

RATE STABILIZATION PLAN

I. RATE AND TARIFF ISSUES

1. The terms and conditions of the Rate Stabilization Plan (the “Plan”) unless otherwise specified, shall remain in effect through the earlier of the termination of this Plan or December 31, 2008.
2. Notwithstanding an early termination of this Plan, the monthly residential customer charge credits of \$1.50 per month for Ohio Edison customers and \$5.00 per month for CEI and Toledo Edison customers shall continue to be in effect, provided that the credit shall be reflected as a reduction in the: (a) GTC charge effective January 1, 2004 through December 31, 2005 as set forth in Paragraph 12 of this Section, (b) RTC charge from January 1, 2006 through the period as set forth in Section II Paragraph 6, and (c) extended RTC charge thereafter as set forth in Section II Paragraph 8 through the period such extended charge is in effect by Company.
3. So long as either of the following types of changes are approved by the Commission, nothing in this Plan precludes any change that is:
 - (a) a change in rate design that is revenue neutral within a class or
 - (b) a new service offering.
4. Notwithstanding anything herein to the contrary, the Companies shall be permitted to assess and modify rates, charges and terms to customers in order to recover an amount no greater than the amount the Companies are required to pay, incur or collect in connection with:
 - (a) the universal service fund rider;
 - (b) the temporary energy efficiency rider;
 - (c) the state and local tax rider; and/or

- (d) other riders that are provided for specifically by the Ohio Revised Code, such as the right of way charge, or tariffs currently approved that specifically provide for cost based charges (such cost based tariffs are set forth in Attachment 1). Notwithstanding the above, the Companies' line extension tariffs shall be implemented pursuant to the Commission's Opinion and Order and Entry on Rehearing in Case No. 01-2708-EL-COI to the extent that the Opinion and Order is not subsequently revised and/or modified as the result of a decision of the Supreme Court of Ohio, in which case the Companies shall make those changes required as a result of that decision.

Any assessment or modification made pursuant to this Section shall be in accordance with the applicable law, regulation, order or tariff.

- 5. Using the year 2002 as a reference year for the costs identified in Paragraph 5(d) of this Section, the Companies may adjust the tariffed generation charge (for purposes of this Section, the tariffed generation charge shall equal unbundled "little g" as determined in Paragraph 1 of Section II plus any adjustments made pursuant to this Section) beginning January 1, 2006 and thereafter, only for actual costs incurred and if the Company satisfies the reasons identified in Paragraph 5(d) of this Section and the conditions contained in this Paragraph are met:
 - (a) Before the Company may implement any increase in the tariffed generation charge, such Company shall apply to the Commission, justify and receive approval from the Commission. After a hearing and upon sufficient justification, the Commission shall approve the increase.
 - (b) Each Company may increase the tariffed generation charge no more often than once every 12 months for changes under Paragraphs 5(d)(1) and (2) of this Section.
 - (c) The aggregate of the adjustments set forth in Paragraph 5(d)(1) of this Section for any 12-month period may be no greater than 15% of the tariffed generation charge in effect at the beginning of the 12-month period, provided that the annual percentage shall be

increased to the extent that the immediate prior year's 15% limit was not utilized. The amount in excess of the above limits, or any portion of the increase at the request of a Company, shall be deferred by the Companies for recovery through the extended RTC charge as set forth in Section II Paragraph 8, provided that the aggregate deferral of all of the Companies may be recovered by extending any Company's RTC charge, i.e., the Companies shall determine the allocation of any increased costs among the Companies.

- (d) The Companies may apply for an adjustment in the tariffed generation charge for costs incurred either directly, or indirectly through an affiliate or an affiliated purchased power arrangement, only if the adjustment results from any of the following events:
1. an increase in the cost of fuel, including the cost of emission allowances consumed, lime, stabilizers and other additives, and fuel disposal; nuclear security; and environmental costs, including the costs of capital during new construction. Nuclear security, fuel disposal and/or environmental cost increases may be recovered only if they are mandated by law, rule, regulation, or administrative or court order. For purposes of determining any additional revenues that could be recovered due to the changes noted above, all reductions in such costs will be used to reduce the additional revenue requirement. The cost of fuel for calendar year 2002 is set forth in Attachment 2.
 2. an increase in regulatory costs actually incurred on or after January 1, 2006 and mandated by law, rule, regulation or administrative or court order and not otherwise specifically addressed herein. For purposes of determining any additional revenues that could be recovered due to the regulatory cost changes noted above, all reductions in such costs will be used to reduce the additional revenue requirement.
 3. an increase in taxes. For purposes of determining any additional revenues that could be recovered due to the tax

changes noted above, all reductions in such costs will be used to reduce the additional revenue requirement.

