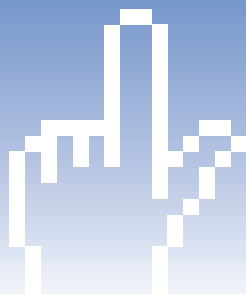


## WHO IS FIRSTENERGY SOLUTIONS?

*FirstEnergy Solutions is a subsidiary of FirstEnergy Corp., the nation's fourth-largest investor-owned electric utility which produces more than \$12 billion in revenues and sells 124 billion kilowatt-hours of electricity annually. As part of a company with more than 200 years of combined experience in the electric and natural gas industries, FirstEnergy Solutions is comprised of energy professionals who can offer a solution specific to your business. FirstEnergy Solutions and its affiliates provide a wide range of energy and energy-related products and services, including the generation and sale of electricity; exploration and production of oil and natural gas; transmission and marketing of natural gas; mechanical and electrical contracting and construction; energy management; and telecommunications.*



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# STRANDED COST

## UNCERTAINTY IN MICHIGAN

**Since last year, Michigan customers had the opportunity to choose** an energy supplier. Approximately 7% of Detroit Edison (DTE) customers have switched to an alternative supplier. The outcome of DTE's recent filing with the Michigan Public Service Commission (MPSC) could significantly impact this percentage.

Detroit Edison filed for recovery of stranded costs charges this year, claiming \$149 million in stranded costs through 2003. In addition to stranded costs, DTE will also be able to file for a rate increase to recover the implementation costs of deregulation. Implementation costs are separate from stranded costs. Although DTE's filings may occur this year, any rate changes will not take place until after the rate freeze is lifted, sometime after the beginning of 2004. However, it is unclear at this time if implementation costs would be charged to all customers or just those who switch suppliers.

The MPSC is expected to rule on the case this Spring.

*Source: Energy Michigan, 12/18/02*

*With the possibility of future rate increases, it is more important than ever for customers to shop for electric supply offers and offset any negative impact to their energy budget. Now may be the time to take advantage of savings in this market.*

*FirstEnergy Solutions is a licensed supplier in Michigan and is currently offering competitive pricing to customers in selected rate classes in the Detroit Edison (DTE) territory. FirstEnergy Solutions, an asset-backed company, is part of FirstEnergy Corp., which recently added 300 MW of new generation in Michigan to its existing 12,000 MW fleet.*

# UTILITY AUCTION IN NEW JERSEY

The New Jersey Board of Public Utilities (BPU) approved a joint utility program to auction, beginning February 3, Basic Generation Service (BGS) for all New Jersey electric distribution company customers. BGS is generation service provided by the utility to their customers who are not served by an alternative supplier. The purpose of the auction was to provide “basic generation service” to customers and encompassed the majority of the state since only 1.3% of New Jersey electric users are buying competitively.

The auction included the state’s four investor-owned utilities: Conectiv Power Delivery of Pleasantville, NJ; Jersey Central Power & Light of Morristown, NJ, a subsidiary of FirstEnergy; Public Service Electric & Gas of Newark, NJ; and Rockland Electric of Saddle River, NJ.

The utilities participated in a similar auction last year where 15 suppliers bought approximately 17,000 MW. Contracts resulting from that sale expire on July 31, 2003.

The auction didn’t repeat the previous one. Approved changes, issued by the BPU, reflected changes aimed at stabilizing wholesale prices and stimulating shopping, first for the larger users and downstream for smaller users. The single auction block for each utility was replaced by two auctions – an hourly energy price auction for large users and a fixed-price auction for smaller users.

Commercial and industrial customers were categorized by their energy usage. The largest users had their tariff replaced by an hourly energy price. The medium-to-smaller users continued to have a fixed price, at least in the near term – but at the auction price. The new price could either be higher or lower than their current price.

Source: *MegawattDaily*, 11/8/02

*The auction could create some difficult decisions for customers, especially those on hourly rates. Customers on hourly rates will have a different rate each hour – volatility that they are unaccustomed to and which could be costly.*

*FirstEnergy Solutions offers solutions to those customers facing the risk of market prices – a fixed price alternative or a hybrid of fixed price and floating price. With additional services available, such as energy management, FirstEnergy Solutions can also help customers with an overall energy strategy.*

# TOP 5 Reasons to Buy COMMODITY FROM FES

1. We offer a proven process for purchasing your energy, managing its use and maximizing your efficiency. And we have the power to manage your energy needs – from strategy development to end use.
2. We are a full-service, asset-backed energy company – not just a broker or trader. We have a successful track record in the energy business, serving many Fortune 500 companies.
3. We have expertise in not only the generation and sale of electricity, but also in natural gas, mechanical and electrical contracting and construction, consulting and energy management.
4. You can free up valuable resources - both people and money - by relying on our experience and knowledge to help you manage your energy needs. This allows you to remain focused on your core business.
5. We have experience in deregulated markets and understand the rules, requirements, and changes that are part of electric deregulation. Most companies cannot bring this depth of knowledge to you.

LOOK FOR REASONS 6-10 IN OUR NEXT ISSUE.

## Trends

### GAS

**Natural gas spot and future prices have registered large gains this winter as cold temperatures blanketed much of the United States. Strong heating demand drove spot prices well over \$6 throughout much of the country. At the NYMEX, futures prices traded near two-year highs as declining storage levels have increased supply concerns. Large weekly net withdrawals of gas in storage have brought inventories to nearly 16% below the 5-year average for this time of year.**

### ELECTRICITY

**On February 4, next day power is trading at \$48 in Cinergy and about \$56 for early indication in PJM. Other short-term prices are scattered a bit this morning but balance-of-the-month is currently at about \$42 for Cinergy reflecting the market’s view that the cold weather will not be sustainable through the entire month of February. Longer term prices are stable as well as the forward markets remain quiet with low turnover. Summer Cinergy (Jul-Aug), for example, is currently \$47 and PJM is \$61.50 for the same period.**