Department of
2 Justice as part of FirstEnergy's filing under the Hart-Scott-Rodino Act (the
3 "HSR Materials") and subsequently provided to intervenors in this
4 proceeding in accordance with a Protective Order. These allegations are
5 simply wrong, and Dr. Morey's reliance on the HSR Materials is misplaced.
6 In fact, the documents cited in the Morey Supplemental testimony provide
7 no support for Dr. Morey's contention that FirstEnergy intends to act
8 improperly or seek, in any way, to prevent retail electric customers in
9 Pennsylvania from obtaining the benefits of a properly functioning and
10 workable competitive electricity market.

11 **II. RETAIL MARKETING AND COMPETITION ISSUES**

12 **5. Q. What is the retail marketing strategy Dr. Morey asserts FirstEnergy**
13 **will implement upon approval of the Merger?**

14 **A. * * * BEGIN HIGHLY CONFIDENTIAL * * ***



1 ***** END HIGHLY CONFIDENTIAL *****

2 Dr. Morey also asserts that the strategy he believes FirstEnergy will pursue
3 is fundamentally tied to the perpetuation of the existing default service
4 structure in Pennsylvania, which he contends is itself anti-competitive and
5 discriminatory. *Id.*, p. 7.

6 **6. Q. Has Dr. Morey accurately characterized FirstEnergy's intended post-**
7 **merger retail marketing strategy?**

8 A. No, he has not. I will address each of Dr. Morey's claims, but as a
9 threshold matter I note that Dr. Morey fails to consistently and properly
10 distinguish between FirstEnergy and its subsidiaries. FirstEnergy – of
11 which I am President and Chief Executive Officer – is a diversified
12 company that holds all of the outstanding common stock (directly or
13 indirectly) of each of the FirstEnergy-affiliated companies and subsidiaries,
14 including the FirstEnergy Pennsylvania Utilities (Met-Ed, Penelec, and
15 Penn Power). A separate FirstEnergy subsidiary – FirstEnergy Solutions
16 Corp. (FES) – controls the electric generation assets of FirstEnergy and
17 sells electric generation at retail to customers as a competitive provider in
18 Pennsylvania, Ohio, Illinois, Maryland, Michigan, and New Jersey and
19 wholesale in competitive default supply procurements in these states. In
20 Pennsylvania, FES is a licensed electric generation supplier (“EGS”).

21 I emphasize these distinctions because it is critical to recognize that there is
22 nothing improper in the fact that FES controls generation and competes for
23 retail customers while at the same time the FirstEnergy Pennsylvania

1 Utilities also provide default service to non-shopping customers. These
2 arrangements are common in restructured electric markets in the United
3 States, including other electric distribution company (“EDC”) service
4 territories in Pennsylvania. To address concerns that an EDC could provide
5 an advantage to its affiliated competitive supplier, this Commission
6 maintains and enforces a Code of Conduct, to which both EDCs and EGSs
7 are subject. FirstEnergy is committed to compliance with the
8 Commission’s Code of Conduct, and nothing in the Merger is inconsistent
9 with that Code of Conduct or will diminish either FirstEnergy’s
10 commitment or the Commission’s powers to enforce its regulations. To the
11 extent Dr. Morey is suggesting that FirstEnergy is intending to pursue any
12 action that is inconsistent with the Commission’s Code of Conduct, he is
13 entirely wrong and I believe he also underestimates this Commission’s own
14 commitment to ensuring compliance with the Code of Conduct.

15 FES’ retail and wholesale marketing strategy – its actual strategy, not the
16 one Dr. Morey imagines from his review of the HSR Materials – has been
17 the subject of public presentations, both before and after the announcement
18 of the Merger. For example, attached as Exhibit AJA-ISR-1 is an excerpt
19 from a presentation I gave on September 15, 2010, at the Barclays Capital
20 2010 Energy Conference.¹ As the presentation makes clear:

¹ The entire presentation is available at <http://investors.firstenergycorp.com/phoenix.zhtml?c=102230&p=irol-presentations>.

- 1 • FES is a competitive regional energy company, selling directly to
2 retail and wholesale customers in multiple states. (Ex. AJA-1SR-1,
3 pp. 72-73)
- 4 • FES is focused on customers in markets accessible with its generation,
5 with approximately half of that generation deployed in Ohio, Illinois,
6 and Michigan, and half in Pennsylvania, New Jersey, Delaware, and
7 Maryland. (Ex. AJA-1SR-1, p. 72)²
- 8 • FES' strategy seeks to integrate its generation capability with three
9 different retail channels – directly to individual customers, to
10 customers through government aggregation programs (such as in
11 Ohio), and indirectly through the sale of generation for the provision
12 of provider-of-last-resort (POLR, or default) service. (Ex. AJA-1SR-
13 1, p. 74)

14 Significantly, there is **nothing** in FES' strategy that is tied to FirstEnergy's
15 separate ownership of EDCs in Pennsylvania, Ohio, and New Jersey. Each
16 of the retail channels targeted by FES is competitive and presents a variety
17 of risks that FES seeks to address through several means, including limits
18 on contract length and not deploying all of its generation assets into one
19 retail or wholesale channel. The fact that the FirstEnergy Pennsylvania
20 Utilities and West Penn will procure default service supply through requests
21 for proposals or auctions in which FES may compete in is irrelevant; these
22 procurements take place under the supervision of an independent evaluator
23 and the Commission, have been found to be competitive, and FES has no
24 advantage because of its affiliate relationship. Moreover, FES' potential
25 participation in the Met-Ed and Penelec default service plans was approved
26 by the Commission. Indeed, FES is not seeking to increase its POLR load
27

² I have included an additional page in Exhibit AJA-1SR-1 from the September 2010 presentation which shows FirstEnergy and Allegheny service territories and the location of FirstEnergy and Allegheny generating plants. See Ex. AJA-1SR-1, p. 7.

1 but instead is intending to manage its POLR exposure due in part to the risk
2 that default service customers will increasingly shop as rate caps expire.
3 See Ex. AJA-1SR-1, p. 74 (emphasizing management of exposure to POLR
4 over time).

5 It is FES' retail strategy to establish itself as a "local brand," but a "local
6 brand" **on its own, separate from its affiliated EDCs**. There are more
7 than 4,500 people employed through the generation FES controls and its
8 own retail and wholesale operations in the geographic areas in which FES is
9 marketing to customers (including almost 1,400 people in Pennsylvania).
10 FES does not -- and under the Commission's Code of Conduct, **cannot** --
11 engage in any kind of joint marketing with its EDCs and **must** function
12 independently. Moreover, as Mr. Graves has testified, the retail marketing
13 affiliates of a local utility may have unique competitive **disadvantages**.
14 See Joint Applicants St. No. 10-R (Graves), pp. 16-17.

15 As I stated previously, the FES strategy I have described is not new or
16 created as a result of the proposed Merger. In fact, I used very similar
17 slides to those attached as Exhibit AJA-1SR-1 when I gave a presentation to
18 investment analysts on December 3, 2009, before discussions between
19 FirstEnergy and Allegheny regarding the Merger took place (excerpts
20 attached as AJA-1SR-2).³ While I believe that the Merger with Allegheny
21 will enhance FES opportunities to market electricity through the addition of

³ This presentation is also available on-line with the September 15, 2010 presentation. See note 1, *supra*.

1 merchant generation now operated by Allegheny, those opportunities are in
2 no way dependent upon the acquisition of another Pennsylvania EDC (West
3 Penn) and its default service customers.

4 The Joint Applicants have already presented testimony that there is no basis
5 to conclude that the Merger will adversely affect either wholesale or retail
6 competition. *See* Joint Applicants St. No. 5-R (Hieronymus), pp. 31-38;
7 Joint Applicants St. No. 9-R (Schnitzer), pp. 11-18; Joint Applicants St. No.
8 10-R (Graves), pp. 12-19. To the extent Dr. Morey is concerned about the
9 “perpetuation of the existing default service structure”, *see* Morey
10 Supplemental p. 7, I agree with Mr. Schnitzer that such concerns are best
11 addressed on a statewide basis or in an EDC’s default service proceeding.
12 *See* Joint Applicants St. No. 10-R (Schnitzer), pp. 32-33, although I can see
13 no advantage whatsoever in introducing a third party into the default
14 service process. In fact, I believe it would add costs and be confusing to
15 customers.

16 **7. Q. Dr. Morey cites several of the documents produced as part of the HSR**
17 **Materials to support his claims. Do you agree with his interpretation of**
18 **these documents?**

19 A. No, I do not. Dr. Morey’s specific conclusions are not supported by the
20 HSR Materials and, in some instances, are directly contradicted by those
21 documents (as well as by FirstEnergy’s public presentations that I have
22 discussed). To the extent he relies upon those documents to suggest that

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FirstEnergy's strategies are somehow improper, he is wrong. Specifically:

***** BEGIN HIGHLY CONFIDENTIAL *****

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***** END HIGHLY CONFIDENTIAL *****

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III. CONCLUSION

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8. Q. Mr. Alexander, does this complete your supplemental rebuttal testimony?

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A. Yes, it does. However, I reserve the right to provide such additional

8

testimony as may be necessary or appropriate.

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

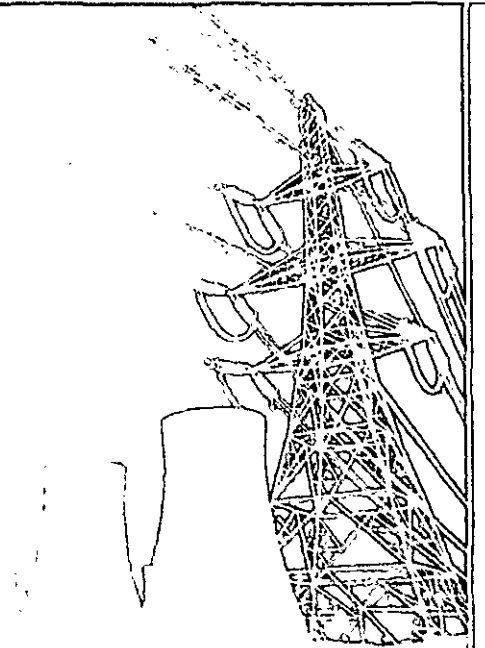
FirstEnergy

Barclays Capital CEO Energy-Power Conference

New York, NY • September 15-16, 2010

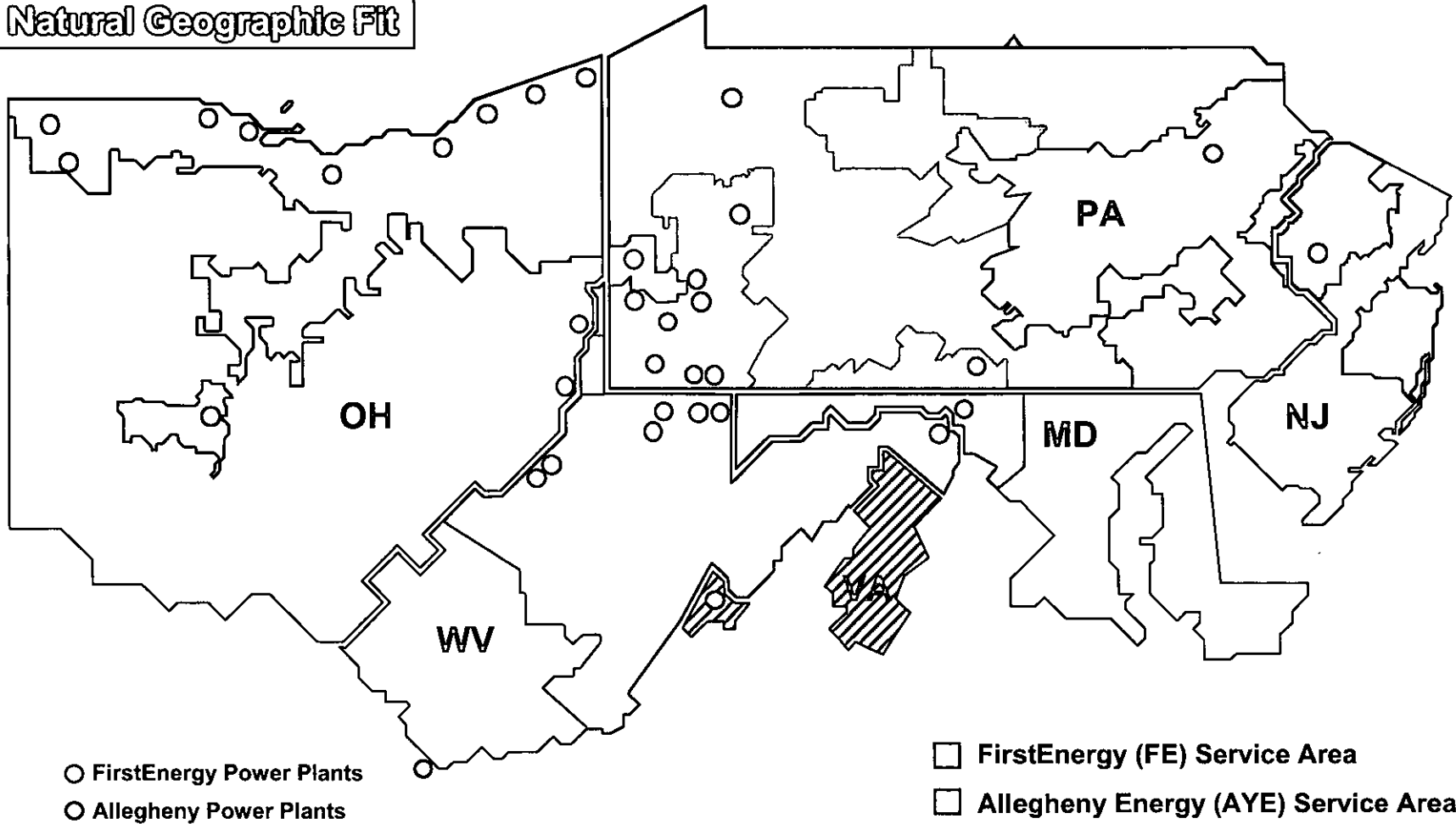
Anthony J. Alexander
President and Chief Executive Officer