- (e) The Companies will make changes in the affiliated contract for generation service to reflect the above provisions or any other change to make such contract consistent with the terms of this Plan, including the extension thereof.
 - (f) The tariff provisions containing any change in the tariffed generation imposed or provided for pursuant to this Section shall expire at the termination of this Plan.
6. Distribution electric rates and charges as unbundled in the ETP Filing in Pub. Util. Comm. Case No. 99-1212-EL-ETP for each of the Companies will continue to be frozen through December 31, 2007, except as otherwise provided in this Section and except for additional revenues necessary to recover the costs of complying with changes in laws, rules or regulations related to environmental (distribution-related), taxes, or in the event of an emergency under Section 4909.16 of the Revised Code, or for increased costs incurred to improve reliability of service, provided that any such reliability-related increases shall be deferred for recovery through the extended RTC charge as set forth in Section II Paragraph 8. For purposes of determining any additional revenues that could be recovered due to the changes noted above, all reductions in such costs will be used to reduce the additional revenue requirement.

This does not affect the right of any party or the Commission to take action to address questions pertaining to service quality or the adequacy of the service rendered by any of the Companies.

7. Beginning January 1, 2006, retail transmission, net congestion and ancillary service charges or rates may be adjusted to reflect applicable FERC-approved charges or rates. FERC-approved transmission, net congestion and ancillary service charges and rates include charges that the FERC imposes on the Companies directly or costs that the FERC imposes on the Companies indirectly through a FERC-approved regional transmission organization ("RTO"), including, but not limited to, RTO administrative charges imposed on the Companies, or surcharges for recovery of lost transmission revenues. However, in all cases, retail transmission, net congestion and ancillary service charges

and rates may be adjusted or imposed pursuant to this Paragraph only if the adjustment is reflected in or permitted by the applicable Company, affiliated company or RTO Open Access Tariff filed at the FERC.

8. Changes in charges under Paragraphs 3, 5 and 6 of this Section applicable to each tariff, rate structure and by class shall be determined by using the same methodology as used in the determination of current rates, but using updated billing determinants for such purposes.
9. New customers and all customers returning to a Company's generation service, except as set forth in Section II Paragraph 2(b), shall be entitled to receive service under this Plan as reflected in the Companies' respective tariffs, and the Commission's then current rules regarding minimum stay and notice shall apply. A customer's ability to receive service pursuant to this Plan shall not be used as grounds to negate liability on the part of any defaulting alternative generation supplier either to the customer or the Companies.
10. The Companies shall eliminate the continued availability of the following tariffs for customers not currently on such tariffs effective upon the approval of this Plan by the Commission: Ohio Edison's General Service Interruptible Electric Arc Furnace Rate 29; CEI's Process Heating Rate; and Toledo Edison's Optional Electric Process Heating and Electric Boiler Load Management GS-3, Original Sheet No. 48.
11. The transition rate credit program rider, as set forth in Attachment 3, for all of the Companies shall cease to be effective on a bills rendered basis as of January 1, 2004.
12. Effective with bills rendered as of January 1, 2004 and through bills rendered through December 31, 2005, the generation transition charge shall be reduced for residential customers by the full amount attributable to the 5% generation rate credit as determined in Case No. 99-1212-EL-ETP (as set forth in Paragraph 11 of this Section) and by the residential customer charge credits set forth in Paragraph 2 of this Section, as reflected in Attachment 4.

