



Duquesne Light

Nuclear Construction Division
Robinson Plaza, Building 2, Suite 210
Pittsburgh, PA 15205

2NRC-2-045

(412) 787-5141
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December 15, 1982

United States Nuclear Regulatory Commission
Washington, D.C. 20555

ATTENTION: Mr. Harold D. Denton
Office of Nuclear Reactor Regulation

SUBJECT: BEAVER VALLEY POWER STATION - UNIT NO. 2
INFORMATION FOR ANTITRUST REVIEW FOR OPERATING LICENSE
DOCKET NO. 50-412

Gentlemen:

Duquesne Light Company, acting on its own behalf and as agent for Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, is filing herewith three signed original copies along with twenty copies of "Information for Antitrust Review for Operating License" for the Beaver Valley Power Station - Unit No. 2 as referenced in Generic Letter 82-14 entitled "Submittal of Documents to the Nuclear Regulatory Commission".

This submittal addresses the questions in U.S. NRC Regulatory Guide 9.3 as applicable to the above-named companies and for the period since the completion of the antitrust review at the Construction Permit Stage.

DUQUESNE LIGHT COMPANY

BY: E. J. Woolever
E. J. Woolever
Vice President

LMG/rmc
Enclosures

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**BEAVER VALLEY
POWER STATION-UNIT 2**

**INFORMATION FOR
ANTITRUST REVIEW
OF OPERATING LICENSE
APPLICATION**



Duquesne Light

DUQUESNE LIGHT COMPANY

Nuclear Regulatory Commission
(10CFR Part 50)
Licensing of Production and Utilization Facilities

BEAVER VALLEY UNIT NO. 2

Information Needed by the Nuclear Regulatory Commission for Antitrust
Review of Operating License Applications for Nuclear Power Plants
as detailed in Regulatory Guide 9.3

Response of Duquesne Light Company to Regulatory Guide 9.3.

B. Information Needed by the NRC Staff in Connection with Its Antitrust Review of Operating License Applications for Nuclear Power Plants.

Item 1.a. - Anticipated Excess or Shortage in Generating Capacity Resources Not Expected at the Construction Permit Stage.

During 1972, application for a construction permit was made for Beaver Valley Unit No. 2. Following were the OPEC oil embargo, as well as a period of economic uncertainty which still continues. This economic uncertainty, coupled with unexpected energy conservation, resulted in lower growth in electric peak loads and energy consumption than forecasted in the early and middle seventies. Ensuing forecasts of peak loads and energy consumption were revised downward, and starting in the middle seventies, the CAPCO Companies (Duquesne Light Company, The Cleveland Electric Illuminating Company, Ohio Edison Company, Pennsylvania Power Company, and The Toledo Edison Company) made several reviews and revisions of the construction schedules for future CAPCO generating capacity.

In January 1980, the latest revision in the CAPCO construction schedule was made. The CAPCO Companies decided to cancel four planned nuclear generating units (Davis-Besse Units Nos. 2 and 3 and Erie Units Nos. 1 and 2) and delay completion of Beaver Valley Unit No. 2 and Perry Units Nos. 1 and 2 for 12 to 36 months. Growing political and regulatory uncertainties affecting the future of nuclear power resulting from the Three Mile Island accident, financial constraints and reduced need for future capacity were the primary reasons for the decision.

Additionally, as will be discussed in Item 1.b, in September 1980, the CAPCO Companies agreed to a termination of certain agreements, including the Memorandum of Understanding, that resulted in the discontinuation of joint planning among the CAPCO Companies with respect to future generating capacity.

The projected capability changes for Duquesne Light Company, hereafter referred to as Duquesne, for the period 1981 through 1990 are shown in Table 1. The total generating capacity at the end of 1981 was 3,202 MW NDC (net demonstrated capability - winter rating). The major capability changes projected for Duquesne are: the decommissioning of the Shippingport Atomic Plant during 1982 for a reduction of 48 MW NDC; and the completion of Perry Unit No. 1 during 1984, Beaver Valley Unit No. 2 during 1986 and Perry Unit No. 2 during 1988, for increases in NDC of 165 MW, 114 MW and 165 MW, respectively. The resulting total NDC capability for Duquesne at the end of 1988 is 3,589 MW. Duquesne has not committed to any generating capacity additions beyond 1988.

Changes in Duquesne generating capacity have been made since the antitrust review at the construction permit stage. One of these changes was the reordering of the sequence for completion of the three nuclear units now under construction; from Beaver Valley Unit No. 2 followed by Perry Units Nos. 1 and 2, to the present order, Perry Unit No. 1, Beaver Valley Unit No. 2 and Perry Unit No. 2. Another change was the construction of a third 800 MW class coal unit at the Mansfield Power Plant located near the Beaver Valley Plant. Also, reratings of most generating units were made in early 1980 based on newly adopted ECAR (East Central Area Reliability Coordination Agreement) generating unit rating criteria. The final change was the shut-down of Shippingport Atomic Plant by the U. S. Department of Energy on

October 1, 1982 for decommissioning. The total generating capacity for the Duquesne system now projected at cut-in of Beaver Valley No. 2 in 1986 is eight megawatts lower than that projected in the early seventies for a 1978 cut-in. The peak load now forecasted at cut-in of Beaver Valley Unit No. 2 in 1986 is ten megawatts lower than that projected in the early seventies for a 1978 cut-in.

In light of the above discussion, the analysis of the anticipated excess or shortage in generating capacity resources for Duquesne will be based on the current outlook on forecasted load growth and on projected capability changes.

The latest annual peak load and energy forecasts for Duquesne are shown in Table 2 for the period 1982 through 1992. The peak load is projected to occur each year during the month of July. The actual 1981 system peak load was 2,522 MW and the actual annual energy for load was 14,324 million KWH. The system peak load is forecasted to grow to 2,870 MW by 1988 with the annual net energy for load to be 16,960 million KWH.

The projected installed capacity for supplying the forecasted system peak loads is also shown on Table 2. Even though the installed capacity exceeds the peak load by a given amount, on a probability basis, a deficiency in generating capacity can occur at any time during the year due to random unit-forced outages occurring. The deficiencies can be in varying amounts, from one MW up to as much as 1000 MW, and will cause a dependence on outside generating capacity resources. An estimate of such dependence on outside resources in days per year is shown in Table 2 for the Duquesne system. This

projected dependence on outside resources varies from a minimum of 17.7 days in 1989, the year after Perry Unit No. 2 will be commercial, to a maximum of 30.5 days in 1986, the year that Beaver Valley Unit No. 2 will be commercial. Also shown in Table 2 is the estimated maximum amount of purchased power required periodically to reduce this dependence on outside resources to 0.1 and 1.0 day per year levels. The purchases required to reduce the dependence on outside resources to either a 0.1 or a 1.0 day per year level is generally in the range of 800 MW and 500 MW, respectively. Duquesne expects that purchases will be available over the interconnections in the amounts required when needed so that major load curtailment will not be necessary.

Comparison between the forecasted system summer and winter peak loads and the projected installed generating capacity during these periods is made in Table 1. Also shown in Table 1 is the projected installed capacity reserve on peak, both in MW and percent. After 1981, the largest reserve on summer peak is projected at 625 MW or 21.8% of the forecasted summer peak load for 1988, the same year that Perry Unit No. 2 will be commercial. The smallest reserve on summer peak is projected at 465 MW or 17.7% of the forecast summer peak load for 1983, one year prior to commercial operation of Perry Unit No. 1.

Item 1.b. - New Power Pools or Coordinating Groups or Changes in Structure, Activities, Policies, Practices or Membership of Power Pools or Coordinating Groups, in which the licensee was, is or will be a Participant.

In January 1980, fundamental changes in the CAPCO arrangements were made which affected both the capacity planning and operating procedures.

Joint capacity planning and commitments for jointly owned generating units as has been practiced in the past implies an ability on the part of each Party to finance and provide its share of capital funds associated with a joint construction program. Prior to 1979 each of the CAPCO Parties, at one time or another, experienced considerable difficulty in financing on a reasonable basis its portion of the total requirements so that program adjustments were necessary as an accommodation.

In the latter part of 1979 and early 1980, the financing problem became more critical requiring further substantial adjustments, including cancellation of four units, in the generating capacity program. To minimize the problem in the future the CAPCO Companies agreed in January 1980 to abandon the "one system" concept applicable to future capacity planning and authorization of additional generating units, so that each Party is now responsible for establishing its own level of reserve, as well as to determine its own generating capacity program beyond those jointly owned generating units now under construction. Future joint construction would be possible through negotiations between two or more Parties, but not under the CAPCO concepts.

Consistent with the above described changes, changes in the Operating Agreement were made. Since each Party would now determine its own level of reserve generating capacity, the previous capacity adjustments among the Parties associated with the CAPCO Buy/Sells were eliminated as no longer appropriate. This previous arrangement entitled each Party to utilize as required the full amount of emergency capacity and energy available within the Pool, and further provided that such capacity would be made available at no capacity charge with the energy being banked. Here again, allowing each Party to

establish its own level of reserve made this prior arrangement inequitable. As a result, the obligation to supply emergency capacity and energy was modified and the banking of energy was eliminated.

