

# **Mark to Market Calculation for the FirstEnergy Ohio Utilities' Master Percentage of Income Payment Plan (PIPP) Supply Agreement**

## **Introduction**

This document summarizes the mark-to-market (MtM) calculation in support of the credit requirements for the FirstEnergy Ohio Utilities' PIPP Supply Agreement for the Period from June 1, 2016 through May 31, 2017 ("PIPP Supply Agreement").

The FirstEnergy Ohio Utilities include Cleveland Electric Illuminating Company, The Toledo Edison Company and The Ohio Edison Company ("Companies") as counterparties to the PIPP Supply Agreement.

## **MtM Exposure Amount Calculation Information Update**

Table 1 contains the marks for each month under the PIPP Supply Agreement. Monthly marks are provided for June 2016 through May 2017. Where publicly-available market quotes are available, a market quote will be used for each Billing Month. For any month for which a market quote is not available, the Companies will use a proprietary method that reflects forward market conditions for that Billing Month.

The "Mark for each Billing Month" is the mark that is available by 10:00 am prevailing Eastern Time on the date that the Solicitation (i.e., the RFP) closes and will not change over the life of the contract. After the close of the RFP process, Forward Market Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM Exposure Amount will be adjusted as needed to reflect the most current estimates by the Companies.

Over the course of the contract, Forward Market Prices will be compared to the Mark for each Billing Month starting from the PIPP Supply Agreement's Effective Date, as applicable, to determine the MtM exposure.

As indicated in Appendix C-2, on the day the Solicitation closes, parameters also will be set for:

- The monthly on-peak load per tranche for each rate class (Table 2)
- The monthly off-peak load per tranche for each rate class (Table 2)
- The ratio between historical off-peak and on-peak energy prices (Table 3)

The values posted in Table 1, Table 2 and Table 3 are those that the Companies intend to use for Appendix C-2 of the PIPP Supply Agreement adjusted accordingly to the time period of the PIPP Agreement signed.

## **Table 1**

### **Initial Marks for PIPP Supply Agreement**

The initial marks are the forward prices that are available on the day the auction closes. The following table displays the Initial Marks set on May 2, 2016.

Table 1	
Initial Marks (\$/MWh)	
June-16	\$34.01
July-16	\$44.25
August-16	\$39.63
September-16	\$32.81
October-16	\$31.95
November-16	\$32.99
December-16	\$35.71
January-17	\$46.40
February-17	\$44.72
March-17	\$37.39
April-17	\$34.36
May-17	\$35.28

## Table 2 Monthly Loads per Tranche

The monthly on-peak and off-peak loads per tranche are used when calculating the MtM. These loads are based on most current estimates and are subject to change by the Companies.

<b>Table 2</b>		
<b>Monthly Loads Per Tranche (MWh)</b>		
<b>Month/Year</b>	<b>On-peak</b>	<b>Off-peak</b>
Jun-16	79,320	64,517
Jul-16	83,528	82,070
Aug-16	86,866	67,136
Sep-16	63,188	58,201
Oct-16	62,182	64,039
Nov-16	71,269	71,577
Dec-16	92,226	99,162
Jan-17	94,006	100,350
Feb-17	89,501	86,441
Mar-17	84,487	76,292
Apr-17	60,258	64,995
May-17	65,049	61,846

## Table 3 Ratio of Off-Peak to On-Peak Prices

The AD Hub monthly ratio of off-peak to on-peak prices used in calculating the MtM are provided in Table 3.

<b>Table 3</b>	
<b>AD Hub Ratio of Off-Peak to On-Peak Prices</b>	
January	0.71
February	0.88
March	0.85
April	0.79
May	0.60
June	0.63
July	0.60
August	0.64
September	0.67
October	0.72
November	0.68
December	0.70