II. GENERATION CHARGES, RATE STABILIZATION CHARGE AND ACCOUNTING

1. The generation charge by tariff effective with bills rendered as of January 1, 2006 and usage through December 31, 2008, shall equal "little g" in effect as of December 31, 2005, without regard to the transition rate credit rider, plus any riders or charges implemented pursuant to Section I Paragraph 5.
2. Additionally all customers shall pay a rate stabilization charge ("RSC"), as described in this Section:
 - (a) The RSC, effective with bills rendered as of January 1, 2006, shall equal the charge previously attributable to the unbundled generation transition charge, not including the credits set forth in Section I Paragraph 12. Unless the Plan is terminated early, the RSC for each of the Companies shall continue to be effective through the last bills rendered reflecting 2008 usage.
 - (b) Commencing with usage as of January 1, 2006 and while this Plan is in effect through December 31, 2008, shopping customers for each Company shall receive a credit equal to their generation charge as defined in Paragraph 1 of this Section. In addition, if a government aggregator or a commercial/industrial customer enters into a three-year firm generation service electric contract(s), i.e., satisfying the capacity, energy, and transmission requirements associated with such customer load, with a credit worthy supplier for a binding term commencing January 1, 2006 through December 31, 2008, and sufficient evidence of such contract(s) is provided to the Company prior to December 31, 2004, the credit shall be increased to include 65% of the RSC in effect as of January 1, 2006 as to those customers. If for any reason any such customer returns to the Company for service during the term of such contract(s), except customers that elect to opt out of an aggregation program pursuant to Section 4928.20(D) O.R.C., the Company, notwithstanding any other provision hereof, will charge such returning customer for a period of six months the then current market price for electricity based upon the average of the highest purchased power costs incurred

by any affiliate of FirstEnergy to serve any of its customers during the applicable month. Following such six-month time period, the customer will receive service as set forth in Section I Paragraph 9. At the request of a customer, the Company, for billing purposes, will spread the excess charges from market purchases over 12 months without interest.

3. In exchange for the payment of the RSC and the other provisions hereof, the Companies shall:
 - (a) provide the price and rate discounts herein proposed;
 - (b) provide price certainty and supply assurances over an extended period of time;
 - (c) bear the risks, costs and assume the volatility associated with rate and price certainty during the period of this Plan; and serve as the provider of last resort for customers.
4. The RSC as determined in Section II Paragraph 2 of this Plan shall be deemed to be reasonable and shall, to the extent described in this Section, be a non-bypassable charge of the Companies through the termination date of this Plan or as otherwise specifically provided herein, i.e., on a service rendered basis.
5. For purposes of billing, the amount of the RSC shall either be identified on customer bills as the rate stabilization charge, or added to the generation charge. The Companies will work in good faith with the OCC and the Staff of the Commission to address bill formatting changes needed due to the provisions of this Plan. The Companies will not charge residential customers for any of the costs incurred in making these changes.
6. Notwithstanding any other agreement or order, the RTC charge for each of the Companies shall continue to be effective through the earlier of (a) the last bills rendered reflecting December 2007 usage for OE, December 2009 usage for CEI and December 2008 usage for TE, or (b) when Kwh distribution sales after January 1, 2004 reaches 88,610,797,000 Kwhs for OE, 115,418,352,000 Kwhs for CEI and 50,504,738,000 Kwhs for TE, provided that, effective with bills

rendered as of January 1, 2006, the RTC charge applicable to each class of customers by Company shall be reduced as set forth in Attachment 4 to reflect the residential credits identified in Section I Paragraph 12. The termination of this Plan shall not affect the recovery of regulatory transition costs, or the RTC charge to customers for the period set forth above.

7. Upon approval of this Plan, the Companies shall change the amortization schedules for regulatory transition costs, not including deferred shopping credit incentives and the other deferrals created by this Plan, so that all such costs will be fully amortized over the period from January 1, 2004 through the dates set forth in Paragraph 6 of this Section. Such amortization will reflect the use of the effective interest (mortgage style) amortization method, consistent with current practice but using the lower transition revenues as determined herein. The amortization schedule to be adopted effective January 1, 2004 is set forth on Attachment 5 and reflects full amortization of such regulatory transition costs.
8. Beginning with service rendered after the RTC charge is no longer effective as provided in Paragraph 6 of this Section, the RTC shall be extended by the Companies as set forth in Attachment 6 through the actual recovery period of the shopping credit incentive deferrals and other deferrals created pursuant to the Plan, but no later than through usage as of December 31, 2010. Upon the effective date of the extended RTC charge, the Company will commence amortization of shopping credit incentive deferrals and other deferrals created hereunder on a dollar for dollar basis as the corresponding revenue is received. The termination of this Plan shall not affect the recovery of these deferrals, or the extended RTC charge to customers as set forth above.
9. Effective January 1, 2004 through December 31, 2005, the Companies shall defer, as a shopping incentive deferral, the amount by which little "g" for shopping customers determined as of December 31, 2003, not including the transition rate credit set forth in Section I Paragraph 11, is less than the market support price used in determining such customer's shopping credit. Such additional shopping credit incentive deferrals shall be recovered through the extended RTC charge as set forth in Paragraph 8 of this section.