The revised Operating Agreement provides two forms of emergency capacity and energy identified collectively as CAPCO Back-Up Power. The first, identified as CAPCO Unit Back-Up Power, provides that in the event of the forced or scheduled outage of any CAPCO jointly owned generating unit in commercial operation, each Party agrees to provide or shall have the right to receive, as the case may be, CAPCO Unit Back-Up Power, in the amount equal to the difference between such Party's ownership share in the CAPCO unit out of service and a value determined by multiplying the capability of the CAPCO unit out of service by the percentage ownership share of such Party of all of the CAPCO jointly owned generating units in commercial operation.

The second, identified as CAPCO System Back-Up Power, provides that in the event any Party, after giving effect to CAPCO Unit Back-Up Power, requires additional capacity, such Party shall be entitled to receive CAPCO System Back-Up Power up to 100 MW from each of the other CAPCO Parties. This feature was reviewed on August 1, 1982 and subsequently canceled by mutual agreement of all Parties.

Item 1.c.(1) - Changes in Transmission With Respect to the Beaver Valley Plant.

Since the completion of the antitrust review at the construction permit stage for Beaver Valley Unit No. 2, a decision has been made to make two changes to the transmission arrangements in the area of the Beaver Valley and Mansfield

Power Plants. These transmission rearrangements will be required with the cut in of Beaver Valley Unit No. 2 in 1986 as the fifth unit in the Beaver Valley-Mansfield complex, as opposed to being the fourth and last unit as proposed at the time of the antitrust review at the construction permit stage.

The Beaver Valley Power Station is operated by Duquesne Light Company. The Mansfield Power Station is operated by Pennsylvania Power Company, a wholly-owned subsidiary of Ohio Edison Company. These two power plants are interconnected by the Beaver Valley-Mansfield 345 kV circuit, having a length of less than two miles. The existing Mansfield-Hanna 345 kV transmission circuit, which extends from the Mansfield Power Station to Beaver Valley where it crosses the Ohio River and continues onward to the Hanna Substation of Ohio Edison Company, will be cut and looped into the 345 kV substation at Beaver Valley. This rearrangement will create both a Beaver Valley-Hanna and a second Beaver Valley-Mansfield 345 kV circuit. The direct connection between the Mansfield Power Plant and the Hanna Substation will be eliminated.

The filing for the construction permit only indicated a Beaver Valley-Hanna 345 kV circuit addition. The need for a second Beaver Valley-Mansfield 345 kV circuit was indicated during load flow testing for contingency conditions, and was primarily due to the fact that the third 800 MW Mansfield unit had been added in the area.

The second change to the transmission arrangements will be the installation of a 345 kV transmission circuit between Beaver Valley Power Station and the Crescent Substation of Duquesne, a distance of approximately 15.8 miles.

The need for a Beaver Valley-Crescent 345 kV circuit surfaced during stability testing at both Beaver Valley and Mansfield Plants. Without the Beaver Valley-Crescent 345 kV circuit, instability could occur either at Beaver Valley or at Mansfield for certain fault conditions that required second zone clearing times at either plant. With the addition of the circuit, stability can be maintained.

The transmission arrangement in the Beaver Valley-Mansfield generating complex is shown in Figure 1, as it will be at the cut-in of Beaver Valley Unit No. 2 in 1986.

Item 1.c.(2) - Changes in Transmission With Respect to Interconnections

Detailed in Item 1.c.(1) above is the rearrangement that will create a Beaver Valley-Hanna and the second Beaver Valley-Mansfield 345 kV circuit. These two circuits will provide new interconnections between Duquesne and Ohio Edison Company and between Duquesne and Pennsylvania Power Company, respectively.

Item 1.c.(3) - Changes in Transmission With Respect to Connections to
Wholesale Customers

At the time of the antitrust review at the construction permit stage, Pitcairn Borough was receiving emergency service from a 23 kV subtransmission circuit via pole-mounted transformers. Monthly peak loads were in the range of 500 kW to 700 kW. This emergency service was required due to failure of portions of Pitcairn's generating capacity. During 1973 a permanent service

at 23 kV was furnished from the 23 kV subtransmission system. During 1981, monthly peak loads were in the range of 1,600 kW to 2,300 kW.

Item 1.d. - Changes in Ownership or Contractual Allocation of the Output of
the Nuclear Facility

At the time of the antitrust review at the construction permit stage, division of ownership in the Beaver Valley Unit No. 2 among the CAPCO Parties had not been decided. Only a preliminary allocation of capacity had been made. Shortly thereafter, ownership allocations among the Parties were determined. During 1978, however, there was an adjustment in ownership allocation between the Ohio Edison Company and its wholly-owned subsidiary, the Pennsylvania Power Company, with the parent company assuming ownership of its subsidiary's share. The initial and final allocation of ownership on a percentage basis are tabulated below.

Division of Ownership in
Beaver Valley Unit No. 2 (%)

	<u>Initial</u>	<u>Final</u>
CEI	24.47	24.47
DL	13.74	13.74
OE	35.60	41.88
PP	6.28	---
TE	19.91	19.91

The reason for this change in ownership between Ohio Edison Company and Pennsylvania Power Company is listed in the Ohio Edison Company response to Item 1.d.

Item 1.e. - Changes in Design, Provisions or Conditions of Rate Schedules
and Reasons for Such Changes

Duquesne Light Company provides service to municipalities for resale at retail under Rate Schedule F.P.C. No. 11. Currently, Duquesne serves only the Borough of Pitcairn under this rate schedule. Supplement No. 2 to Rate Schedule F.P.C. No. 11, which was in effect until August 19, 1978, consisted of a set of stepped demand and energy charges. The capacity charge consisted of 3 steps and the energy charge consisted of 2 steps. Effective August 19, 1978 the rate design was revised by Supplement No. 5 to Rate Schedule No. 11 to incorporate a monthly customer charge, a flat capacity charge consisting of a fixed charge per kilowatt for all kilowatts of demand, and a flat energy charge consisting of a fixed charge per kilowatt-hour for all kilowatt-hours of energy. This change in the design of the rate was made in order to more accurately reflect the cost of providing service to this rate schedule. The formula used in the calculation of the "Fuel Cost Adjustment Clause" was revised effective January 1, 1976. This revision was made in order to comply with the fuel clause requirements of a Federal Power Commission Order dated November 13, 1974.

Supplement No. 7 to Rate Schedule No. 11, a copy of which is included after the tables, increased the customer charge and the capacity charge. The objectives of the design of the changed rate were to reflect costs and to provide a return comparable to the system return. The energy price is now a single energy charge in the rate, and was adjusted due to the increase in the base of the fuel adjustment clause. A substantial portion of the increased

energy cost was covered by the Fuel Cost Adjustment Clause. The minimum charge provision was revised by increasing the cost per kilowatt to more nearly reflect current costs.

Item 1.f.(1) - List of All New Wholesale Customers

Duquesne Light Company has acquired no new wholesale customers.

Item 1.f.(2) - Transfers from One Rate Schedule to Another.

Duquesne Light Company has had no transfers from one F.P.C. rate schedule to another.

Item 1.f.(3) - Changes in Licensees Service Areas.

Duquesne Light Company has had no change in its service area.

Item 1.f.(4) - Licensees, Acquisition or Mergers.

Duquesne Light Company has not participated in any acquisition or merger.

Item 1.g. - Generating Capacity Additions Committed for Operation After the Nuclear Facility including Ownership Rights or Power Output Allocations.

Duquesne Light Company has not authorized any generating capacity additions beyond Perry Unit No. 1 in 1984, Beaver Valley Unit No. 2 in 1986, and Perry Unit No. 2 in 1988. See Table 1.

Item 1.h. - Summary of Requests or Indications of Interest by Other Electric Power Wholesale or Retail Distributors and Licensee's Response for any Type of Electric Service or Cooperative Venture or Study.

By letter, dated December 29, 1978, Attorneys Robert A. Jablon and David R. Strauss gave notice to the CAPCO Companies, including Duquesne Light Company, of a general intent of the wholesale customers of Ohio Edison Company and the Ohio municipal customers of The Toledo Edison Company to obtain access to the Davis-Besse and Perry Units. By letter dated January 16, 1979, Duquesne responded and asked Attorney Jablon when he wanted to meet. By letter dated March 26, 1979, Attorneys Jablon and Strauss wrote to the CAPCO Companies, including Duquesne, and asked them to suggest a date and site for a meeting. By letter to Attorney Jablon dated April 18, 1979, Duquesne suggested that the parties meet in Pittsburgh and requested that Attorney Jablon send an agenda in advance. To date, Duquesne has received no response to its April 18, 1979 letter and no specific meeting date has been requested or scheduled by Attorneys Jablon and Strauss.

In a letter to Duquesne, dated April 30, 1979, Joseph V. Santangelo of the Borough of Ellwood City expressed an interest in buying power from Duquesne. In a letter, dated May 14, 1979, Duquesne responded that it did not have an appropriate tariff of general application for sale of electricity to a municipality for resale, but was prepared to meet in Pittsburgh to discuss the request at a mutually convenient time. To date, neither Mr. Santangelo nor any official of the Borough of Ellwood City has responded to Duquesne's May 14, 1979 invitation.

Item 2 - List and Discuss Those Actions or Policies Which Have Been Implemented in Accordance With Construction Permit Conditions Pertaining to Antitrust Aspects.

There are no antitrust license conditions attached to Beaver Valley Unit No. 2 construction permit. With respect to Davis Besse Unit No. 1 and Perry Units No. 1 and 2, antitrust license conditions are attached to their respective construction permits. It is the policy of Duquesne Light Company to comply with all license conditions. See Item 1.h. above.

