

A Utility Perspective on Coal Utilization and West Virginia's Electric Infrastructure

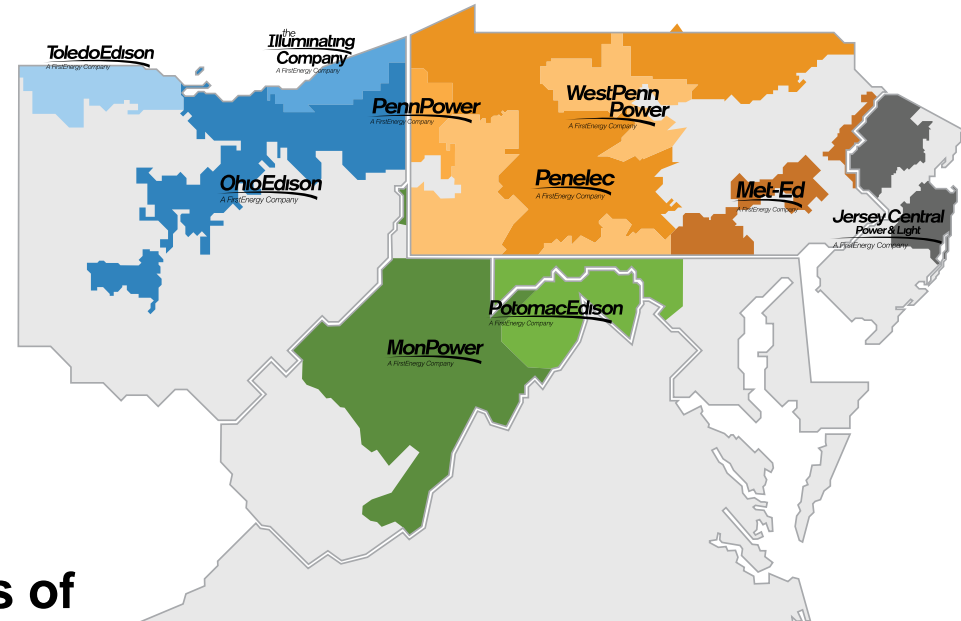
James R. Haney
VP, Compliance and
Regulated Services

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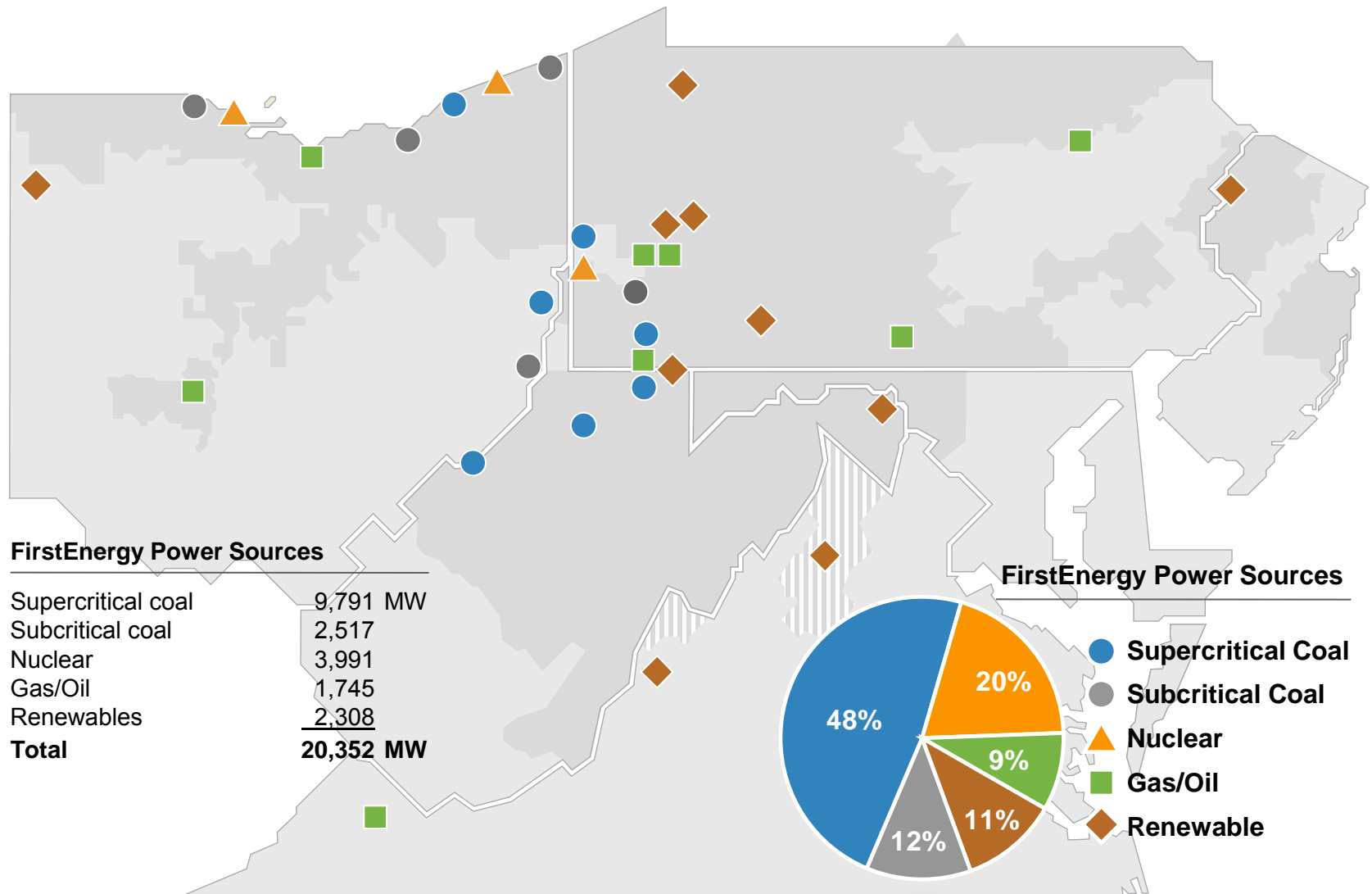