NEW YORK



FirstEnergy/Allegheny Energy Merger

Natural Geographic Fit



*Reflects the sale of Allegheny Energy's Virginia distribution assets, which was completed on June 1, 2010, and indicates the transmission service area within Virginia.

FirstEnergy Solutions

Focus

- Maximize efficient/safe production of electricity
- Commodity margins

Growth

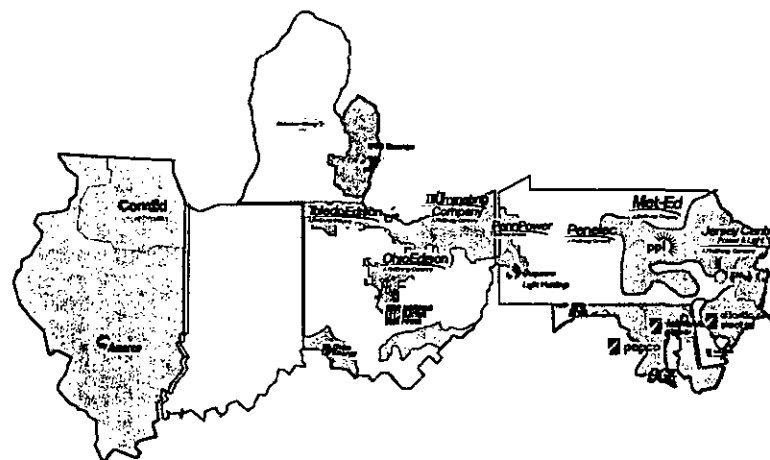
- Substantial growth potential
- Driven by market and operations

Risk

- Fleet performance
- Environmental requirements
- Renewable/demand response requirements

Financial

- Market prices
- Retail sales strategy



Market-Based Operations

- Competitive subsidiary established 1997
- Leading retail supplier
- Controls ~14,000 MW of generation capacity
- 80% of capacity expected to be low- or non-emitting by year-end 2010*

* Includes Fremont; low-emitting includes coal units with SO₂ and NO_x control equipment and natural gas; non-emitting includes nuclear and wind generation

FirstEnergy Solutions Strategic Overview

Vision

FES will be a leading regional competitive energy provider selling directly to retail customers via three main sales channels and will be recognized for operational excellence, customer service, risk mitigation and financial performance.

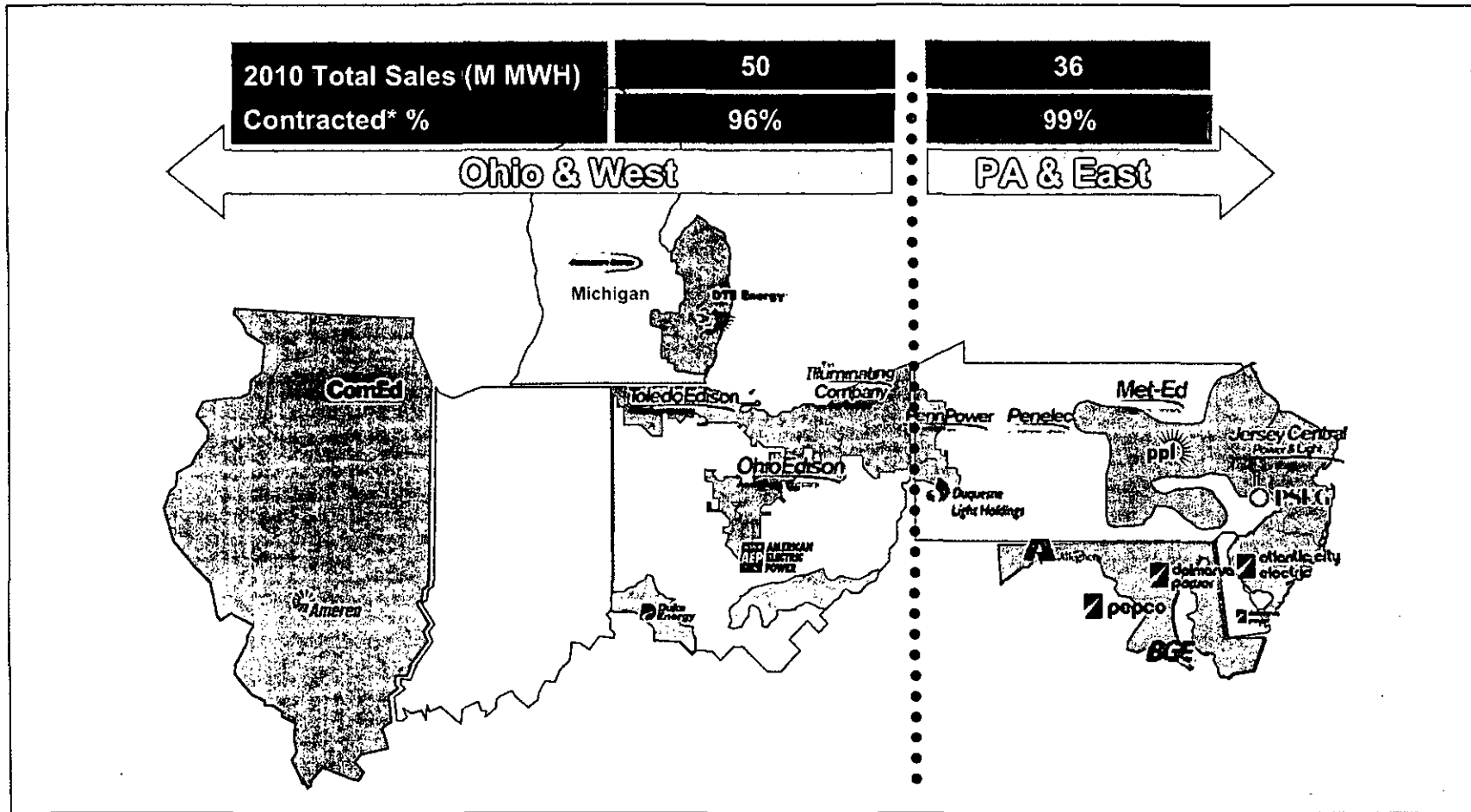
Strategy

- Complete **transformation** into a fully competitive generation company by effectively deploying our generation output to end-use customers.
- Achieve **growth** through incremental improvements in operating efficiency and prudent capacity expansion
- Focus on customers in target markets accessible with our generation
- Manage and diversify sales portfolio to provide optionality for a market recovery

Objectives

- Lock in retail sales to reduce exposure to auctions, wholesale market, counterparty risk and collateral requirements
- Achieve optimal utilization of our generation fleet
- Achieve linkage to our operational strategy
- Achieve financial goals **in all environments**

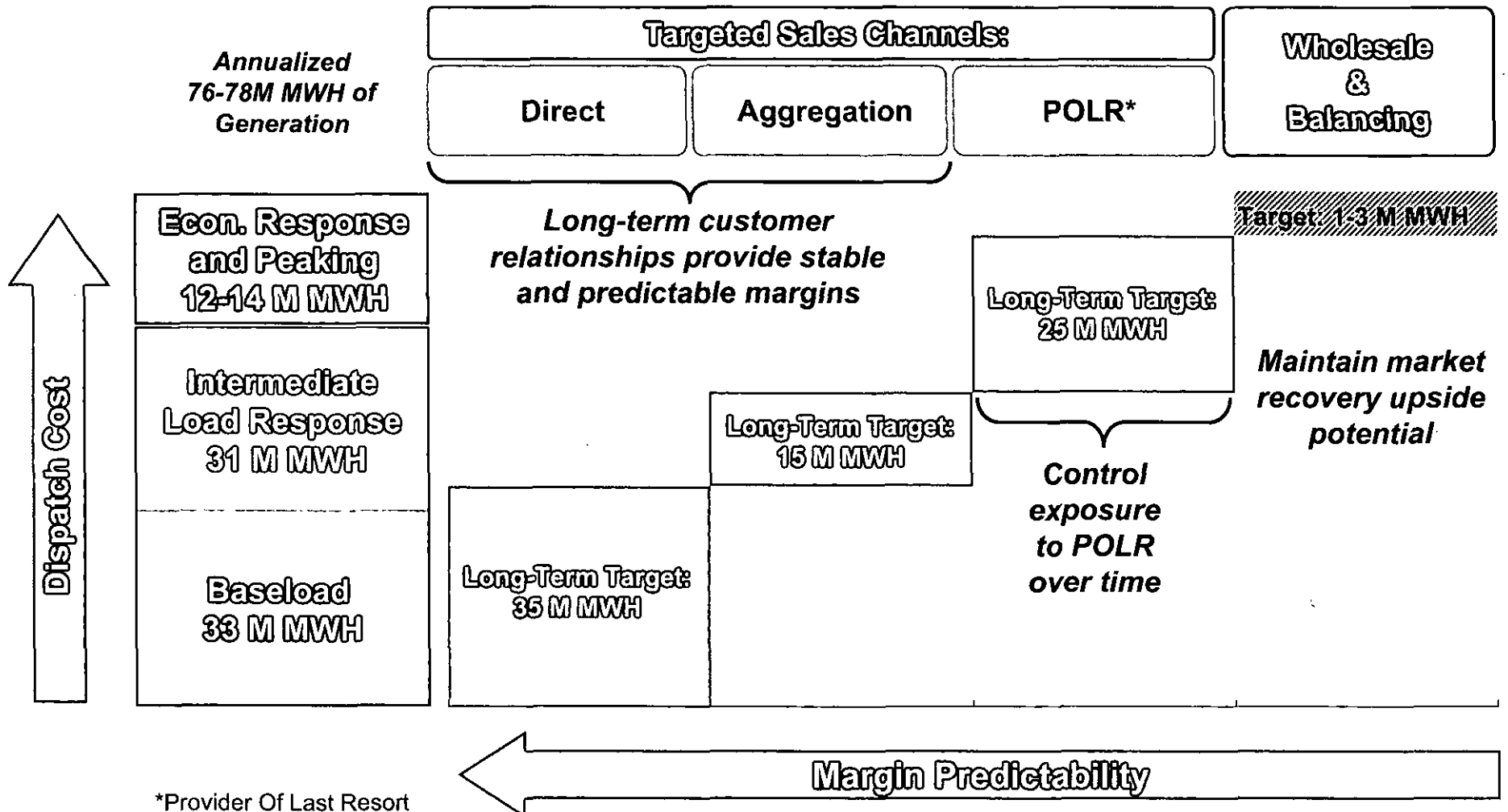
FES is a competitive regional energy company selling directly to retail and wholesale customers



* Based on forecasted sales as of August 16, 2010.