DUQUESNE LIGHT COMPANY GENERATING CAPACITY PROGRAM 1981-1991

Based on 1981 Load Forecast Dated 10-26-81

No.	DLCo. Generating Changes Year/Description	July MW Change	Summer Capacity, Load and Reserves ¹				January MW Change	Winter Capacity, Load and Reserves ²			
			July Capacity MW	Summer Load MW	Available Reserves			January Capacity MW	Winter Load MW	Available Reserves	
					MW	%			MW	%	
	1981 as of 12-31-81		3,118	2,522	596	23.6		3,202 ³			
1	1982 Cheswick Rerate (570)	+ 16	3,133	2,600	533	20.5	+ 15	3,217 ⁴	2,205 ⁴	1,012 ⁴	45.9 ⁴
1	Eastlake Derate (summer)	- 1									
10	Shippingport Shutdown						- 48	3,169	2,280	889	39.0
	Net Change	+ 15									
	1983 Shippingport Shutdown	- 48	3,085	2,620	465	17.7		3,169	2,265	904	39.9
5	1984 Perry #1 1205/165	+161	3,246	2,665	581	21.8	+165	3,334	2,340	994	42.5
1	1985 No Generation Changes		3,246	2,765	481	17.4		3,334	2,425	909	37.5
5	1986 Beaver Valley #2 833/114	+112	3,358	2,790	568	20.4	+114 - 24 ⁵	3,448 3,424	2,425	999	41.2
1	1987 Eastlake #5 Derate	- 24	3,334	2,835	499	17.6		3,424	2,445	979	40.0
5	1988 Perry #2 1205/165	+161	3,495	2,870	625	21.8	+165	3,589	2,480	1,109	44.7
	1989 No Generation Changes		3,495	2,905	590	20.3	+ 24 ⁶	3,613	2,485	1,128	45.4
1	1990 Eastlake #5 Rerate	+ 24	3,519	2,925	594	20.3		3,613	2,500	1,113	44.5

1. Based on DL lowest total NSC Summer value (June, July and August) occurring in July; summer peak load could occur in June, July or August. Summer 1981 based on actual data.
2. Based on DL January NSC; Winter peak load could occur in November or December of a given year or in January of the following year; assumed to be January.
3. January NDC of July capacity value listed.
4. January, 1982 values.
5. Eastlake 5 derate effective 1-1-87. No seasonal.
6. Eastlake 5 rerate effective 1-1-90.

System Planning Department
Bulk Power Section
November 5, 1982

DUQUESNE LIGHT COMPANY

PROJECTED CAPACITY PROGRAM AND RESERVE ANALYSIS
1982-1992
DEPENDENCE ON OUTSIDE RESOURCES

Year	Annual Net Energy for Load Millions of KWH	System Peak Load (July-MW)	Installed Capacity (July-MW)	Installed Capacity Reserve on Peak		Dependence on Outside Resources in Days*	Maximum MW Purchase Required to Reduce the Dependence on Outside Resources to**	
				MW	%		0.1 Day	1.0 Day
1982	15,080	2600	3133	533	20.5	18.8	750	480
1983	15,380	2620	3085	465	17.7	29.7	845	580
1984	15,570	2665	3246	581	21.8	19.9	775	500
1985	16,240	2765	3246	481	17.4	22.9	825	535
1986	16,590	2790	3358	568	20.4	30.5	865	590
1987	16,770	2835	3334	499	17.6	22.5	820	530
1988	16,960	2870	3495	625	21.8	18.6	775	495
1989	17,200	2905	3495	590	20.3	17.7	775	485
1990	17,270	2925	3519	594	20.3	17.7	775	485
1991	17,500	2970	3519	549	18.5	21.4	815	525
1992	17,720	3010	3519	509	16.9	24.9	850	560

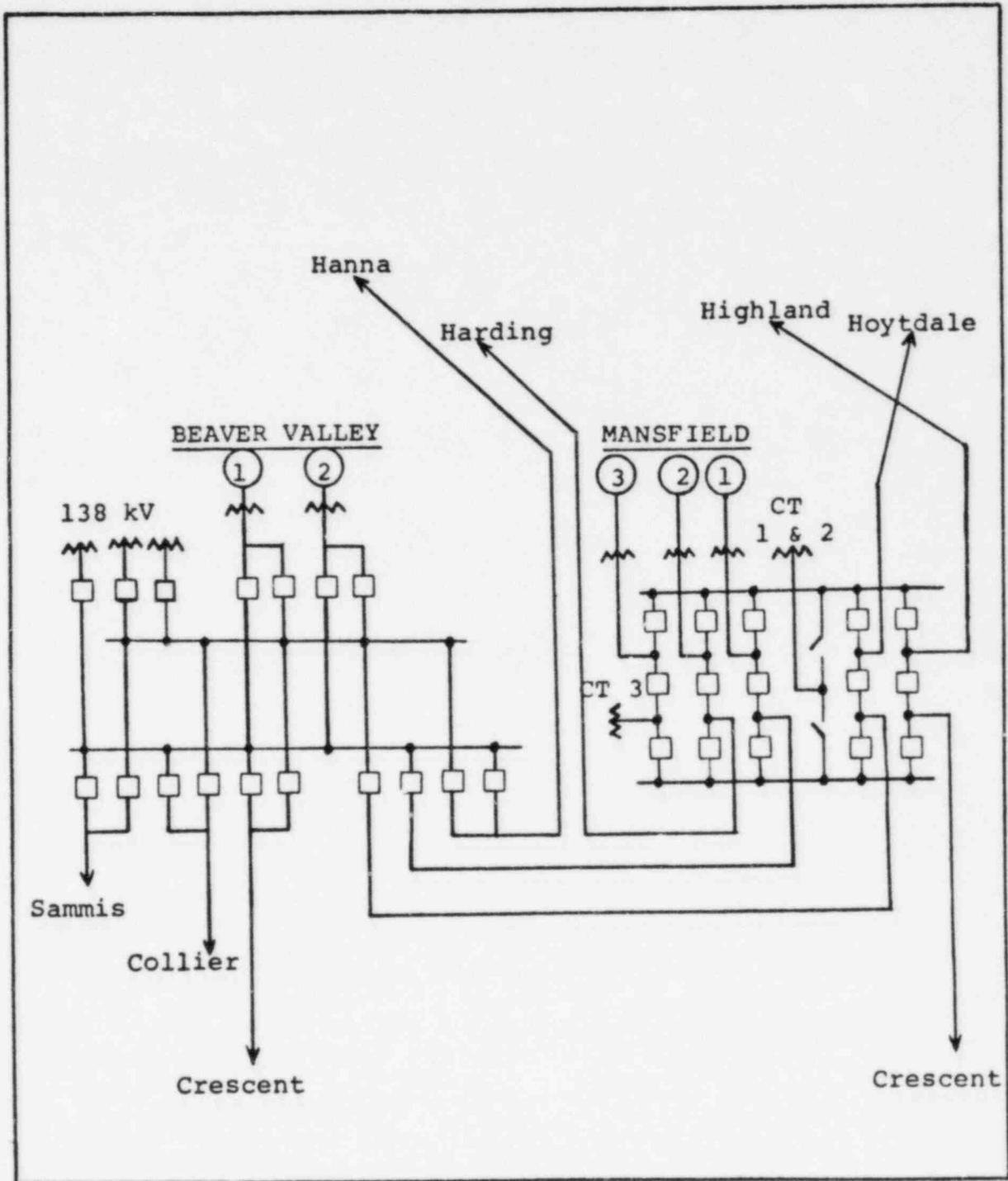
*Average number of days per year the system would be deficient in capacity to supply load without any outside purchases.

**Estimated maximum amount of purchased power required periodically to reduce the dependence on outside resources to the level indicated.

Capacity Additions

Unit	Present Schedule	DL N.D.C. (MW)
Perry 1 (1205 MW)	5-1-84	165
BV 2 (833 MW)	5-1-86	114
Perry 2 (1205 MW)	5-1-88	165

BEAVER VALLEY-MANSFIELD
GENERATING COMPLEX
345 KV SWITCHING DIAGRAM



TERMS AND CHARGES
MUNICIPAL RESALE SERVICE
FOR PITCAIRN

AVAILABILITY

Available to serve the municipality of Pitcairn purchasing electric service from the Company subject to the terms and conditions herein.

Service: 60 Hertz, Alternating Current, Unregulated, for use other than parallel operation.

1. Monthly Rate

Customer Charge ----- \$ 120.00

Capacity Charge

All kilowatts of Demand ----- \$ 8.86 per kilowatt

Energy Charge

All kilowatt-hours ----- 1.95¢ per kilowatt-hour

Minimum Charge

The minimum charge shall be \$2.99 per kilowatt of the Billing Demand.

Fuel Cost Adjustment

Bills rendered under this schedule are subject to the Fuel Cost Adjustment Clause included in this Tariff.

2. Untransformed Service

Where Pitcairn takes all of its electric service directly from the Company's available transmission system, and furnishes all necessary equipment to take untransformed service, a monthly reduction based upon the Billing Demand of such service shall be allowed as follows:

First 50 kilowatts at 20 cents per kilowatt.
Next 550 kilowatts at 13 cents per kilowatt.
Excess over 600 kilowatts at 7 cents per kilowatt.

3. Prompt Payment Discount

The above rate states net prices. Standard bills will show the net amount and a gross amount 1% greater than the net amount. Upon payment of the bill within 30 days from the mailing date a prompt payment discount equal to the difference between the gross and net amounts will be allowed. After expiration of 30 days from the mailing date, interest will accrue on the unpaid gross amounts at the monthly rate of 1/2 of one percent.