About FirstEnergy (FE)

- Headquartered in Akron, Ohio
- One of the largest investor-owned electric systems in the U.S. based on six million customers served
- Nearly \$47 billion in assets
- \$16 billion in annual revenues
- Approximately 20,300 megawatts of generating capacity
- 10 electric utility operating companies in six states
- 65,000-square-mile service territory
- 20,000 miles of high-voltage transmission lines and approximately 281,000 miles of distribution lines

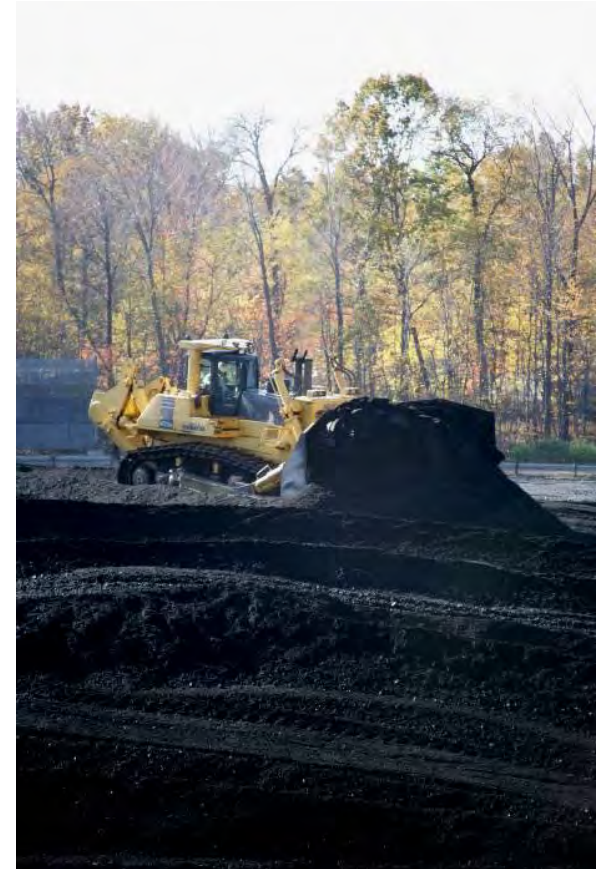


FirstEnergy Diverse Generating Sources



Coal in WV

- **Contains more than 500 mines**
- **Provides more than 63,000 direct and contract jobs**
- **Pays \$3.4 billion in annual payroll and hundreds of million dollars to state and local governments in taxes and contributions**
- **Accounts for one-third of the nation's total energy production**
- **Source of 40-50 percent of the electricity generated nation wide**
- **Accounts for 90 percent of America's fossil energy reserves**



Source: WV Coal Association 2011 Coal Facts with adjustments

Industry Challenges

■ Environmental Regulatory Issues

- Hazardous Air Pollutants Regulations (MATs)
- Cooling Water Intake Regulations (Clean Water Act §316(b))
- CAIR Replacement Rule
- Coal Combustion Residue Regulations
- Revised Wastewater Effluent Guidelines
- National Ambient Air Quality Standards (NAAQS)
- Greenhouse Gas Regulation (NSPS)

■ Shale Gas

- Advanced drilling methods
- Hydraulic Fracturing
- Abundant supplies
- Sold at historic lows during 2012

■ Price of natural gas largely sets wholesale electricity prices

■ Wind PTC

■ Energy Policies (up for discussion)