Generation capability is integrated with retail sales channels ...

illustrative



Direct Sales

MWH sold directly to large Commercial and Industrial customers

Long-term direct target is 35 M MWH or 45% of our sales portfolio

■ Competitive space with sophisticated customers

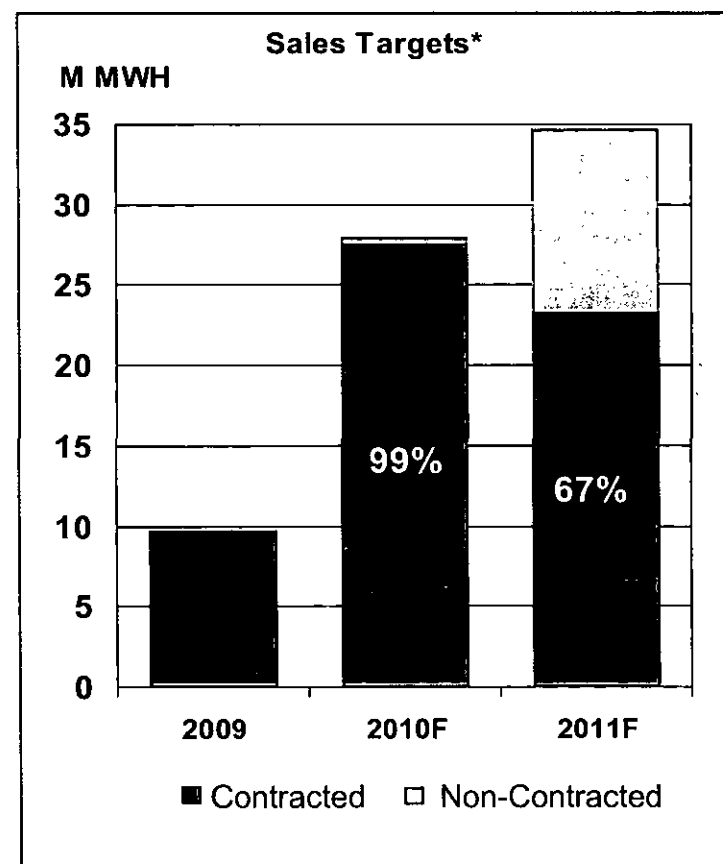
- Electricity represents a significant portion of their cost structure
- Energy market expertise; requires direct interaction
- Price is key; generally fixed-priced products are preferred

■ FES competitive advantage

- Seasoned sales force and organizational infrastructure
- Cost-effective generation portfolio
- Long-term customer relationships
- Local brand
- Ability to offer innovative customized products

■ Targeting 25-30 month contract durations

- At steady state, renew/reprice approximately 3% of sales portfolio monthly



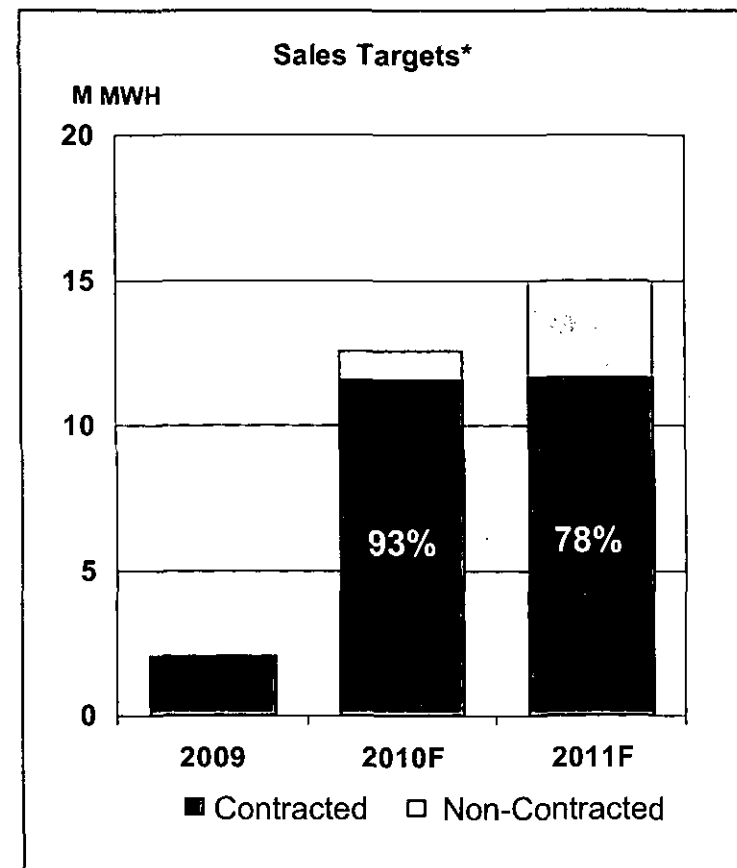
* Based on forecasted sales as of August 16, 2010.

Governmental Aggregation

MWH sold to Ohio communities of residential and small commercial customers

Long-term aggregation target is 15 M MWH or 20% of our sales portfolio

- **Small, hard-to-reach individual customers that present greater opportunity when served in aggregate**
 - Load more sensitive to weather than to economy
 - Most contracts are priced at a “Percent Off” utilities’ Price to Compare
- **FES competitive advantage**
 - Local brand
 - Industry leader in fostering aggregation
- **“Powering Our Communities”**
 - Program offers financial support through grants for communities and a long-term customer base for FES
- **Targeting 6-9 year contract durations**
 - Re-prices when utilities price-to-compare changes



* Based on forecasted sales as of August 16, 2010.

“Powering Our Communities”

- **Strategy: Secure long-term residential and small commercial load in FE-Ohio**
- **Long-term governmental aggregation program for communities**
 - Includes guaranteed discount and upfront community grant
 - Existing FES aggregation communities have been offered a 6-year extension
 - New communities were offered a program with a 9-year term
 - Represents approximately \$900M to \$1B of annual revenue
- **Average annual cost of grants (\$3-4M) is less than \$0.01/per share**
 - Grants offered to communities for payment in 2009 and 2010
 - Grants will be amortized over the extension period of existing contracts or over the contract term for new communities

POLR Sales

MWH sold to non-shopping utility customers in competitive markets

Long-term POLR target is 25 M MWH or 35% of our sales portfolio

■ Utility non-shopping load

- Significant shopping risk
- Procurements by class/slice of system
- Competitors include generators and financial firms

■ FES competitive advantage

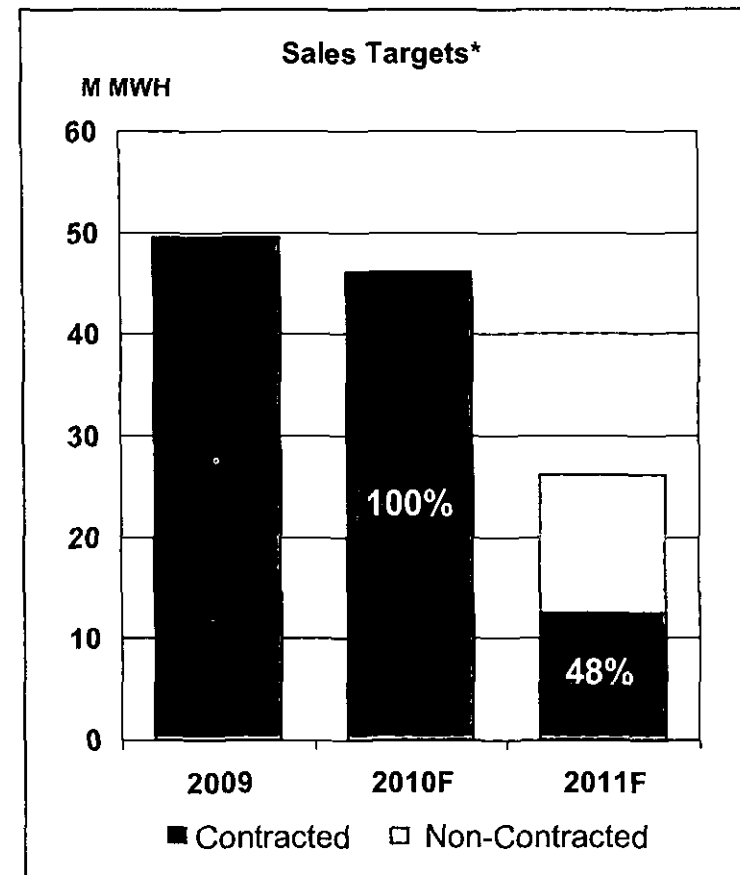
- Cost effective and flexible generation portfolio
- Direct sales serve as a hedge of volumetric risk

■ FES strategy dependent on:

- Timing of utility procurements
- Success in direct and aggregation sales
- Markets within our generation footprint

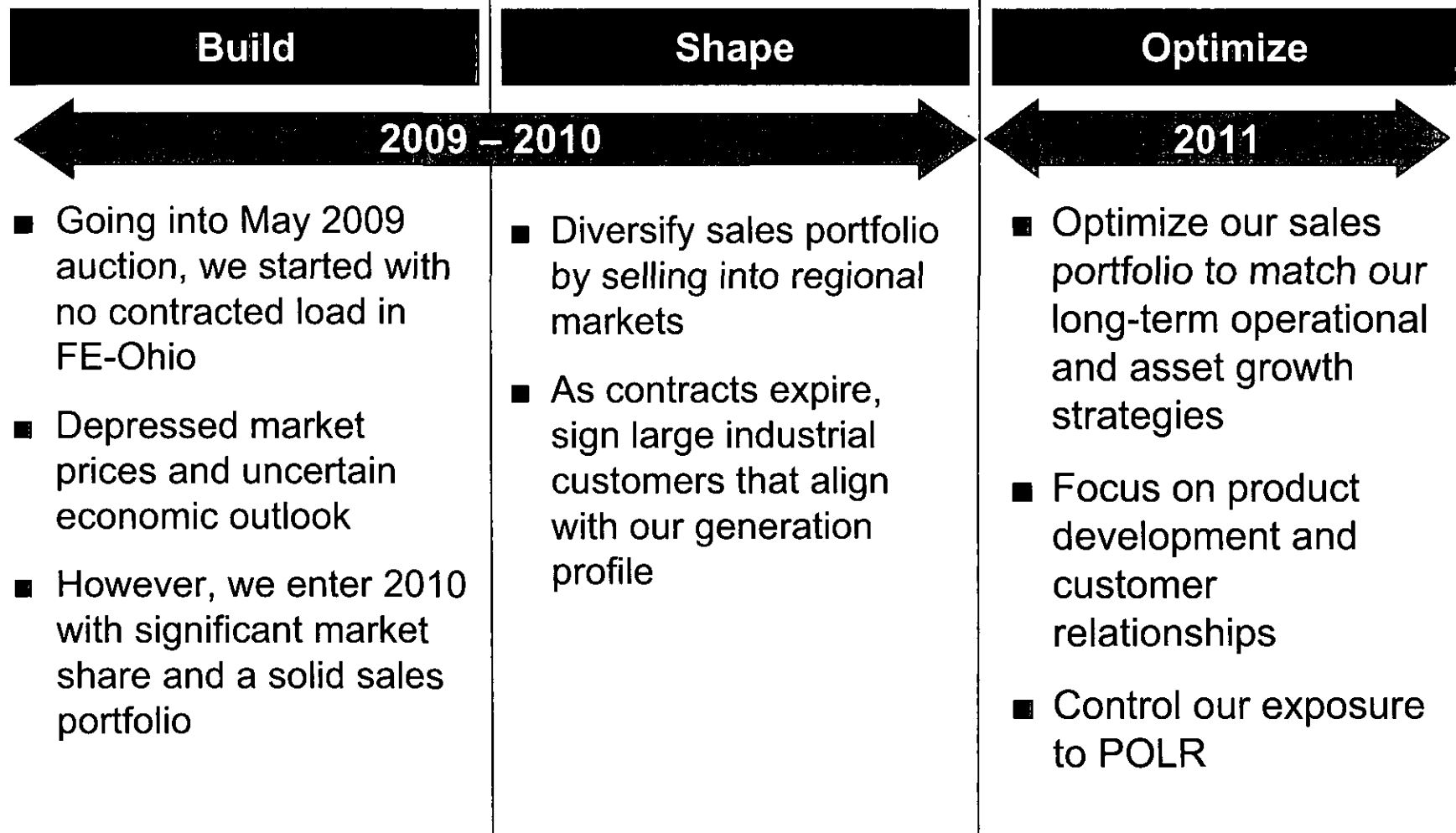
■ Reduces exposure to 1/3 of our portfolio over time