4. Determination of Billing Demand

Individual Demand will be the average kilowatts during the fifteen-minute period of greatest kilowatt-hour use during the month. Individual demands will be adjusted for power factor by multiplying by

$0.8 + (0.6 \frac{\text{Reactive Kilovolt-ampere hours}}{\text{Kilowatt-hours}})$, where such multiplier will

be not less than 1.00 nor more than 2.00.

The Billing Demand will not be less than 60% of the highest individual Demand of the last 11 months nor less than 60% of the Contract Demand whichever is greater.

Billing Demand is referred to in the Monthly Rate as Demand.

Fuel Cost Adjustment Clause

Duquesne Light Company Rate Schedule FPC No. 11 - Supplement No. 7

On and after April 1, 1981, a fuel cost adjustment shall be applied to each bill for service rendered to a customer on and after April 1, 1981 as determined by multiplying (a) the number of kilowatt-hours consumed by the customer during the period for which the bill is rendered, by (b) the fuel cost adjustment, rounded to the nearest thousandth of a cent, determined as hereafter prescribed.

The fuel cost adjustment shall be determined each billing month according to the formula:

$$A = \left(\frac{F_c}{S_c} - \frac{F_b}{S_b} \right) \times 0.97 \times \frac{1}{1-T}$$

in which the symbols have meanings as follows:

A is the fuel cost adjustment to be applied upon bills rendered during a billing month.

F is the sum of (a) cost of fossil fuel from Account 151 and the cost of nuclear fuel from Account 518 consumed by the Company, or for its account, (b) the actual identifiable fossil and nuclear fuel costs associated with energy purchased, (c) the net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis, less (d) the cost of fossil and nuclear fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis in the current (c) and base (b) periods. The "F_c" factor is the cost for the second calendar month preceding the billing month.

S is the number of kilowatt-hours sold in the current (c) and base (b) periods, excluding inter-system sales. The "S_c" factor is the kilowatt-hour sales for the second calendar month preceding the billing month.

$\frac{F_b}{S_b}$ is the base fuel cost of 1.3793 cents per kilowatt-hour.

T is the Pennsylvania gross receipts tax rate in effect during the billing month, expressed as a decimal.

The 0.97 applied in the formula is an adjustment for losses to the delivery voltage level.

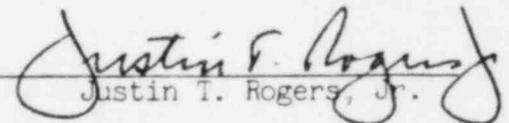
This Fuel Cost Adjustment Clause supersedes the provision providing for adjustments in the cost of fuel contained in Duquesne Light Company Rate Schedule FPC No. 11 - Supplement No. 3.

Application for
Operating License for
Beaver Valley Power Station, Unit 2
INFORMATION REQUESTED BY THE NUCLEAR REGULATORY
COMMISSION IN CONNECTION WITH ITS ANTITRUST REVIEW
ANSWERS OF OHIO EDISON COMPANY

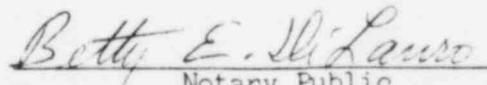
A F F I D A V I T

State of Ohio)
) SS:
County of Summit)

On December 13, 1982, before me, a Notary Public in and for the State and County aforesaid, personally appeared Justin T. Rogers, Jr., who, after being duly sworn according to law, deposed and said that he is President of Ohio Edison Company, an Ohio corporation; that in such capacity he is authorized to make this Affidavit; and that the within Answers of Ohio Edison Company to the Information Requested by the Nuclear Regulatory Commission in connection with its Antitrust Review are true and correct to the best of his knowledge, information and belief.


Justin T. Rogers, Jr.

Sworn to and subscribed before me the day and year
aforesaid.


Notary Public

BETTY E. MCLAWRENCE
Notary Public, State of Ohio
State Seal of Notary Public
My Commission Expires Aug. 15, 1983

OHIO EDISON COMPANY

Nuclear Regulatory Commission
(10CFR Part 50)
Licensing of Production and Utilization Facilities

BEAVER VALLEY POWER STATION

UNIT 2

Information Needed by the Nuclear Regulatory Com-
mission for Antitrust Review of Operating License
Applications for Nuclear Power Plants as detailed
in Regulatory Guide 9.3

RESPONSE OF OHIO EDISON COMPANY

Item 1.a.

- 1) Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed, or otherwise utilized or how the shortage will be obtained.

For purposes of this response, Ohio Edison System, which includes its subsidiary Pennsylvania Power Company, has interpreted an "excess or shortage" in generating capacity resources to mean any anticipated difference between total capability and peak load requirements. When this difference is an excess, usually referred to as reserves, it provides for unforeseen capacity resource outages, planned outages of capacity resources and other deratings. The reserve therefore permits supplying peak load requirements in a reliable manner. All information and calculations which follow are premised upon this definition.

RESULTS

Information regarding the Ohio Edison System's capability, peak load and margin forecasts is summarized in Tables 1 through 5. Tables 1 and 2 present current 1982 estimates of these for the summer and winter periods, respectively, for the years 1982-1986. The estimates anticipate the completion of Beaver Valley Unit 2 in 1986. Tables 3 and 4 present corresponding construction stage 1972 forecasts for the summer and winter periods, respectively, for the years 1972-1978. In these projections, Beaver Valley Unit 2 completion was scheduled for 1978. For each year projected, total capability was determined to exceed anticipated load requirements, thereby resulting in reserves.

Table 5 represents a comparison between the current forecast and the forecast made at the construction permit stage. The comparison contrasts load, capability, and margin data for the years in which the unit was scheduled to commence operation. Since current load projections are lower than those formerly made, the current peak load forecast for 1986 is lower than the 1972 load projection for 1978. On the other hand, the change in the Beaver Valley Unit 2 in-service date from 1978 to 1986 precipitated a change in the in-service date of other generating units. Hence, additional generating capacity is included in the current Ohio Edison System capability forecast for 1986 as compared to the 1972 capability estimate made for 1978. As a result of these two factors, there is a net increase in projected reserve capacity for the year of completion. As Table 5 indicates, the margin of reserves currently forecast for 1986 represents an increase over the margin forecast in 1972 for 1978 of 1045 MW at the time of projected summer peak load and 1022 MW at the time of projected winter peak load.

REASONS FOR CHANGE IN EXCESS CAPACITY (RESERVES)

Prior to 1973, times were relatively untroubled and uncomplicated in the electric industry. Sales and peak demand had been going up rapidly and consistently. One could, up to that time, lay a ruler along a trend line of growth and produce an accurate prediction of future growth.

In mid-1973, however, this situation began to change significantly. The Arab Oil Embargo of late 1973 and early 1974 forced America to face fuel shortages for the first time in many years. Public attitudes

REASONS FOR CHANGE IN EXCESS CAPACITY (RESERVES) - (Cont.)

began to shift toward conservation, and government policy reflected an ever increasing desire to reduce dependency upon outside resources.

The result for Ohio Edison was erratic short term load growth which ultimately developed into lower long term growth. Higher inflation rates accompanied this, limiting construction funds which were already stretched by inflation. Since 1974, five schedule revisions of generating capacity entailing individual unit delays of up to 97 months, and in total averaging almost 6 years, were made.

On January 22, 1980, increased uncertainty about nuclear viability, topped off by the adverse effects of Three Mile Island, combined with financial difficulties, resulted in a decision of the CAPCO Companies to terminate their last 4 nuclear units (Davis-Besse 2 and 3 and Erie 1 and 2). In order to further improve its financial position, Ohio Edison System agreed to reallocate 80 MW of its ownership in each of the Perry units to CEI. As part of the agreement, Ohio Edison System will purchase 80 MW of power from CEI for an 18-month period following the in-service date of Perry 1.

Further capacity reductions resulted from the recent rerating of all generating units within the Ohio Edison System. The reratings represent the testing of units under more stringent conditions, as established by the East Central Area Reliability Council (ECAR) within the past year. Although Ohio Edison's participation in this program was voluntary, the Company adopted its use in an effort to standardize capability ratings with other utilities and in the belief that the new ratings better reflect the actual capacity to be expected from a given unit.

Although CAPCO has extensively reduced its capacity, including the termination of 4 units representing approximately 4200 MW, its reserve margin has increased. This is attributable to the substantial reduction in projected load growth which has declined at a rate outpacing the capacity reductions.

USE OF RESERVES

Ohio Edison capacity in excess of peak load requirements is to be utilized as capacity reserves for the Ohio Edison System.

The need for adequate reserves in capacity planning has long been established. Because electricity cannot be stored in quantities needed for power supply purposes, supply and demand must be in continuous balance, instant by instant. This, in turn, requires that generating facilities must be in place and must be in operation in anticipation of the load to be served.

Physical limitations on the generating equipment also require reserves. Generating units must be taken out of service periodically for lengthy periods to undergo positive preventative maintenance and overhaul. Nuclear-fueled units require down time for refueling. All units are subject to total or partial outages and/or derating due to such factors as equipment failure, normal wear, and seasonal variation in ambient air and water conditions.