10. Upon approval of the Plan, the Companies will begin to accrue and defer interest upon the balances resulting from the shopping credit incentive deferrals, including those established in Paragraph 9 of this Section, and any deferrals under Section I Paragraphs 5(c) and 6, through full recovery of such deferred costs. The interest rate shall be the overall cost of long term debt for each Company. The interest accrued pursuant to this provision will be recovered in the same manner as the shopping credit incentive deferrals.

III. ENERGY EFFICIENCY AND ECONOMIC DEVELOPMENT

1. The Companies will continue to support energy efficiency improvements by making available annually commencing January 1, 2006 through December 31, 2008, unless terminated early pursuant to Section V or Section VI hereof, grants of \$500,000 per year by each of Ohio Edison and CEI, and \$250,000 per year by Toledo Edison. The methods for distribution and administration of these programs as currently in effect shall be continued.
2. Commencing January 1, 2006 through December 31, 2008 unless terminated early pursuant to Section V or Section VI hereof, the Companies will make available for economic development activities throughout their respective service territories up to \$5 million during the term of this Plan. Of this amount, Ohio Edison and CEI will each make available up to \$2 million in any calendar year, and Toledo Edison will make available up to \$1 million in any calendar year. The funds will be made available for projects that expand or upgrade customer facilities, or that increase jobs at the customer's facility(ies) in the Company's service territory.

IV. COMPETITIVE BIDDING PROCESS

1. No more often than annually, the Commission shall undertake or cause the Companies to undertake a competitive bid for generation service for the totality of the load within the respective service areas of the Companies. Such bid process must be sufficient to meet the supply requirements for all customer classes of all of the Companies, including customers served under special contracts and by alternative suppliers,

except for contracts that meet the requirements set forth in Section II Paragraph 2(b), shall be for a calendar year of service and shall be measured against the generation charge set forth in Section II Paragraph 1. The bidding process shall cover a period commencing at least 12 months after the Commission's determination as to whether or not to accept the results of such bidding process. The Commission may elect not to cause a competitive bid to be undertaken for good cause shown given the then existing market conditions.

2. The competitive bidding process shall be established within six months of the approval of this Plan through the cooperative efforts of the Companies, the Staff, the OCC and other interested parties that do not oppose the adoption of this Plan, or as directed by the Commission. The process shall be similar to that used in New Jersey. If no agreement can be reached on the competitive bid process within the six-month timeframe identified herein, any of such parties may, at the expiration of the six-month timeframe, petition the Commission immediately to determine the competitive bid process. The Companies agree that the Staff and the OCC shall have access to all auction information and results.
3. Unless the Commission rejects the results of the competitive bidding process, the Commission shall hold a hearing to determine whether it is in the best interest of all of the Companies' customers to accept the results of such bidding process giving consideration to the fact that such acceptance would cause the termination of this Plan pursuant to Section V. Any such successful bidding process must be sufficient to meet the supply requirements for all customer classes of all of the Companies, including customers served under special contracts and by alternative suppliers, except for contracts that meet the requirements set forth in Section II Paragraph 2(b).
4. If the Commission rejects the results of the competitive bid, or elects not to require a competitive bid, and if at least 20% of the customers by class of a Company (for these purposes the classes include residential and commercial/industrial combined) based upon kilowatt hour sales as determined in Case No. 99-1212-EL-ETP have not selected an alternative supplier at that time, then the applicable Company shall make available market support generation for such class up to the amount required to be made available to the applicable class by such

Company as set forth in Case No. 99-1212-EL-ETP, but not greater than the amount needed to attain 20% shopping for such class. The Company may make changes in the structure or implementation of the market support generation process to accommodate changes in RTO requirements, if necessary. The price for such market support generation shall be determined by multiplying the generation charge set forth in Section II Paragraph 1 for such customers times 0.85, provided that in no event shall the price be lower than 1.50¢/Kwh for any customer. Such market support generation shall be available during the period this Plan is in effect.