- Met-Ed/Penelec obligation expires at end of 2010

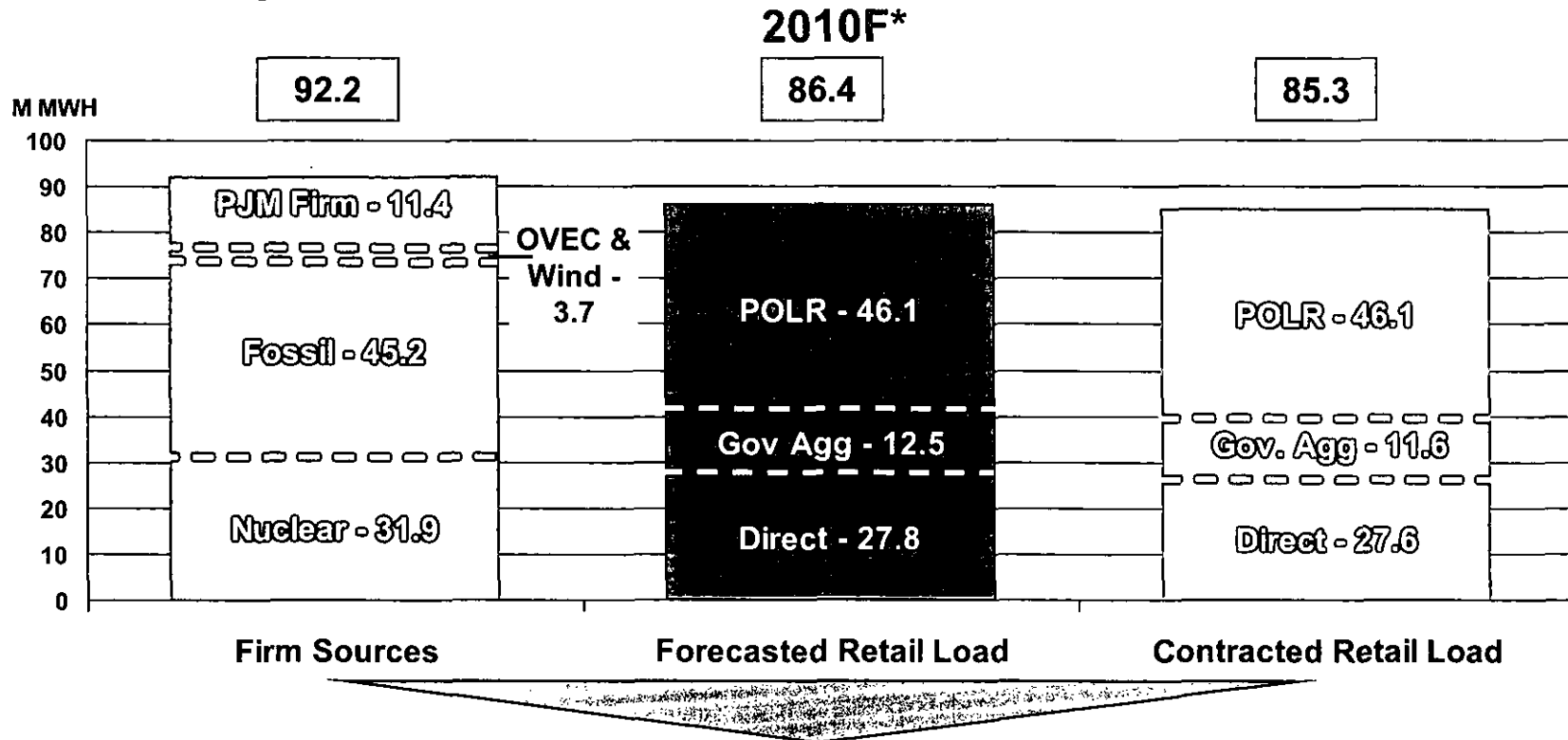


* Based on forecasted sales as of August 16, 2010.

Our sales strategy has three phases ...



Shaping our retail book ...



- 2010 firm sources of supply are 97% utilized⁽¹⁾ with forecasted retail load
- Our forecasted retail load is 99% contracted

... will deliver predictable margins and set us up for growth

(1) Including estimated distribution line losses of 2.8 M MWH

*As of August 16, 2010

Summary

- **Our integrated retail strategy provides growth opportunities for our own assets**
- **For 2010, we have minimized our exposure to the wholesale market**
- **Fleet is well-positioned for expected increased environmental regulation**
- **Achieve growth through incremental operational improvements and capacity additions**

We are well-positioned for 2010 and 2011

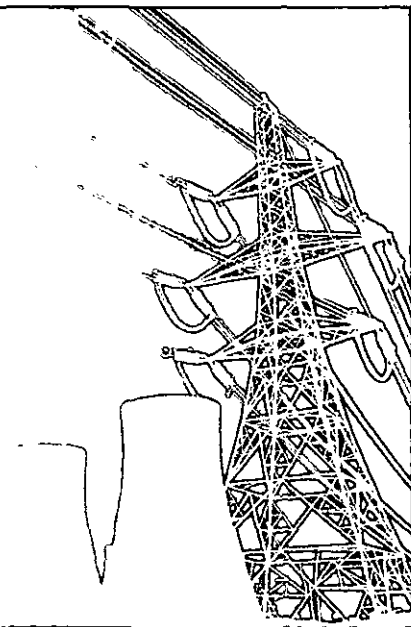
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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Analyst Meeting

New York, NY • December 3, 2009



FES Strategic Overview

Vision

FES will be a leading regional competitive energy provider selling directly to retail customers via three main sales channels and will be recognized for operational excellence, customer service, risk mitigation and financial performance.

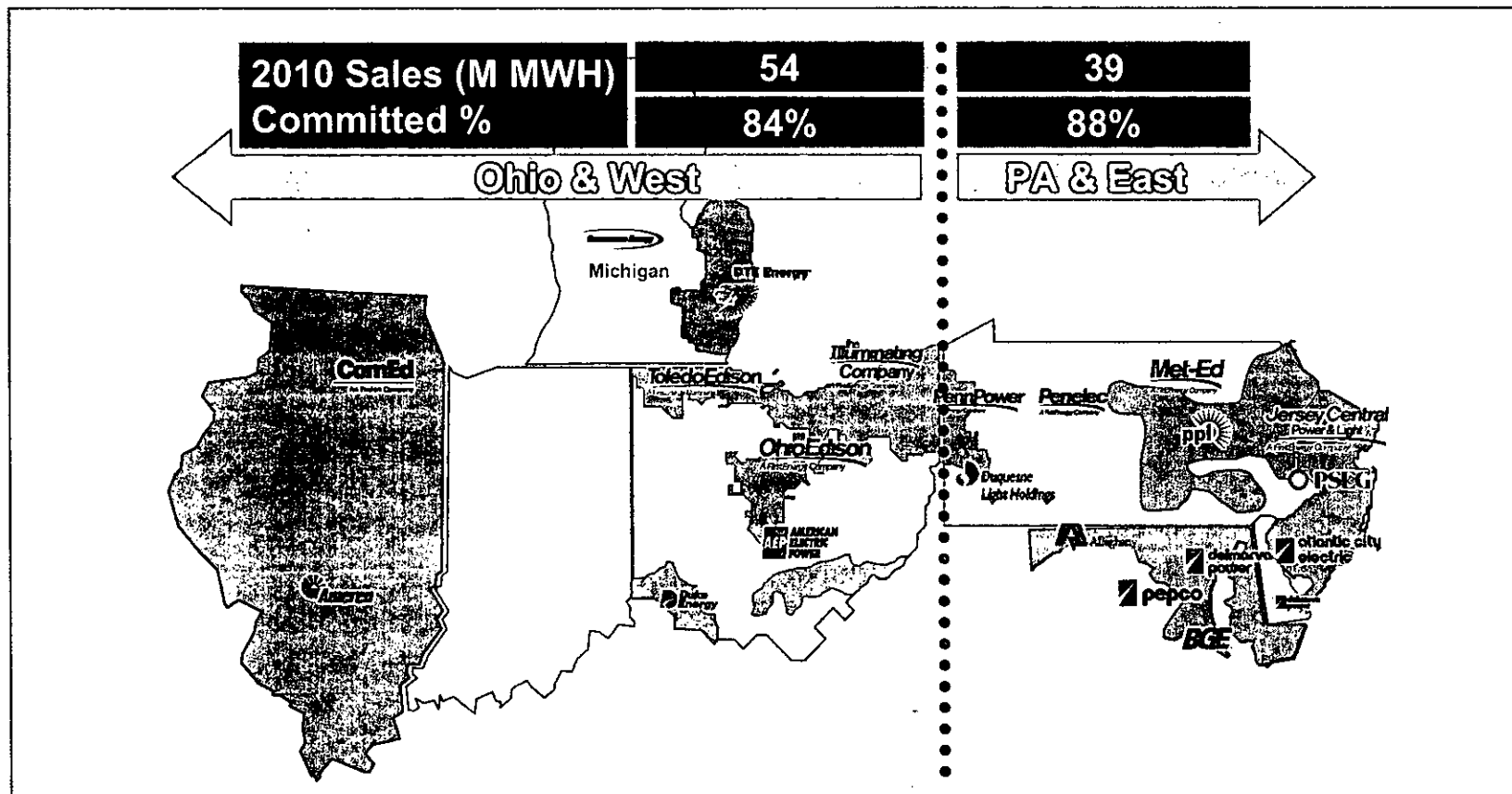
Strategy

- Complete **transformation** into a fully competitive generation company by effectively deploying our generation output to end-use customers.
- Achieve **growth** through incremental improvements in operating efficiency and prudent capacity expansion
- Focus on customers in target markets accessible with our generation
- Manage and diversify sales portfolio to provide optionality for a market recovery

Objectives

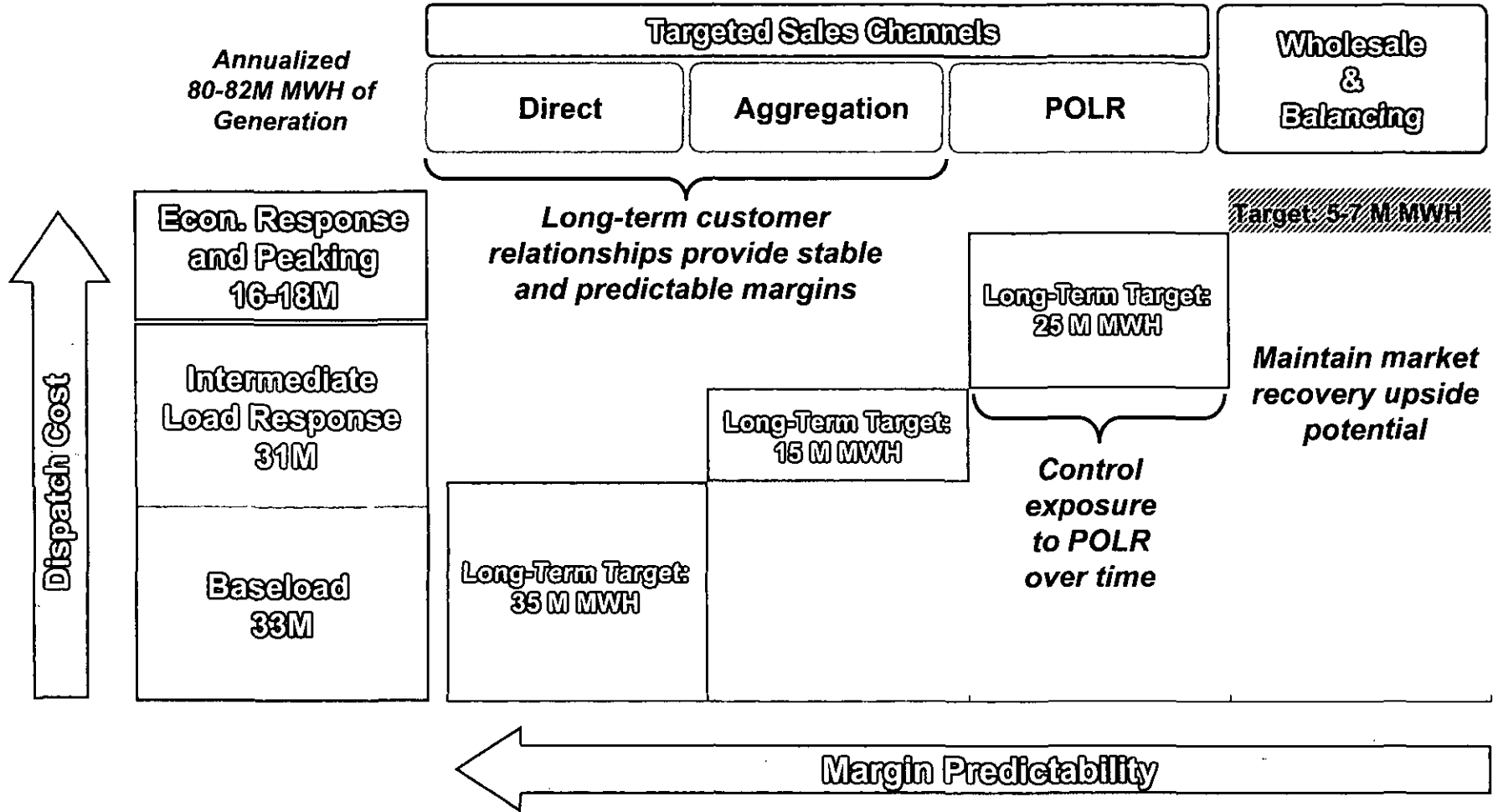
- Lock in retail sales to reduce exposure to auctions, wholesale market, counterparty risk, and collateral requirements
- Achieve optimal utilization of our generation fleet
- Achieve linkage to our operational strategy
- Achieve financial goals **in all environments**