When a deficiency in capacity persists for a long period, considerable problems are likely to occur. Inevitably, a deficiency degrades reliability with insidious and subtle consequences long before customer service is actually curtailed. The deficiency would tend to interfere with scheduled preventive maintenance. If preventive maintenance cannot be performed, forced outages and capacity curtailments will increase.

In addition to being used as capacity reserves, some of the Ohio Edison capacity in excess of peak load requirements might be utilized for power sales to other utilities. Such sales would take place only to the extent that Ohio Edison would maintain adequate system reliability. The extent of any power sales would also of course depend on the needs of other utilities to purchase power. Power purchases by other utilities might be made to replace power generated using high cost imported oil, or to replace power plants which were cancelled or damaged. Because of a current absence of long-term power sales agreements, it is impossible to project at this time the amount of power sales, if any, which will be made from the Ohio Edison System on or after the completion of Beaver Valley Unit 2.

Table 1

Ohio Edison System
Current Projections
Loads, Capabilities & Margins
For the Years 1982-1986
Summer (MW)

Beaver Valley 2 scheduled for completion in Summer, 1986

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Net Demonstrated Capability	5686	5686	6191+
Seasonal Derating	95	97	108+
Net Seasonal Capability	5591	5589	6083
OE Service Area REC's	60	55	60
Share of OVEC Avail. Cap.	237	159	159
WCOE Purchase	54	61	-
Total Capability	<u>5942</u>	<u>5864</u>	<u>6302</u>
Projected Peak Load	4315	4405	4480
Margin	1627	1459	1822
	<u>1985</u>	<u>1986</u>	
Net Demonstrated Capability	6191+	6460	
Seasonal Derating	108+	111	
Net Seasonal Capability	6083	6349	
OE Service Area REC's	60	60	
Share of OVEC Avail. Cap.	159	159	
Total Capability	<u>6302</u>	<u>6568</u>	
Projected Peak Load	4565	4650	
Margin	1737	1918	

+ Includes 80 MW purchase from CEI, less seasonal derating.

Table 2

Ohio Edison System
Current Projections
Loads, Capabilities & Margins
For the Years 1982-1986
Winter (MW)

Beaver Valley 2 scheduled for completion in Summer, 1986

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Net Demonstrated Capability	5686	5686	6191+
Seasonal Derating	0	0	0
Net Seasonal Capability	5686	5686	6191
OE Service Area REC's	105	110	110
Share of OVEC Avail. Cap.	<u>171</u>	<u>171</u>	<u>171</u>
Total Capability	5962	5967	6472
Projected Peak Load	4270	4355	4450
Margin	1692	1612	2022
	<u>1985</u>	<u>1986</u>	
Net Demonstrated Capability	6111	6460	
Seasonal Derating	0	0	
Net Seasonal Capability	6111	6460	
OE Service Area REC's	115	120	
Share of OVEC Avail. Cap.	<u>171</u>	<u>159</u>	
Total Capability	6397	6739	
Projected Peak Load	4550	4645	
Margin	1847	2094	

+ Includes 80 MW purchase from CEI, less seasonal derating.

Table 3

Ohio Edison System
1972 Projections (Data Package 3)
Loads, Capabilities & Margins
For the Years 1972-1978
Summer (MW)

Beaver Valley 2 scheduled for completion in Summer, 1978

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Net Seasonal Capability	3886	4019	4129	5175
OE Service Area REC's	40	42	45	48
Share of OVEC Avail. Cap.	<u>206</u>	<u>206</u>	<u>206</u>	<u>105</u>
Total Capability	4132	4267	4380	5328
Projected Peak Load	3580	3805	4045	4300
Margin	552	462	335	1028

	<u>1976</u>	<u>1977</u>	<u>1978</u>	
Net Seasonal Capability	5531	5531	5881	
OE Service Area REC's	50	54	57	
Share of OVEC Avail. Cap.	<u>105</u>	<u>105</u>	<u>105</u>	
Total Capability	5686	5690	6043	
Projected Peak Load	4575	4860	5170	
Margin	1111	830	873	

Table 4

Ohio Edison System
1972 Projections (Data Package 3)
Loads, Capabilities & Margins
Winter (MW)

Beaver Valley 2 scheduled for completion in Summer, 1978

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Net Seasonal Capability	3966	4146	5051	5306
OE Service Area REC's	65	69	74	78
Share of OVEC Avail. Cap.	<u>221</u>	<u>221</u>	<u>221</u>	<u>119</u>
Total Capability	4252	4436	5346	5503
Projected Peak Load	3520	3755	4010	4285
Margin	732	681	1336	1218

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Net Seasonal Capability	5671	5671	6029
OE Service Area REC's	82	88	94
Share of OVEC Avail. Cap.	<u>119</u>	<u>119</u>	<u>119</u>
Total Capability	5872	5878	6242
Projected Peak Load	4575	4860	5170
Margin	1297	1018	1072

Ohio Edison System
Data Comparison
Beaver Valley 2 Completion Dates
(MW)

Beaver Valley 2

Original Completion Forecast of 1978
Current Completion Forecast of 1986

<u>Summer</u>	<u>1978</u>	<u>1986</u>	<u>Change</u>
Total Capability	6043	6568	525
Projected Peak Load	5170	4650	-520
Margin	873	1918	1045

<u>Winter</u>	<u>1978</u>	<u>1986</u>	<u>Change</u>
Total Capability	6242	6739	497
Projected Peak Load	5170	4645	-525
Margin	1072	2094	1022

Item 1.b

New power pools or coordinating groups or changes in structure, activities, policies, practices, or membership of power pools or coordinating groups in which the licensee was, is, or will be a participant.

Ohio Edison Company and its subsidiary, Pennsylvania Power Company, are members of the Central Area Power Coordinating Group ("CAPCO") which was formed in September of 1967, but which has changed or agreed to change certain of their activities, policies, and practices since the antitrust review at the construction permit stage. These changes are more fully described in the response of Duquesne Light Company and The Cleveland Electric Illuminating Company filed herewith.

Item 1.c.

Changes in transmission with respect to (1) the nuclear plant, (2) interconnections, or (3) connections to wholesale customers

In this section, CEI refers to The Cleveland Electric Illuminating Company, DL to Duquesne Light Company, OES to Ohio Edison System, OP to Ohio Power Company and TE to Toledo Edison.

- 1) The following changes in transmission with respect to the nuclear plant have been made since completion of the antitrust review at the construction permit stage:
 - a. The 345 kV Beaver Valley (DL) to Hanna (OES) circuit, originally submitted as an addition with Beaver Valley Unit 2, was subsequently extended to Mansfield Power Plant (OES) to form a Mansfield Power Plant to Hanna Substation circuit.
 - b. The Mansfield Power Plant (OES) to Hanna (OES) 345 kV lined noted above passes near the Beaver Valley Power Station, and is scheduled to be looped into the Beaver Valley Power Station in 1986, thus forming a second Beaver Valley-Mansfield Power Plant circuit and a Beaver Valley (DL)-Hanna (OES) circuit.
 - c. Also in 1986, with the addition of Beaver Valley Unit 2, a 345 kV transmission circuit is scheduled to be put in service extending between the Beaver Valley Power Station (DL) and Crescent Substation (DL).
- 2) The following changes in interconnections have occurred or will occur within the Ohio Edison System (OES) since the completion of the antitrust review at the construction permit stage:

- a. A 345 kV transmission interconnection with Duquesne Light Company was placed in service in 1972. The circuit extends between the Beaver Valley Power Station (DL) and the Shenango Substation (OES).
- b. A 345 kV transmission interconnection with The Cleveland Electric Illuminating Company (CEI) and Ohio Power Company (OP) was placed in service in 1972. This single interconnection point was established by looping the then existing Canton Central (OP)-Juniper (CEI) 345 kV circuit into a newly developed Hanna (OES) Substation.
- c. A 138 kV transmission interconnection with CEI was placed in service in 1974. The circuit extends between the Johnson Substation (OES) and the Lorain Switching Station (CEI), thus constituting a second circuit between these two points.
- d. A 345 kV transmission interconnection with Toledo Edison (TE) was placed in service in 1975. The circuit extends between the Davis Besse Nuclear Power Plant (TE) and the Beaver Substation (OES).
- e. The 345 kV Beaver Valley-Shenango (OES) interconnection with Duquesne Light Company was replaced by two 345 kV interconnections. At the Mansfield Plant, this was changed to form the Beaver Valley-Mansfield (OES) and the Crescent-Mansfield (OES) interconnections with Duquesne Light Company in 1975.
- f. The Sammis (OES)-South Canton and South Canton-Star (OES) 345 kV interconnections with Ohio Power Company were previously metered together and considered a single interconnection. Today they are separately metered and have been classified as separate interconnections.

- g. A 345 kV transmission interconnection with CEI was placed in service in 1981. The circuit extends between the Avon Power Plant (CEI) and the Beaver Substation (OES). This constitutes the second circuit between these two points.
- h. A 345 kV transmission interconnection with CEI is scheduled to be put into service around 1985. This circuit will extend between the Mansfield Power Plant (OES) and the Harding Substation (CEI).
- i. The 345 kV Ohio Edison Mansfield-Hanna line, which currently passes near Duquesne Light's Beaver Valley Power Station is scheduled for modification in 1986. The line will be changed to form a second Beaver Valley (DL)-Mansfield (OES) 345 kV interconnection (the first discussed in item e. above) and a Beaver Valley (DL)-Hanna (OES) 345 kV interconnection.