- Clean Energy Standard
- Carbon Tax

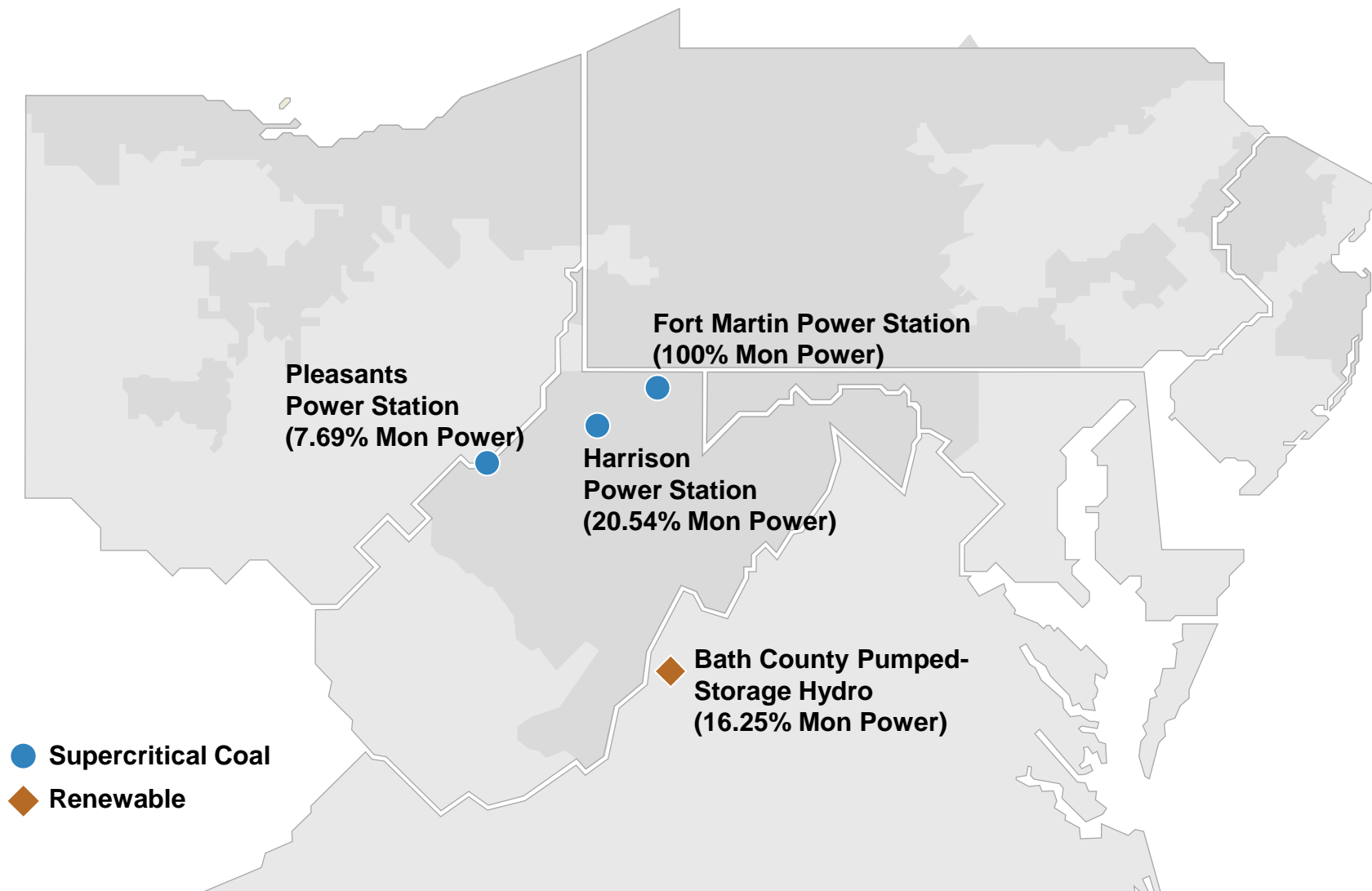


FirstEnergy Coal Use



- **33 million total tons of coal purchased by FE annually**
- **16 million tons purchased from WV mines annually**
 - \$850 million
- **4.5 million tons used by Mon Power annually**

Mon Power Regulated Generating Sources



Need for Additional Capacity

- **Mon Power's expected capacity shortfall is 938 MW in 2013**
- **Shortfall will increase to over 1,400 MW by 2026, representing approximately 40% of Mon Power's projected capacity needs**
- **In its 2012 Resource Plan, Mon Power identified cost effective ways of meeting the Company's projected needs**



Proposed Generation Transaction

- **Mon Power will purchase AE Supply's interest in Harrison Power Station**

- Transaction will make Harrison 100% owned by Mon Power
- Harrison generates 1,984 MW of electricity
- Plant uses more than five million tons of coal annually



- **Mon Power will sell its interest in the Pleasants Facility to AE Supply**

- Transaction will make Pleasants 100% owned by AE Supply
- Pleasants generates 1,300 MW of electricity
- Plant uses more than 3 tons of coal annually

Cost Analysis

- **The proposed transaction is the most economic alternative to reliably serve Mon Power's long term requirements**

Alternative Type		Levelized Cost per MWh
Repurpose Subcritical	Albright Switch to Biomass	\$268
	Albright Switch to Gas	\$164
	Gas Combined Cycle at Albright Site	\$112
Construct New Plant	New Coal	\$107
	New Nuclear	\$153
	New Gas Combined Cycle	\$115
Purchase Existing Generation	Harrison Acquisition	\$74

Benefits

- **Capacity and energy self sufficiency**
- **Stabilize retail rates**
- **Provides continued support of West Virginia coal industry**
- **Simplifies and centralizes control and ownership of Harrison**
- **Proven and reliable super-critical asset**
- **Located in the heart of the Mon Power/PE WV territory**



Questions & Answers