FES is a competitive regional energy company selling directly to retail and wholesale customers ...



Generation capability is integrated with retail sales channels ...

illustrative



Direct Sales

MWH sold directly to large Commercial and Industrial customers

Long-term direct target is 35 M MWH or 45% of our sales portfolio

■ Competitive space with sophisticated customers

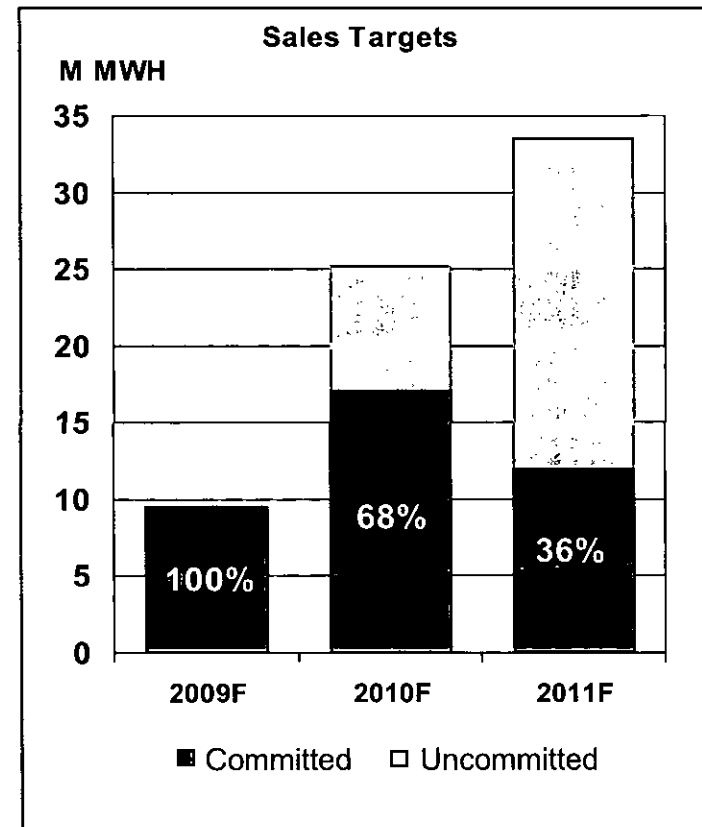
- Electricity represents a significant portion of their cost structure
- Energy market expertise; requires direct interaction
- Price is key; generally fixed-priced products are preferred

■ FES competitive advantage

- Seasoned sales force and organizational infrastructure
- Cost-effective generation portfolio
- Long-term customer relationships
- Local brand
- Ability to offer innovative customized products

■ Targeting 25-30 month contract durations

- At steady state, renew/reprice approximately 3% of sales portfolio monthly

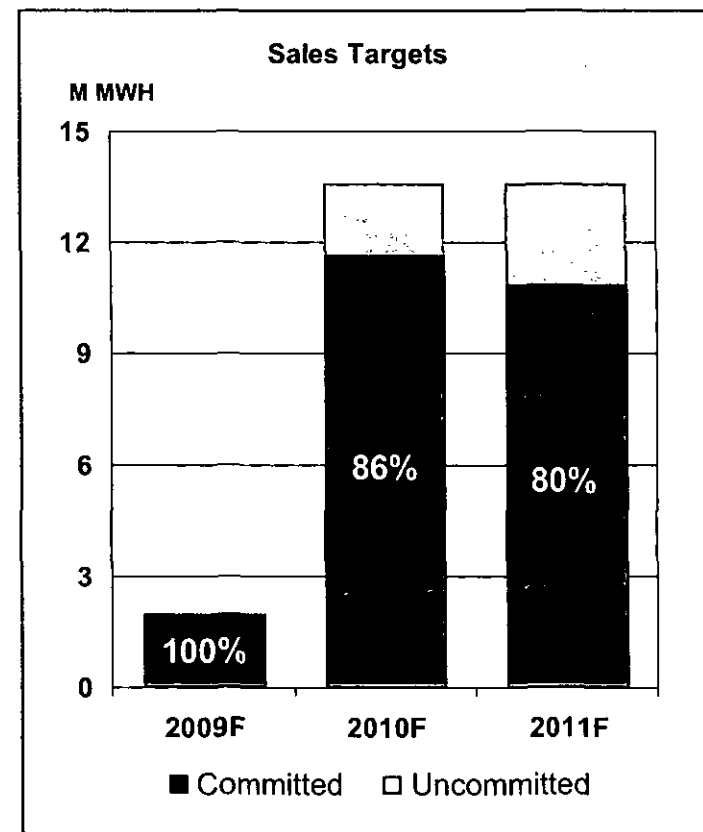


Governmental Aggregation

MWH sold to communities of residential and small commercial customers

Long-term aggregation target is 15 M MWH or 20% of our sales portfolio

- **Small, hard-to-reach individual customers that present greater opportunity when served in aggregate**
 - Load more sensitive to weather than to economy
 - Contracts are priced at a “Percent Off” utilities’ Price to Compare
- **FES competitive advantage**
 - Local brand and historic relationships
 - Industry leader in fostering aggregation
- **“Powering Our Communities”**
 - Program offers financial support through grants for communities and a long-term customer base for FES
- **Targeting 6-9 year contract durations**
 - Re-prices when utility price-to-compare changes



“Powering Our Communities”

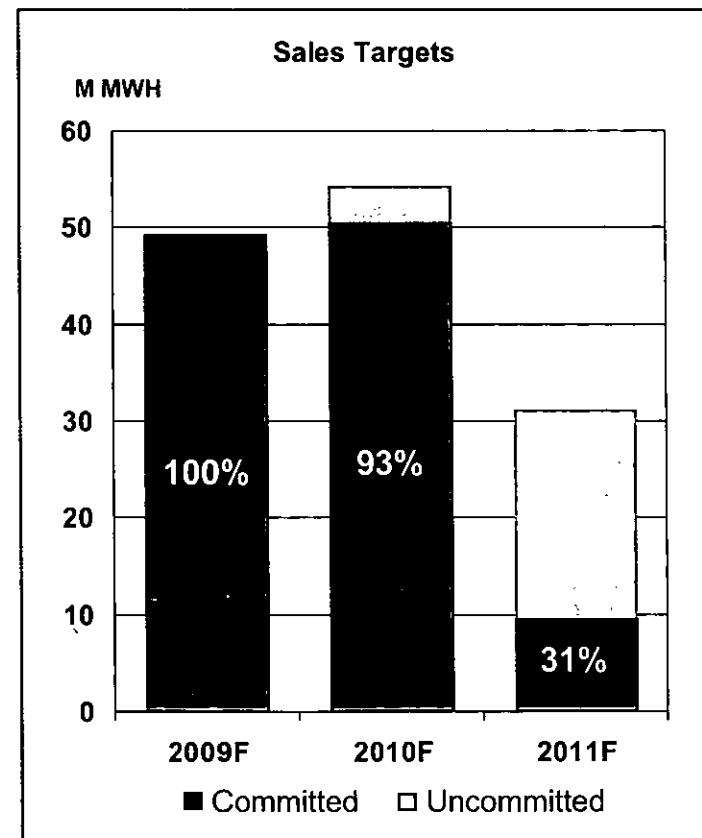
- **Strategy: Secure long-term residential and small commercial load in FE-Ohio**
- **Long-term governmental aggregation program for communities**
 - Includes guaranteed discount and upfront community grant
 - Existing FES aggregation communities will be offered a 6-year extension
 - New communities will be offered a program with a 9-year term
 - Represents approximately \$900M to \$1B of annual revenue
- **Average annual cost of grants (\$3-4M) is less than \$0.01/per share**
 - Grants will be offered to communities for payment in 2009 and 2010
 - Grants will be amortized over the extension period of existing contracts or over the contract term for new communities

POLR Sales

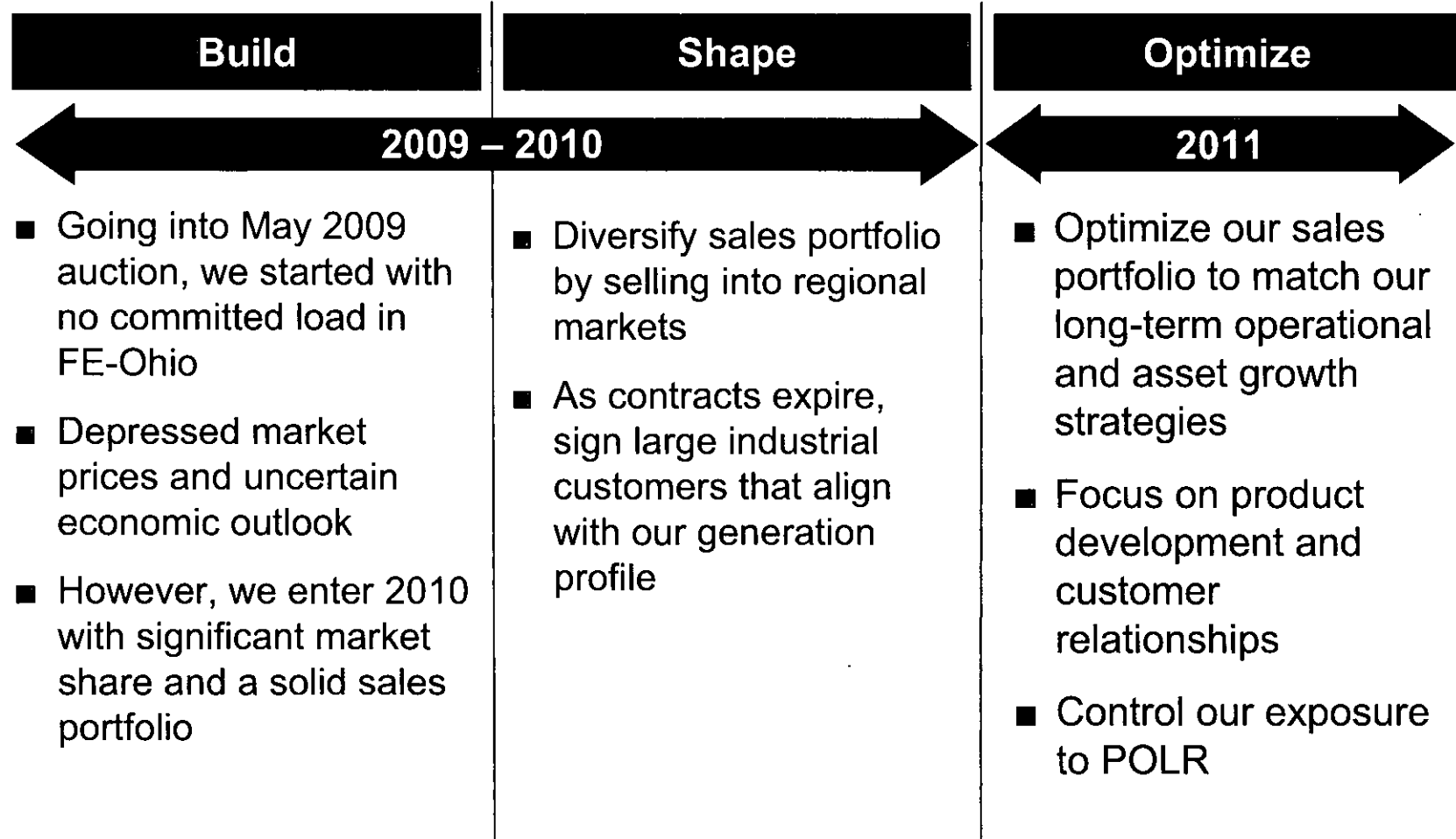
MWH sold to non-shopping utility customers in competitive markets