These changes are reflected in the following table:

Ohio Edison System Interconnections (In Service and Planned)

<u>Year</u>	<u>345kV</u>	<u>138kV</u>	<u>69kV</u>	<u>45.5kV</u>	<u>Total</u>
1971	6	13	5	1	25
1972	8	13	5	1	27
1974	8	14	5	1	28
1975	10	14	5	1	30
1978	11	14	5	1	31
1981	12	14	5	1	32
1985	13	14	5	1	33
1986	15	14	5	1	35

- 3) Two changes have occurred in Ohio Edison's wholesale customers' connections between 1972 and 1982. They are:
 - a. The City of Newton Falls, previously generating its own power, was added as a wholesale customer in 1977. The City is served via the Newton Falls Substation at 69 kV.

b. The City of Niles, previously served at a voltage of 23 kV, is now served at 138 kV. The first phase of this change was completed in December, 1977, and the second phase was completed in April, 1978.

The Cuyahoga Falls power system, currently being served at 23 kV, is to be changed to 138 kV service at some time in the future. The exact date has not yet been determined, but is likely to be in the mid-to-late 1980's.

Item 1.d.

Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

On May 1, 1977, the CAPCO Companies agreed that Ohio Edison Company (OEC) would increase its ownership share in Beaver Valley Unit 2 from 35.60% to 41.88% while Pennsylvania Power Company (PPC) would reduce its ownership share in the unit from 6.28% to zero. This reallocation of ownership shares in Beaver Valley Unit 2 between OEC and PPC was made to improve the balance between the respective needs and capabilities of those two companies. There was no change in the other CAPCO Companies' ownership shares in the unit.

The ownership shares of the CAPCO Companies in Beaver Valley Unit 2 before and after the May 1, 1977, reallocation are as follows:

	<u>Percent Ownership Before 5/1/77 Reallocation</u>	<u>Percent Ownership After 5/1/77 Reallocation</u>
The Cleveland Electric Illuminating Company	24.47	24.47
Duquesne Light Company	13.74	13.74
Ohio Edison Company	35.60	41.88
Pennsylvania Power Company	6.28	0.00
The Toledo Edison Company	<u>19.91</u>	<u>19.91</u>
	100.00	100.00

Item 1.e.

Changes in design, provisions or conditions of rate schedules and reasons for such changes. Rate increases or decreases are not necessary.

Ohio Edison Company has changed its retail rates to eliminate many of the former multiple steps. In addition, retail rate classifications of Industrial Primary, Commercial Transmission and Industrial Transmission have been changed to General Service-Medium and Large. (See Rate Schedules marked as Attachment "A" hereto). These changes have been brought about by a more strict adherence to cost-based rate design.

A Partial Requirements Rate is now available to wholesale customers, negotiated relative to Docket No. ER77-530 and established in Docket No. ER80-361. This rate provides an opportunity for wholesale customers to schedule and purchase part or all of their power requirements from non-Company sources. (See Partial Requirement Rate Schedule marked as Attachment "B" hereto). This Partial Requirements Rate has followed the retail rates regarding the abbreviation in the number of steps. In addition, there has been a consolidation of the transmission and primary rates into one uniform rate, done primarily for simplicity. The uniform rate is basically a transmission rate with a surcharge provision for those wholesale customers served at distribution primary voltages. One other change in the wholesale rate has been made - the introduction of a billing demand provision which forgives the off-peak demand, up to 200% of the on-peak demand, in the determination of the billing demand. This off-peak forgiveness provision is similar to that in the retail rates.

The partial requirements contract form and partial requirements rate schedules submitted to the FERC in Docket No. ER-80-361 on April 29, 1980, were accepted for filing, made effective April 29, 1980, and designated FERC Electric Tariff, Original Volume No. 1. While there were no municipal customers taking service pursuant to the partial requirements tariff, Ohio Edison was notified in December of 1980 that twenty of its twenty-one municipal wholesale customers desired to become partial requirements customers as of April 1, 1981. The twenty customers have provided partial requirements schedules to Ohio Edison and the Company commenced providing partial requirements service to these customers as of April 1, 1981. Subsequently, in FERC Docket No. ER80-454 and FERC Docket No. ER82-79, Ohio Edison has requested an increase in the partial requirements rate. The rates reflected on Attachment B, pursuant to the most recent FERC Order, were allowed to become effective on June 9, 1982 but are subject to refund.

Item 1.f.

List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or merger.

- 1) The City of Newton Falls, Ohio, has become a wholesale customer of Ohio Edison Company and it now purchases partial requirements from Ohio Edison Company under the schedules described in prior response.
- 2) Twenty of the previously full requirements wholesale customers of Ohio Edison Company have commenced taking partial requirements under the recently approved rate schedule (See prior response).
- 3) There have been no changes in Ohio Edison Company's service area.
- 4) Ohio Edison Company has not participated in any acquisitions or merger.

Item 1.g.

List of those generating capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

There is one generating capacity addition committed for operation after Beaver Valley Unit 2 which will be partially owned by Ohio Edison. This facility is Perry Nuclear Power Plant Unit 2, which will be operated by The Cleveland Electric Illuminating Company, and has a scheduled in-service date of May 1, 1988. The expected total generating capacity of this unit is 1205 MW.

The ownership allocation of the generating capacity to be installed at Perry Nuclear Power Plant Unit 2 is as follows:

	<u>Percent</u>
The Cleveland Electric Illuminating Company:	31.11
Duquesne Light Company:	13.74
Ohio Edison Company:	30.00
Pennsylvania Power Company:	5.24
The Toledo Edison Company:	<u>19.91</u>
	100.00

Item 1.h.

Summary of requests or indications of interest by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

On December 29, 1978 twenty-one wholesale customers of Ohio Edison Company and the four municipal wholesale customers of The Toledo Edison Company gave notice of a general intent to obtain access to the Davis-Besse 1, 2 and 3 and the Perry 1 and 2 nuclear units.

By letter dated March 26, 1979, attorneys for these wholesale customers requested a meeting between representatives of the municipalities and representatives of each of the CAPCO Companies to exchange views and information. Such a meeting was held in Cleveland, Ohio, on June 1, 1979. During the meeting the representatives discussed the then proposed establishment of an Ohio Municipal Electric Authority to be set up as a financing tool to be used on behalf on all 83 municipalities which had electrical distribution facilities on January 1, 1979. The establishment of such an authority required an amendment to the Ohio constitution which was eventually defeated by the Ohio voters on June 3, 1980. No further action has been taken by the requesting entities to obtain access to the units (two of which have since been cancelled).

Item 2

Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

There are no antitrust license conditions attached to BVPS-Unit 2 Construction Permit. Such conditions are attached to David-Besse - Unit No. 1 Perry Nuclear Power Plants Unit No. 1 and 2. Ohio Edison Company is committed to and has complied with all applicable license conditions. (See Response l.e. and l. h. hereto).

GENERAL SERVICE - MEDIUM

SECONDARY VOLTAGES

Availability:

Available as shown on Sheet No. 1. The billing demand shall not be less than 50 KVA.

Both single and three phase service will be metered through one meter and so billed unless circumstances not under the control of the Company make it impractical or not feasible to do so.

Services:

Alternating current, 60 Hz, at nominal voltages of 120/240 or 120/208 or 277 single phase, or 120/208 or 240 or 277/480 three phase, as available from suitable facilities of adequate capacity adjacent to the premises to be served.

Other voltages may be obtained from available distribution facilities provided the customer owns, operates and maintains all necessary transforming, controlling, regulating and protective equipment, in which case service may be metered at the Company's supply voltage.

The Company designs and operates its electrical system to provide service voltages within the limits specified in American National Standard Voltage Ratings for Electric Power Systems and Equipment (60 Hz) C 84.1-1970.

Rate:

The net monthly charge per customer shall be:

Capacity Charge:

First 100 KVA of billing demand, per KVA \$10.53
Additional KVA of billing demand, per KVA \$ 9.52

Energy Charge:

First 250 KWH per KVA of billing demand, per KWH .. 1.55¢
Over 250 KWH per KVA of billing demand, per KWH ... 0.72¢

Minimum Charge:

The minimum monthly charge shall be the capacity charge.

Billing Demand in KVA:

The billing demand for the month shall be the greatest of:

- (1) The highest measured 30-minute KVA demand during the month
- (2) 60% of the highest billing demand during the preceding eleven months
- (3) 50 KVA
- (4) The contract demand

When metering capable of measuring on-peak and off-peak demands is in use, the customer's measured demand shall be the greater of the on-peak demand or 50 percent of the off-peak demand. Where the customer has the capability of moving a deferrable demand to an off-peak period and desires to do so, the Company will provide the metering capability to measure demands occurring during on-peak and off-peak periods.

On-peak periods are from 8:00 A.M. to 9:00 P.M. local time Monday through Friday, except for the following legal holidays observed during these periods: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. All other periods shall be off-peak.

(Continued)

(Continued)

Billing Demand in KVA: (Continued)

where it has been demonstrated that through load management procedures a customer has shifted load to the off-peak period and such shift of load will cause the 60% billing demand ratchet provision to be used in billing the account, the customer may be allowed to re-establish his maximum demand for billing purposes.

The Company shall not be required to increase the capacity of any service facilities in order to furnish off-peak demands. The Company reserves the right, upon 30 days notice to customers affected, to change the time or times during which on-peak demands may be established.

Fuel Adjustment:

The energy charge shall be adjusted in accordance with the Electric Fuel Component Rider shown on Sheet No. 42-1.