V. EARLY TERMINATION

1. This Plan will remain in force until December 31, 2008, unless the Commission terminates the Plan early for all of the Companies under the terms that follow, or under Section VI.
2. The Commission may decide to terminate this Plan, upon its own motion or upon the request of any petitioner, early for all of the Companies collectively, effective as of any January 1, but not sooner than as of January 1, 2006, if it determines for any reason, after a hearing, that early termination is appropriate.
3. Acceptance of the results of the competitive bidding process pursuant to Section IV hereof shall terminate this Plan effective upon the date that the Companies' customers commence to receive service pursuant to the successful competitive bid process and shall be considered an early termination of this Plan.
4. Termination of this Plan shall not occur sooner than 12 months after the Commission's decision to terminate the Plan under this Section or Section IV.

VI. TERMINATION BY THE COMPANY

1. The Companies may terminate the Plan, effective as of any January 1, at any time during the term hereof by providing written notice to the Commission, if any generating units currently owned by any of the

Companies, and which in the aggregate exceed 250 MWs, are permanently shut down, retired or abandoned as a result of environmental requirements, including a decision by the Companies not to install or make environmental additions or changes at any such facility.

VII. COMPLIANCE WITH CHAPTER 4928 O.R.C.

1. For the duration of this Plan, the Companies' compliance with the provisions of this Stipulation shall constitute full compliance with Section 4928.14(A) and (B) O.R.C. and shall constitute state action.
2. The deadline for achieving structural separation pursuant to Section 4928.17(C), O.R.C., and under the Companies' interim corporate separation plan as approved in Case No. 99-1212-EL-ETP, will be extended for good cause until 12 months after the termination of this Plan, unless otherwise extended further by the Commission, or until December 31, 2008, whichever is earlier. The Companies' interim corporate separation plan will continue to comply with the functional separation requirements of Rule 4901:1-20-16, O.A.C., and is consistent with the policies expressed in Section 4928.02 O.R.C.

VIII. OTHER MATTERS

1. The Companies acknowledge and agree that issues related to this Plan may arise during the term hereof. In such an event, the Companies agree that, upon request, they will meet to discuss any such issue and work in good faith to resolve the same before a formal legal or administrative process is initiated.
2. The Companies agree that they will not challenge the jurisdiction of the Public Utilities Commission of Ohio to determine disputes (including whether the Companies have complied with the terms of the Plan) arising under the terms of this Plan.
3. Each Company shall, within a reasonable time (but no longer than 90 days) after approval by the Commission of this Plan in a final order, file amended tariffs consistent with this Plan. The Companies shall provide

to the Staff, the OCC and any non-opposing party that so requests, copies of the amended tariffs it plans to file to comply with this Plan 20 days in advance of such filing.

4. Any waivers of provisions of Commission Orders and/or approved stipulations or Commission rules that are necessary in order to implement the terms and conditions of this Plan will be granted and the terms of this Plan shall control.
5. The provisions of this Plan shall be effective, unless otherwise specified, upon approval by the Commission, and shall terminate as provided for herein. Nothing in this Plan affects the duration of the Companies' market development period, which shall end on December 31, 2005.
6. The Companies, upon approval of this Plan and effective as of the date upon which this Plan becomes final, i.e., no longer subject to appeal or after any such appeal is final, waive the right to reduce the market support generation price and the shopping credits, as provided in Case No. 99-1212-EL-ETP, and further the right to extend the RTC recovery period to reflect changes in sales due to economic or other conditions as provided in such Case, provided that the shopping credits effective during calendar year 2004 shall remain in effect, and not be increased, during calendar year 2005.
7. If the Commission rejects, or upon rehearing, or any court of competent jurisdiction, including on appeal, rejects, all or any part of the Plan, or otherwise modifies any of its terms, the Companies shall thereafter have the right to withdraw and terminate this Plan by giving written notice to the Commission within 30 days of the final order or decision.
8. This Plan does not affect the termination dates for special contracts as such dates would have been determined under Case No. 99-1212-EL-ETP, but in no event shall such contracts terminate later than December 31, 2008.