Long-term POLR target is 25 M MWH or 35% of our sales portfolio

- **Utility non-shopping load**
 - Significant shopping risk
 - Procurements by class/slice of system
 - Competitors include generators and financial firms
- **FES competitive advantage**
 - Cost effective and flexible generation portfolio
 - Direct sales serve as a hedge of volumetric risk
- **FES strategy dependent on:**
 - Timing of utility procurements
 - Success in direct and aggregation sales
 - Markets within our generation footprint
- **Reduces exposure to 1/3 of our portfolio over time**
 - Met-Ed/Penelec obligation expires at end of 2010

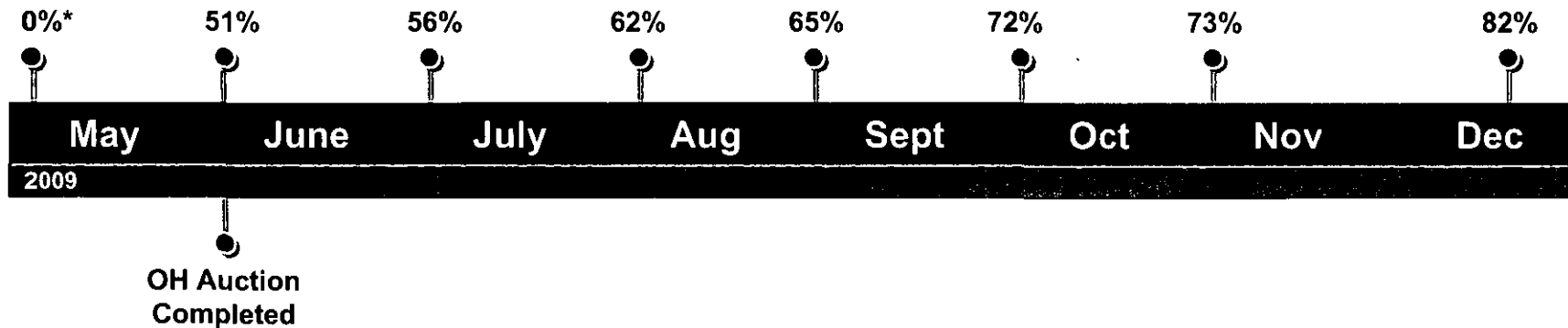


Our sales strategy has three phases ...



Building our sales portfolio leaves us well-positioned for 2010 ...

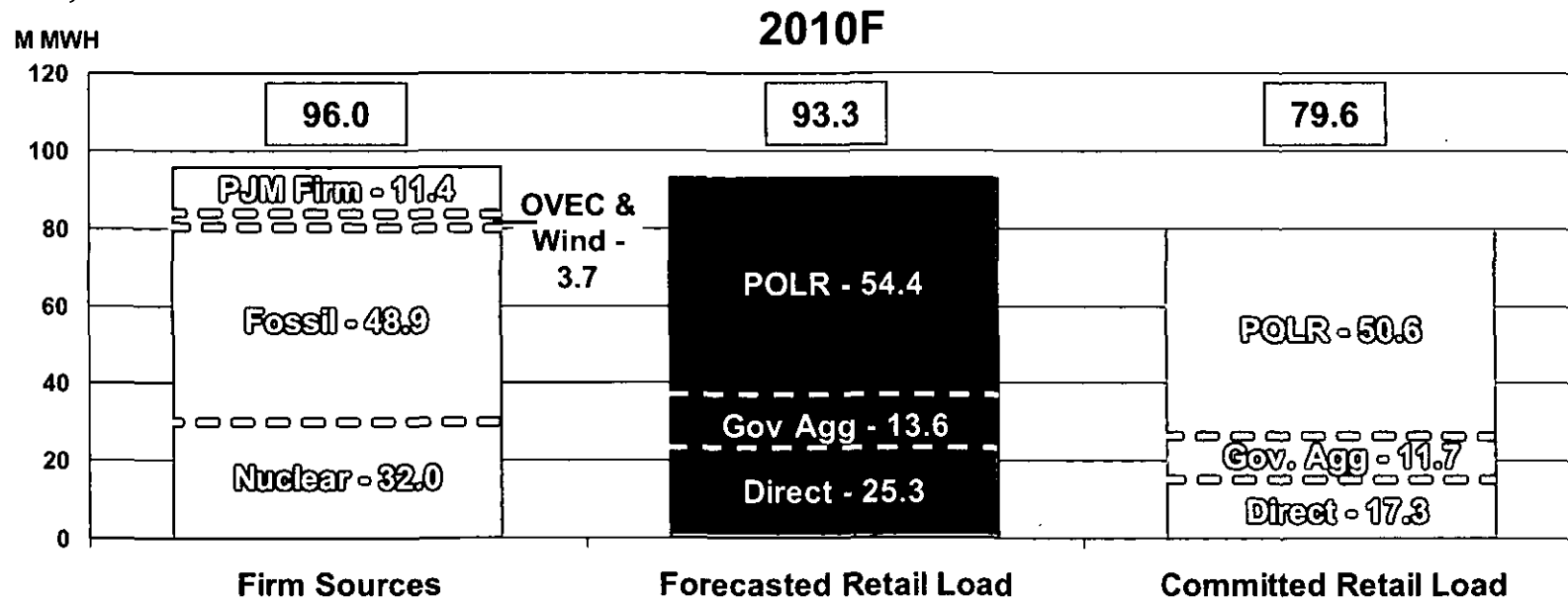
■ Timeline of total market share (%) of FE-Ohio load



- POLR: Subsequent to May auction, procured 21 incremental tranches
- Governmental Aggregation: Communities signed to long-term agreements
- Direct Retail: Targeting and signing large commercial and industrial customers

* Based on 2009 power flow beginning June 1, 2009

Shaping our retail book ...



- 2010 firm sources of supply are 99% utilized⁽¹⁾ with forecasted retail load
- Our forecasted retail load is 85% committed

... will deliver predictable margins and set us up for growth

⁽¹⁾ Including distribution line losses of approximately 1.8 M MWH

Summary

- **Multiple retail sales channels**

- Direct
- Governmental aggregation
- POLR

- **Focus in geographic areas accessible by our generation**

- **Integrated strategy mitigates collateral and counterparty risk**

- **2011: Earnings uplift potential**

- PA – January 1, 2011
- Ohio – June 1, 2011
- Well-established portfolio; broad customer diversity
- Staggered contract durations

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Capital Markets Presentation

12 March 2010

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Market opportunity

- **Downstream energy** market growing with new states opening and increasing customer switching
- **Services** recovering with US economy and buoyed by efficiency incentives
- Attractive fundamentals in **power generation** with shrinking reserve margins, little current new build and investment requirement for new capacity
- Technology improvements creating material **upstream gas** growth opportunity in Shale



Underlying growth in each 'integrated energy' market segment supports Centrica's growth ambition in North America

Chosen markets offer attractive potential for growth

	Deregulated markets	DE target markets	Profit pool in target markets	UK market
Residential Energy (accounts)	65m	40m	C\$4bn	48m
Business Energy (volumes)	1,000 TWh 90 bth	975 TWh 30 bth	C\$3bn	190 TWh 8 bth
Services (homes)	112m	90m	C\$3bn	24m
Upstream Gas (production)	250 bth	50 bth	C\$9bn	26 bth
Power Generation (capacity)	590 GW	540 GW	C\$14bn	80 GW

Direct Energy has a strong platform on which to build....

Direct Energy businesses

Residential Energy

3m customers:
largest retailer in North America

Business Energy

33 TWh and 690 mmth
annual volumes:
3rd largest retailer

Services

2m customers:
Heating/cooling service
and energy efficiency

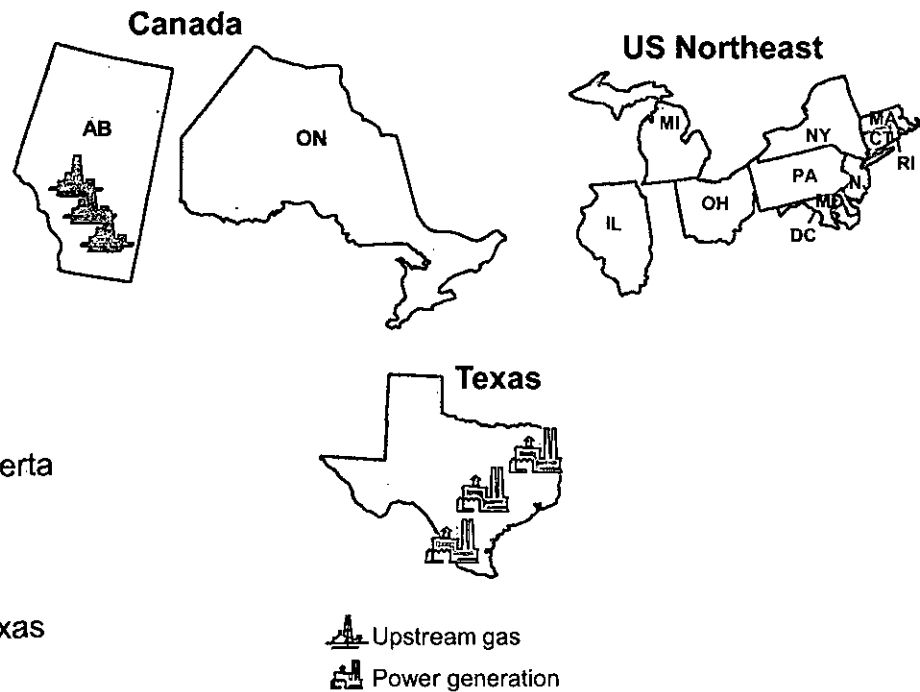
Upstream Gas

375 mmth production in Alberta
4,000 mmth reserves (2P)

Power Generation

1.2 GW CCGT capacity in Texas

Core markets



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... and a distinctive set of capabilities

North American platform

- Strong downstream position in key residential deregulated markets

- Deep local regulation and wholesale market experience

- Large scale C&I business

- Unique services capability

- Existing gas and power assets provide base to build a more vertically balanced business

Relevant Centrica UK capabilities

- Customer care systems & processes
- Managing full requirements energy risk

- 20 years competitive energy marketing experience

- Market leading small commercial business and capabilities

- Creating value from energy / services linkage

- Large scale CCGT fleet
- Extensive and strong asset acquisition track-record

Our strategy will build an integrated energy business

Improve returns from existing business

- Reduce costs and improve efficiency
- Leverage scale of existing positions
- Be the most recommended energy and services provider

Grow scale and leadership downstream

- Achieve regional leadership positions in our Residential markets
- Continue growth in Business markets
- Grow integrated Services and energy capability

Invest in upstream for integration and value creation

- Expand our upstream gas business
- Build generation capacity to support key retail markets
- Balance upstream and downstream, move towards 35-40% cover



Deliver material contribution to Group earnings over medium term

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DE Residential: transformation will enable growth