Tax Adjustment:

Bills shall be adjusted in accordance with the Interim Ohio Gross Receipts Tax Surcharge Rider shown on Sheet No. 41.

Adjustment for Primary Metering:

where a transformer installation (regardless of ownership) is utilized solely to furnish service to a single customer, the Company may meter the service on the primary side of the transformers, and in such case the demand and energy registrations shall each be reduced 2%.

Terms of Payment:

The net amount billed is due and payable within fifteen days after the date of mailing of the bill. If the net amount is not paid on or before the date shown on the bill for payment of net amount, the gross amount which is 3% more than the net amount is due and payable.

Auxiliary or Stand-by Service:

When auxiliary or stand-by service is furnished, a contract demand shall be established by mutual agreement and shall be specified in the service contract.

No reduction in contract demand shall be permitted during the term of the contract. In re-contracting for auxiliary or stand-by service, the new contract demand shall not be less than 60% of the highest billing demand during the last eleven months of the previous contract term.

Contract:

An application is required. Electric service hereunder will be furnished for a minimum period of one year and shall continue thereafter from year to year unless either party shall give to the other not less than 60 days notice in writing prior to the expiration date of any yearly period that the service is to be terminated.

A written contract will be required for auxiliary or stand-by service or when a contract demand is required.

When the service is re-established for the benefit of the same customer at the same location within a period of less than twelve months from the date when service was discontinued, all of the conditions during the previous contract period applicable to billing shall apply and the billing demand shall not be less than 60% of the highest billing demand during the last eleven months of the previous contract period.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

GENERAL SERVICE - LARGE

DISTRIBUTION PRIMARY AND TRANSMISSION VOLTAGES

Availability:

Available as shown on Sheet No. 1 for service furnished through one meter for each installation.

Service:

Alternating current, 60 Hz, three phase, at primary or transmission voltages as available from suitable facilities of adequate capacity adjacent to the premises to be served.

The customer will be responsible for all transforming, controlling, regulating and protective equipment and its operation and maintenance.

Rate:

The net monthly charge per customer shall be:

Capacity Charge:

First 4,000 KVA of billing demand, per KVA \$9.23
Additional KVA of billing demand, per KVA \$5.97

Energy Charge:

First 250 KWH per KVA of billing demand, per KWH 1.49¢
Over 250 KWH per KVA of billing demand, per KWH 0.63¢

Discount:

The capacity charge and energy charge shall be reduced by:

- 3.0% when the customer receives service directly from the 23,000 or 34,500 volt transmission system or owns 23,000 volt transforming, controlling and protective equipment.
- 5.0% when the customer receives service directly from the 69,000 volt transmission system.
- 7.5% when the customer receives service directly from the 138,000 volt transmission system.

The discounts shall not apply to the fuel adjustment.

Billing Demand in KVA:

The billing demand for the month shall be the greatest of:

- (1) The highest 30-minute on-peak demand during the month
- (2) 60% of the highest billing demand during the preceding eleven months
- (3) 50% of the highest off-peak demand during the month
- (4) 100 KVA
- (5) The contract demand

On-peak periods are from 8:00 A.M. to 9:00 P.M. local time Monday through Friday, except for the following legal holidays observed during these periods: New Years Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. All other periods shall be off-peak.

Where it has been demonstrated that through load management procedures a customer has shifted load to the off-peak period and such shift of load will cause the 60% billing demand ratchet provision to be used in billing the account, the customer may be allowed to re-establish his maximum demand for billing purposes.

The Company shall not be required to increase the capacity of any service facilities in order to furnish off-peak demands. The Company reserves the right, upon 30 days notice to customers affected, to change the time or times during which on-peak demands may be established.

(Continued)

Ohio Edison Company
Akron, Ohio

P.U.C.O. No. 10

(Continued)

Minimum Charge:

The minimum monthly charge shall be the capacity charge.

Fuel Adjustment:

The energy charge shall be adjusted in accordance with the Electric Fuel Component Rider shown on Sheet No. 42-1.

Tax Adjustment:

Bills shall be adjusted in accordance with the Interim Ohio Gross Receipts Tax Surcharge Rider shown on Sheet No. 41.

Adjustment for Secondary Metering:

The Company reserves the right to install the metering equipment on either the primary or secondary side of the customer's transformers, and when installed on the secondary side, compensating metering equipment will be used to correct transformer losses for transmission service. Primary service will be corrected by increasing the demand and energy registrations by 2%.

Terms of Payment:

The net amount is due and payable within fifteen days after the date of mailing of the bill. If the net amount is not paid on or before the date shown on the bill the gross amount, which is 2% more than the net amount, is due and payable.

Auxiliary or Stand-by Service:

When auxiliary or stand-by service is furnished, a contract demand shall be established by mutual agreement and shall be specified in the service contract.

No reduction in contract demand shall be permitted during the term of the contract. In re-contracting for auxiliary or stand-by service, the new contract demand shall not be less than 60% of the highest billing demand during the last eleven months of the previous contract.

Interruptible Provision:

The Company will negotiate providing interruptible service to a customer, upon request by the customer, where it can be demonstrated that there is an interruptible load of at least 1,000 KVA.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its term shall be in full force and effect for a minimum period of one year and shall continue in force thereafter from year to year unless either party shall give to the other not less than 60 days notice in writing prior to the expiration date of any said yearly periods that the contract shall be terminated at the expiration date of said yearly period. When a contract is terminated in the manner provided herein, the service will be discontinued.

When the service is re-established for the benefit of the same customer at the same location within a period of less than twelve months from the date when service was discontinued, all of the conditions during the previous contract period applicable to billing shall apply and the billing demand shall not be less than 60% of the highest billing demand during the last eleven months of the previous contract period.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

The Company's general policy of supplying regulated voltages does not apply to this rate schedule.

**MUNICIPAL RESALE SERVICE
PARTIAL REQUIREMENTS**

Applicability:

Applicable to service at transmission or distribution primary voltage to Ohio municipal corporations purchasing part of their electric service from the Company for resale at retail, subject to the terms and conditions herein.

Service purchased hereunder shall be for partial requirements sale for resale including associated electric services required for the operation of the municipality's electric distribution system.

Services:

Alternating current, 60 Hz, three phase, at nominal transmission or distribution primary unregulated voltages from suitable facilities of adequate capacity as may be available. All transforming, controlling, regulating, and protective equipment shall be owned, operated and maintained by the customer.

Monthly Rates:

Services rendered hereunder shall be billed at the aggregate monthly charges set forth below:

Capacity Charge:

Generation Capacity Billing Charge	
Base Charge per KW	\$ 8.97
Excess Charge per KW	\$10.38
Standby Capacity Charge per KW per week.....	
Transmission Capacity Charge per KW	\$ 2.11
Load Dispatching and Scheduling Charge per KW..	\$ 0.07
Reactive Demand Charge per KVAR.....	\$ 0.37

Energy Charge:

The first 250 KWH per KW of Generation Capacity billing load:
4.72¢ per KWH

For all over 250 KWH per KW of Generation Capacity billing load:
2.55¢ per KWH

Surcharge:

When the customer receives service from the distribution primary system the generation and transmission capacity billing charges and energy charges shall be increased prior to applying the fuel and tax adjustment by 2.5%.

Discount:

The generation and transmission capacity billing charges and energy charge shall be reduced prior to applying the fuel and tax adjustments by:

- 3.5% when the customer receives service directly from the 69,000 volt transmission system.
- 5.0% when the customer receives service directly from the 138,000 volt transmission system.

Minimum Charge:

The minimum monthly charge shall be the Generation Capacity and Transmission Capacity Charges for the month.

(Continued)

(Continued)

Determination of Billing Loads:**Determination of Generation Capacity Billing Loads:**

Base Generation Capacity Billing Load in kilowatts for the month shall be the highest 60-minute on-peak load on the Company with the following limitations:

1. The Base Capacity Billing Load shall not be less than:
 - (a) 200 KW; or
 - (b) 85% of Customer's estimated 60-minute demand from Company sources as provided for in Customer's current three-year schedule; or
 - (c) 60% of the highest Generation Capacity Billing Load during the preceding eleven months; or
 - (d) 50% of the highest 60-minute off-peak load on the Company during the month.
2. The Base Generation Capacity Billing Load shall not be more than 110% of Customer's estimated 60-minute demand from Company sources as provided for in Customer's current three-year schedule.

Excess Generation Capacity Billing Load in kilowatts for the month shall be the difference, if any, obtained by subtracting from the highest 60-minute on-peak load on the Company during the month the product of Customer's estimated 60-minute demand from Company sources as provided for in the Customer's current three-year schedule times 110%.

Determination of Transmission Capacity Billing Load:

Transmission Capacity Billing Load in kilowatts for the month shall be the highest of:

1. 200 KW; or
2. The highest measured 60-minute load at Customer's delivery point; or
3. 60% of the highest Transmission Capacity Billing Load during the preceding eleven months.

Determination of Standby Capacity Billing Load:

Standby Capacity Billing Load in kilowatts applicable when Intermediate Term Power is scheduled, is the difference between the (1) sum of Customer's highest measured 60-minute load on Company and the quantity of Intermediate Term Power received during that hour by Customer during the billing week, and the (2) sum of the Base Generation Capacity Billing Load and the Excess Generation Capacity Billing Load for the month.

Determination of Load Dispatching and Scheduling Billing Load:

The monthly billing load in KW shall be the maximum non-coincidental 60-minute scheduled demand by non-Company source for Customer.