	DE customers (millions)	DE market position (rank)	Key competitors
Canada:	1.9	1	Just Energy ENMAX
Texas:	0.7	3	TXU Reliant
US Northeast:	0.6	3	Dominion IGS
NA overall:	3.1	1	n/a

Improving returns

- In-sourced Texas operations enabling cost and churn reduction
- Stabilise Ontario in challenging regulatory environment

Growing scale

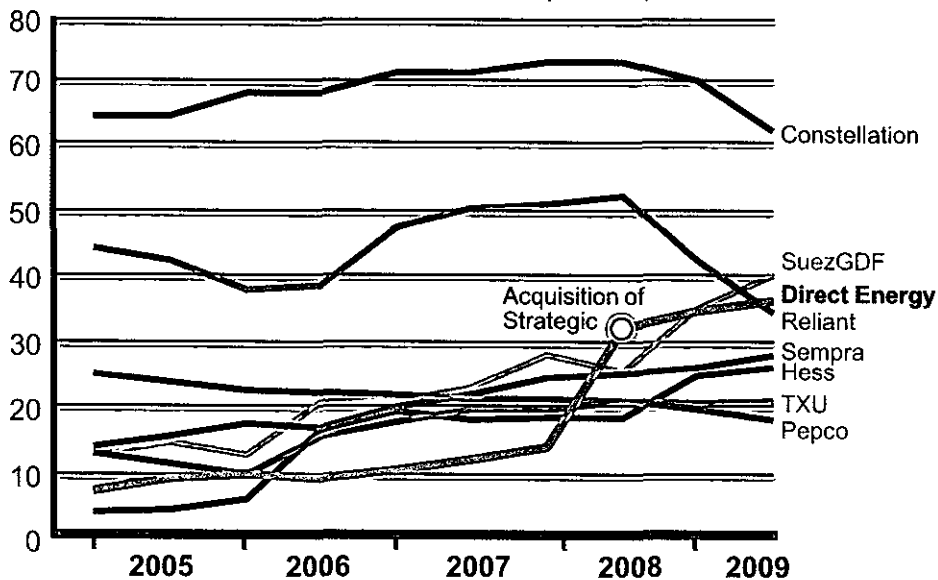
- Capitalise on US Northeast growth opportunities
- Extend overall scale into regional leadership positions

Distinctive capabilities

- Managing full requirements retail energy risk
- Customer care systems & processes
- Scale economics

DE Business: continuing to gain share

US power market share (TWh)



Source: KEMA

Improving returns

- Leveraged platform and scale following combination with Strategic
- Reduce costs
- Price for credit/capital utilisation

Growing scale

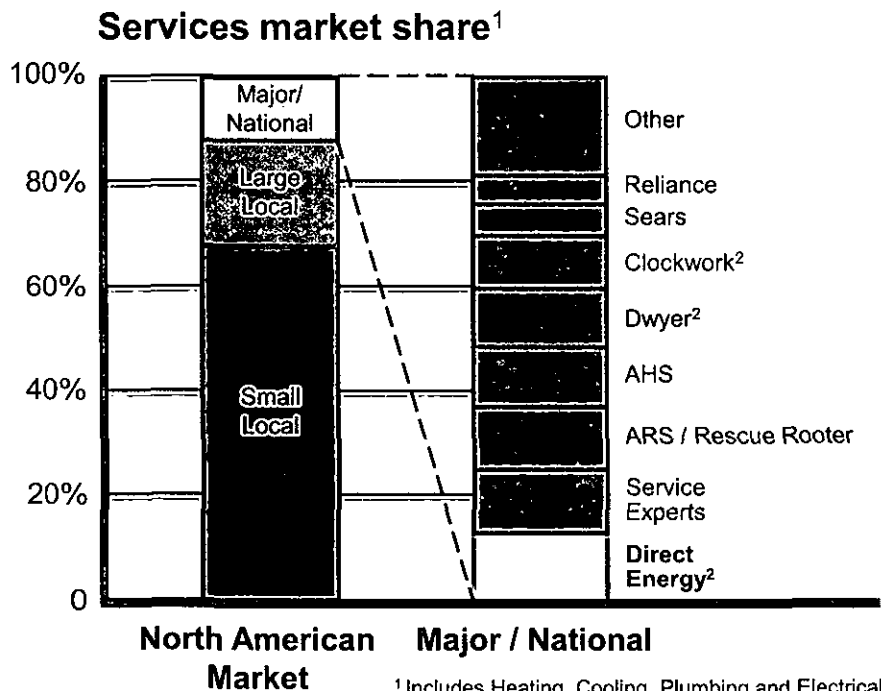
- Continue organic growth
- Focus on most attractive customers segments

Distinctive capabilities

- Managing full requirements retail energy margin
- Unique product offering
- UK small-commercial experience

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DE Services: increasing efficiency, focus and energy linkage



¹ Includes Heating, Cooling, Plumbing and Electrical services
² Includes franchisee revenues

Improving returns

- Optimising costs
- Leveraging scale in procurement

Growing scale

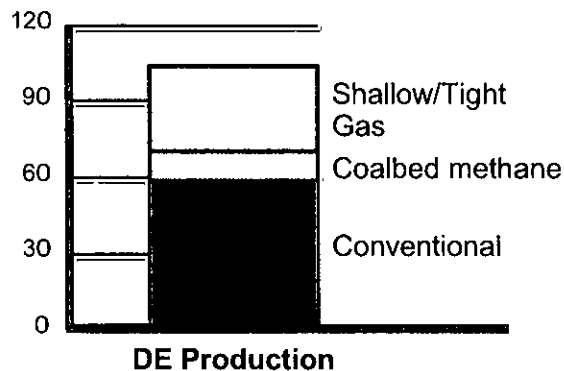
- Expanding services offering in US
- Focus on local market density in key metropolitan areas

Distinctive capabilities

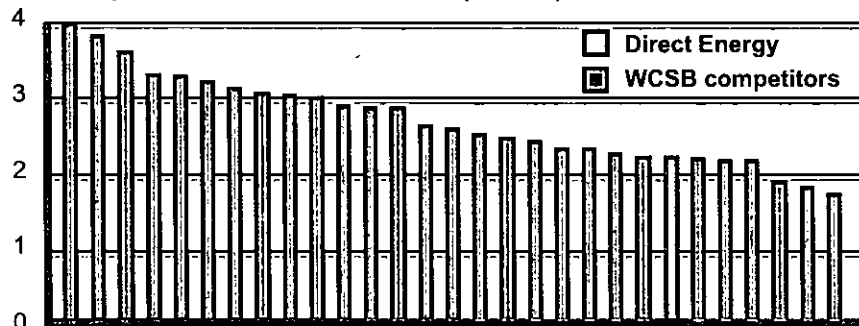
- One of largest in fragmented market
- Leveraging UK market experience and learning
 - energy/services linkage
 - smart metering/home energy management

DE Upstream gas: a strong base from which to build

DE upstream production (mmcf/d)



WCSB producer cash costs (\$/mcf)¹



¹Q3 2009 cash costs for WCSB producers >50% gas weighted

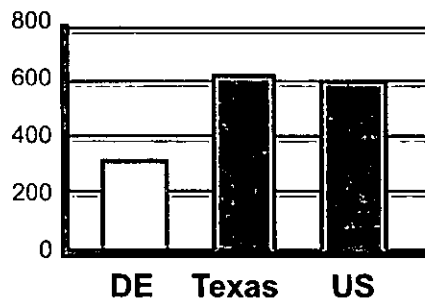
- Competitively positioned Western Canadian (WCSB) business
 - top quartile cost position
- Using flexibility to pace development in current commodity price environment
 - reducing costs
 - increasing reserves
- Focus on currently attractive opportunities to increase WCSB reserves
 - expand conventional production
 - explore Shale opportunities

DE Power generation: capabilities are foundation for growth

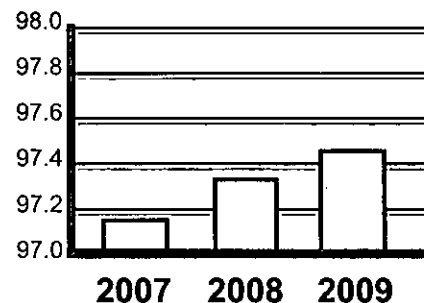
DE CCGT generation assets

Power Station	Start year	Capacity (MW)	Heat-rate (BTU/kWh)	Year acquired	Acquisition cost (US\$/kW)
Bastrop	2002	525	7,200	2004	265
Frontera	2000	450	7,200	2004	281
Paris	1990	240	8,300	2006	195

Generation carbon intensity (g/kWh)



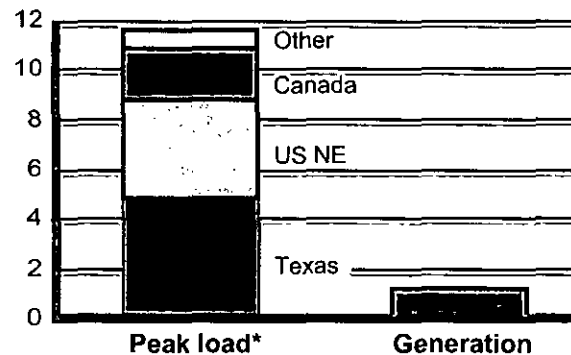
DE asset reliability (%)



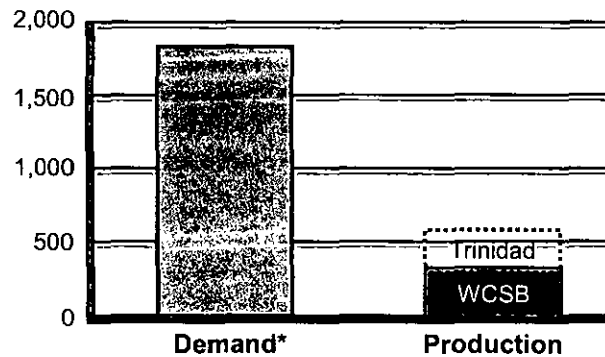
- Low current spark spreads but fundamentals strong
 - 2015 reserve margin forecast below minimum
- Well positioned portfolio
 - low heat-rate
 - low carbon intensity
- Leveraging Centrica generation experience and capabilities
 - disciplined acquisition track-record in NA
 - improved reliability

Potential to increase integration benefits

DE peak load and generation (MW)



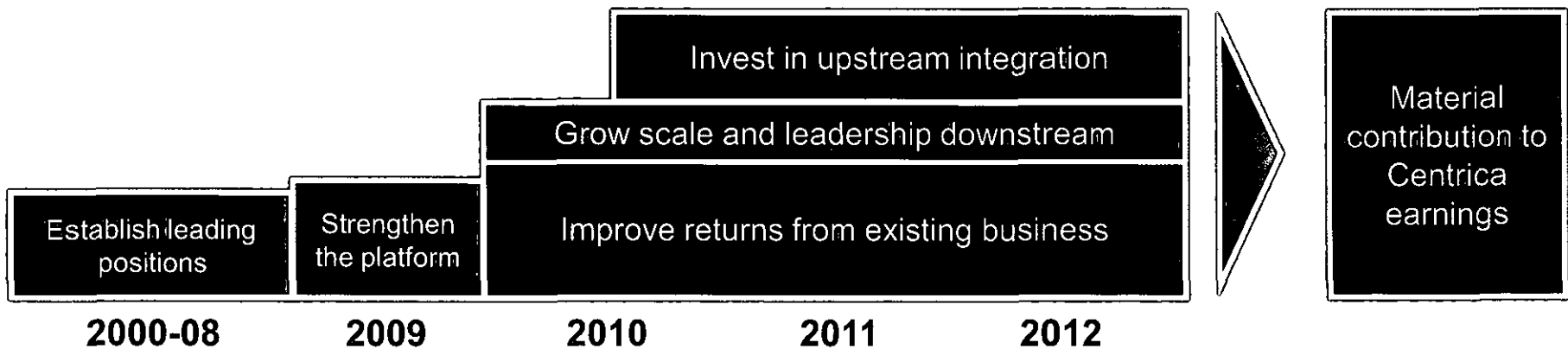
DE gas demand and production (mmth)



* Excludes regulated customers in Canada

- Currently asset cover of 10% of power load and 20% of gas demand
- Aim to better balance downstream and upstream positions moving towards 35-40% cover
 - offset downstream price and collateral exposure with appropriate asset cover
 - balance opportunity and financial capacity
- Targeting expansion of generation in key retail markets (Texas & US NE)
- Focussing upstream gas growth in WCSB
 - exploring Shale opportunities
- Investments will be value driven
 - will wait for right opportunities
 - competing for Group capital

We will build on the DE platform to create an integrated North American business



- **Improve returns** through improved efficiency, scale and customer service
- **Grow downstream** both organically and through acquisitions
- **Invest in integration**, moving toward 35-40% asset cover within confines of Group financial headroom and Group-wide competition for capital
- **Double the size of the business** over the next 3-5 years

Centrica: The next 3 to 5 years

UK Downstream

- Double the number of high value joint energy & services customers
- Lead the transition to low carbon (~2m Smart Meters, leading microgen installer in UK)
- Strong penetration of new markets e.g. local housing authorities
- Leading provider of energy efficiency services to the commercial sector
- Lowest cost service provider in the industry, clear leadership position with online offering

UK Upstream

- A sustainable gas business producing around 300bcf per annum
- Leading multi-asset, multi-product gas storage business in UK
- A renewables portfolio of ~1GW, with Lincs operational, Race Bank under development
- Subject to economics, FID on 1st new nuclear project, and construction begun

North America

- A strong retail energy business (No.1 or 2) in our core retail markets (residential and C&I)
- An enhanced services and energy efficiency capability for our retail customers
- A robust integrated model with 35-40% of our NA energy needs from our own sources
- North American operating profits doubling over the next five years

Strong earnings growth and superior financial returns

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**JOINT APPLICATION OF WEST PENN :
POWER COMPANY doing business as :
ALLEGHENY POWER, TRANS- :
ALLEGHENY INTERSTATE LINE :
COMPANY AND FIRSTENERGY CORP. : DOCKET NOS. A-2010-2176520
FOR A CERTIFICATE OF PUBLIC : A-2010-2176732
CONVENIENCE UNDER SECTION :
1102(A)(3) OF THE PUBLIC UTILITY CODE :
APPROVING A CHANGE OF CONTROL OF :
WEST PENN POWER COMPANY AND :
TRANS-ALLEGHENY INTERSTATE LINE :
COMPANY :**

PROTECTIVE ORDER

IT IS HEREBY ORDERED THAT:

1. This Protective Order is granted with respect to all materials identified in Ordering Paragraph Nos. 2 and 3, below, which are filed with the Commission, produced in discovery or otherwise presented during this proceeding. All persons now, and hereafter, granted access to the information identified in Ordering Paragraph Nos. 2 and 3 shall use and disclose such information only in accordance with this Order.

2. The information subject to this Order includes all correspondence, documents, data, studies, methodologies, and all other materials or information that any party or an affiliate of any party ("the producing party") furnishes in this proceeding pursuant to filing, discovery or evidentiary procedures, or otherwise may provide as a courtesy to other active parties in this proceeding, which are claimed to be of a security-sensitive, proprietary or other confidential nature and which are designated "CONFIDENTIAL INFORMATION." Confidential Information shall include, but is not limited to, information concerning electric service facilities, inspection or maintenance practices or policies that may be security-sensitive, proprietary or

otherwise confidential, and any other information that is either specified as confidential by its terms or pertains to business practices, operations or financial matters that are commercially sensitive or that is ordinarily considered and treated as confidential by the producing party.

3. Confidential Information shall be disclosed solely to the Commission, its Staff, counsel to the parties in this proceeding, parties' employees, officers and members (as applicable) who are directly responsible for reviewing, preparing or presenting evidence, cross-examination or argument in this proceeding and outside expert consultants retained by the parties' counsel for this proceeding. Confidential Information shall be specifically marked "CONFIDENTIAL INFORMATION" and shall consist of customer-specific information; contractual information not otherwise protected that specifies that its terms are confidential or that is confidential pursuant to an order entered in litigation in which the producing party is or was a party; and business operations or financial information that is commercially sensitive.

4. Where specific Confidential Information is highly sensitive, it shall be provided solely to other parties' counsel. Such highly sensitive information may be copied only for the limited purpose of review by a party's expert or consultant. Such specific prohibition from copying such Confidential Information shall be clearly designated on the face of the information. In such cases, the producing party shall permit other parties' counsel to take custody of such Confidential Information, provided that it shall not be copied, except as provided for in this Ordering Paragraph, and shall be returned or destroyed as provided for in Ordering Paragraph No. 10, below. The producing party may designate certain highly sensitive Confidential Information that may not be viewed by the employees of an inspecting party who are involved in competitive activities absent agreement of the producing party.

5. Confidential Information shall be made available to the Commission and its Staff for use in this and any related proceeding and for all internal Commission analyses, studies or investigations related to the same. For purposes of filing, to the extent that Confidential Information is placed in the Commission's report folders, testimony folders or other document folders, such information shall be separately bound, conspicuously marked, and accompanied by a copy of this Order. The Confidential Information shall be considered and treated as "confidential proprietary information" as defined in The Pennsylvania Right-to-Know Act, 65 P.S. §67.101 et seq. Public inspection of the Confidential Information shall be permitted only in accordance with this Protective Order.

6. Confidential Information shall be made available only as permitted by this Order and only for purposes of reviewing, preparing or presenting evidence, cross-examination or argument in this proceeding. No counsel, expert, employee, officer or member (as applicable) will be afforded access to Confidential Information until a signed acknowledgement of this Protective Order in the form attached to this Order, from each such individual, has been returned to the producing party. No other persons may have access to the Confidential Information, except as specifically authorized by further order of the Commission or the Administrative Law Judge. No person may be entitled to receive, or if afforded access to any Confidential Information shall possess, use or disclose Confidential Information for the purpose of business or competition or any purpose other than the preparation for, and conduct of, this proceeding or any administrative or judicial review thereof.

7. The producing parties shall designate data or documents as constituting or containing Confidential Information by affixing an appropriate stamp or typewritten designation on all such data or documents. Where only part of a compilation or multi-page document

constitutes or contains Confidential Information, the producing party, shall designate only the specific data or pages of documents, which constitute or contain Confidential Information. Upon request from another party, the producing party shall produce a redacted (public) version of any such partially confidential compilation or multi-page document within a reasonable period of time.

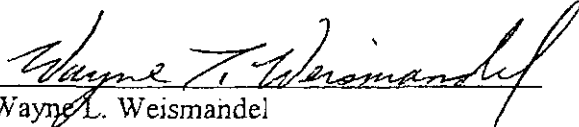
8. Any public reference to Confidential Information by the Commission or by counsel or persons afforded access thereto shall be to the title or exhibit reference in sufficient detail to permit persons with access to the Confidential Information to understand the reference fully and not more. Confidential Information shall remain a part of the record, to the extent admitted, for all purposes of administrative or judicial review. Part of any record of this proceeding containing Confidential Information, including but not limited to all exhibits, writings, direct testimony, cross-examination, argument, and responses to discovery, and including reference thereto as mentioned in the above Ordering Paragraphs, shall be sealed for all purposes, including administrative and judicial review, unless such Confidential Information is released from the restrictions of this Order, either through the agreement of the parties or pursuant to a further order of the Administrative Law Judge or the Commission.

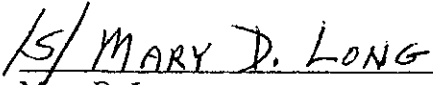
9. The parties affected by the terms of this Order shall retain the right to question or challenge the confidential nature of the Confidential Information; to question or challenge the admissibility of Confidential Information; to refuse or object to the production of Confidential Information on any proper ground, including but not limited to irrelevance, immateriality, or undue burden; and to seek additional measures of protection of Confidential Information beyond those provided in this Order. If a challenge is made to the designation of a document or information as Confidential Information, the party claiming that the information is proprietary or

otherwise confidential retains the burden of demonstrating that the designation is necessary and appropriate.

10. Upon completion of this proceeding, including any administrative or judicial review, all copies of all documents and other materials, including notes, whether written or oral, which contain any Confidential Information, shall be immediately returned to the party furnishing such Confidential Information or destroyed. This provision, however, shall not apply to the Commission or its Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, or any other party receiving the consent of the producing party; except, however, that highly sensitive Confidential Information provided to any party pursuant to Ordering Paragraph No. 4, above, shall be returned to the producing party or destroyed in all cases. In the event that a party elects to destroy all copies of documents and other materials containing Confidential Information instead of returning the copies to the producing party, that party shall certify in writing to the producing party that all copies of the documents and other materials containing Confidential Information have been destroyed.

Date: JUNE 29, 2010


Wayne L. Weismandel
Administrative Law Judge


Mary D. Long
Administrative Law Judge

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF WEST PENN :
POWER COMPANY doing business as :
ALLEGHENY POWER, TRANS- :
ALLEGHENY INTERSTATE LINE :
COMPANY AND FIRSTENERGY CORP. : **DOCKET NOS. A-2010-2176520**
FOR A CERTIFICATE OF PUBLIC : **A-2010-2176732**
CONVENIENCE UNDER SECTION :
1102(A)(3) OF THE PUBLIC UTILITY CODE :
APPROVING A CHANGE OF CONTROL OF :
WEST PENN POWER COMPANY AND :
TRANS-ALLEGHENY INTERSTATE LINE :
COMPANY :

TO WHOM IT MAY CONCERN;

The undersigned is the expert, counsel, employee, member or officer of
_____ (the retaining party).

The undersigned has read and understands the Protective Order issued in the above-captioned proceeding deals with the treatment of Confidential Information. The undersigned agrees to be bound by, and comply with, the terms and conditions of said Order. The undersigned agrees that any Confidential Information shall be used or disclosed only for purposes of preparation for, and conduct of the above-captioned proceeding, and any administrative or judicial review thereof, and shall not be disclosed or used for purposes of business or competition.

Signature

Print Name

Address

Date: _____

Employer

A-2010-2176520 & A-2010-2176732

JOINT APPLICATION OF WEST PENN POWER COMPANY d/b/a ALLEGHENY POWER, TRANS-ALLEGHENY INTERSTATE LINE COMPANY AND FIRSTENERGY CORPORATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE UNDER SECTION 1102(A)(3) OF THE PUBLIC UTILITY CODE APPROVING A CHANGE OF CONTROL OF WEST PENN POWER COMPANY AND TRANS-ALLEGHENY INTERSTATE LINE COMPANY

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RYAN, RUSSELL, OGDEN & SELTZER PC
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

OCT 01 2010

JOINT APPLICATION OF WEST PENN :
POWER COMPANY doing business as :
ALLEGHENY POWER, TRANS- :
ALLEGHENY INTERSTATE LINE :
COMPANY AND FIRSTENERGY CORP. :
FOR A CERTIFICATE OF PUBLIC :
CONVENIENCE UNDER SECTION :
1102(A)(3) OF THE PUBLIC UTILITY CODE :
APPROVING A CHANGE OF CONTROL OF :
WEST PENN POWER COMPANY AND :
TRANS-ALLEGHENY INTERSTATE LINE :
COMPANY :

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCKET NOS. A-2010-2176520
A-2010-2176732

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Motion on behalf of West Penn Power Company, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. to Strike the Supplemental Direct Testimony of Direct Energy Services, LLC** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

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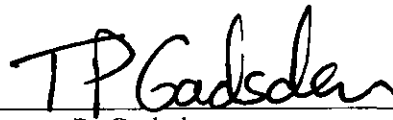
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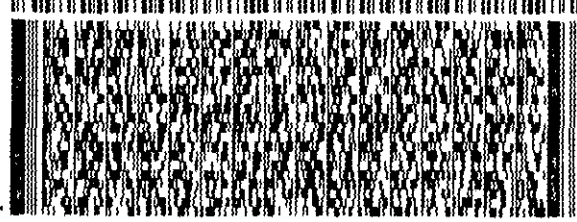
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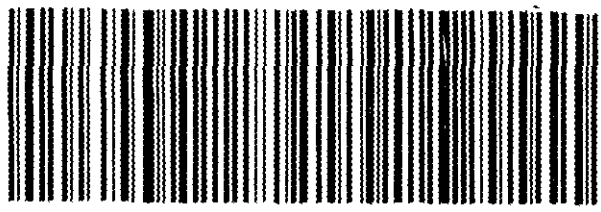
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