Determination of Reactive Billing Load:

The monthly billing demand shall be the maximum 60-minute demand in kilovars furnished during the month less 30% of Customer's highest measured 60-minute load in KW on Company for the same hour and is applicable only if Customer's power factor for the month is less than 95%.

Determination of Billing KWH:

The Energy Charge shall be based upon the total KWH metered less scheduled energy received from non-Company sources corrected for losses.

Definition of On-Peak and Off-Peak Hours:

Where proper metering equipment is installed, loads established from 9:00 P.M. to 8:00 A.M. local time Monday through Friday, and on Saturdays, Sundays, New Year's Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, shall be designated Off-Peak loads. When such holidays fall on Saturday, the preceding Friday shall be an Off-Peak day, and when such holidays fall on Sunday, the following Monday shall also be an Off-Peak day. Loads established during other periods shall be designated On-Peak loads. The Company shall not be required to increase the capacity of any service facilities in order to furnish Off-Peak loads. The Company reserves the right, upon 30 days' notice to Customers affected, to change the time or times during which Off-Peak loads may be established.

(Continued)

(Continued)

Fuel Adjustment:

The charge for each KWH of sales shall be increased or decreased by an amount (to the nearest 0.0001¢) equal to:

- (a) The difference between the total fuel cost* per KWH of net energy for load during the month immediately preceding the billing month and a base cost of 1.8764¢ per KWH,
- (b) The difference multiplied by 1.047 to adjust for losses, and
- (c) The product further adjusted for the Ohio gross receipts tax by dividing by a factor equal to one (1.00) minus the tax rate percentage expressed as a decimal.

*The total fuel cost shall consist of:

- (1) Allowable cost of fossil and nuclear fuel consumed in the Company's own plants and the Company's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus
- (2) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in (3) below, plus
- (3) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis, less
- (4) The cost of fossil and nuclear fuel recovered through inter-system sales including fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Tax Adjustment:

Bills shall be adjusted to offset the imposition of or removal of any new or increased tax levied by any taxing authority upon the Company's generation, distribution or sale of electric energy after January 8, 1982.

Terms of Payment:

A bill for electric service furnished under this schedule during the preceding meter reading period will be presented by the Company on or about the first day of each month. Bills shall cover a period of approximately 30 days. The net amount is due and payable within a period of ten days after presentation. If the net amount is not paid on or before the date shown on the bill the gross amount, which is 2% more than the net amount, is due and payable.

Metering:

The Company will furnish and maintain one meter or one unified set of meters for each delivery point. Metering shall normally be at the supply voltage, but the Company reserves the right to install the metering equipment on either the primary or the secondary side of the municipality's transformers and to use compensating metering equipment to correct for transformer losses when the metering is on the secondary side. Service supplied through each meter shall be billed separately and shall not be combined for billing purposes.

The municipality shall provide, at no cost to the Company and close to the point of delivery, suitable space for the installation of meters and metering equipment. The municipality shall permit the Company's representatives to have access to such equipment at all reasonable hours and for any reasonable purpose, and shall not permit any unauthorized person to have access thereto.

On request of the municipality, the Company will at any time make a test of any meter, in addition to the Company's testing under its normal schedule of testing meters in accordance with good electric utility practice. A meter registering within 2% slow or fast shall be considered accurate. The municipality shall reimburse the Company for the cost of testing on the municipality's request any meter found to be accurate. Should a meter be found to be inaccurate, the meter reading for the meter reading period in which the test is made and the billing for the preceding meter reading period shall be adjusted accordingly.

(Continued)

(Continued)

Other:

The Company will endeavor, but does not guarantee, to furnish a continuous supply of electric energy and to maintain voltage and frequency.

The municipality shall indemnify and save harmless the Company, its successors and assigns from and against any and all claims, demands, damages, actions or causes of action, together with any losses, costs or expenses in connection therewith or related thereto, asserted by any person or persons for personal injury, death or property damage arising, growing out of or resulting in any manner from said electric service or any apparatus or equipment used in connection therewith on the municipality's side from the point of delivery.

The Company shall indemnify and save harmless the municipality, its successors and assigns, from and against any and all claims, demands, damages, actions or causes of action, together with any losses, costs or expenses in connection therewith or related thereto, asserted by any person or persons for personal injury, death or property damage arising, growing out of or resulting in any manner from said electric service or any apparatus or equipment used in connection therewith on the Company's side from the point of delivery.

The municipality shall not use, and shall not permit its customers to use, the service in such a manner as to impose an unreasonable unbalance between phases, or to disturb or impair the operation of the Company's system, or to interfere with service to the Company's customers.

Contract:

Service hereunder will be furnished in accordance with a written contract.

**CITY OF OBERLIN
RATE SCHEDULE**

Applicability:

Applicable to service to the City of Oberlin at transmission voltage subject to the terms and conditions herein.

Service:

Alternating current, 60 Hz, three phase, at nominal transmission voltage. All transforming, controlling, regulating, and protective equipment shall be owned, operated and maintained by the City of Oberlin.

Rate:

The net monthly charge shall be:

Capacity Charge:

Billing load, per KW	\$11.08
Reactive Demand Charge per KVAR	0.37

Energy Charge:

The first 250 KWH per KW of billing load:
4.72¢ per KWH

For all over 250 KWH per KW of billing load:
2.55¢ per KWH

Discount:

The capacity charge and energy charge shall be reduced prior to applying the fuel and tax adjustments by 3.5% since the City receives service directly from the 69,000 volt transmission system.

Minimum Charge:

The minimum monthly charge shall be the capacity charge.

Determination of Billing Load:

The billing load for the month shall be the highest 60-minute on-peak load during the month, except that in no event shall the billing load be less than 2000 kW; nor less than 50% of the highest off-peak load during the month; nor less than 60% of the highest billing load during the preceding eleven months. The term "load" is defined as the average rate of use of electric energy measured in kilowatts (KW) during any 60-minute period.

Loads established from 9:00 P.M. to 8:00 A.M. local time Monday through Friday, and on Saturdays, Sundays, New Year's Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, shall be designated off-peak loads. When such holiday falls on Saturday, the preceding Friday shall be an off-peak day, and when such holiday falls on Sunday, the following Monday shall also be an off-peak day. Loads established during other periods shall be designated on-peak loads.

The Company shall not be required to increase the capacity of its service facilities in order to furnish off-peak loads. The Company reserves the right, upon 30 days notice to the City, to change the time or times during which off-peak loads may be established.

Determination of Reactive Billing Load:

The monthly billing demand shall be the maximum 60-minute demand in kilovars furnished during the month less 33% of the City's highest measured 60-minute load in KW for the same hour and is applicable only if the City's power factor for the month is less than 95%.

(Continued)

(Continued)

Fuel Adjustment:

The charge for each KWH of sales shall be increased or decreased by an amount (to the nearest 0.0001¢) equal to:

- (a) The difference between the total fuel cost* per KWH of net energy for load during the month immediately preceding the billing month and a base cost of 1.8764¢ per KWH,
- (b) The difference multiplied by 1.047 to adjust for losses, and
- (c) The product further adjusted for the Ohio gross receipts tax by dividing by a factor equal to one (1.00) minus the tax rate percentage expressed as a decimal.

*The total fuel cost shall consist of:

- (1) Allowable cost of fossil and nuclear fuel consumed in the Company's own plants and the Company's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus
- (2) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in (3) below, plus
- (3) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis, less
- (4) The cost of fossil and nuclear fuel recovered through inter-system sales including fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Tax Adjustment:

Bills shall be adjusted to offset the imposition of or removal of any new or increased tax levied by any taxing authority upon the Company's generation, distribution or sale of electric energy after January 8, 1982.

Terms of Payment:

A bill for electric service furnished under this schedule during the preceding meter reading period will be presented by the Company on or about the first day of each month. Bills shall cover a period of approximately 30 days. The net amount is due and payable within a period of ten days after presentation. If the net amount is not paid on or before the date shown on the bill the gross amount, which is 2% more than the net amount, is due and payable.

Metering:

The Company will furnish and maintain one meter or one unified set of meters for each delivery point. Metering shall normally be at the supply voltage, but the Company reserves the right to install the metering equipment on either the primary or the secondary side of the City's transformers and to use compensating metering equipment to correct for transformer losses when the metering is on the secondary side. Service supplied through each meter shall be billed separately and shall not be combined for billing purposes.

The City shall provide, at no cost to the Company and close to the point of delivery, suitable space for the installation of meters and metering equipment. The City shall permit the Company's representatives to have access to such equipment at all reasonable hours and for any reasonable purpose, and shall not permit any unauthorized person to have access thereto.

On request of the City, the Company will at any time make a test of any meter in addition to the Company's testing under its normal schedule of testing meters in accordance with good electric utility practice. A meter registering within 2% slow or fast shall be considered accurate. The City shall reimburse the Company for the cost of testing on the City's request any meter found to be accurate. Should a meter be found to be inaccurate, the meter reading for the meter reading period in which the test is made and the billing for the preceding meter reading period shall be adjusted accordingly.

(Continued)

(Continued)

Other:

The Company will endeavor, but does not guarantee, to furnish a continuous supply of electric energy and to maintain voltage and frequency.

The City shall indemnify and save harmless the Company, its successors and assigns from and against any and all claims, demands, damages, actions or causes of action, together with any losses, costs or expenses in connection therewith or related thereto, asserted by any person or persons for personal injury, death or property damage arising, growing out of or resulting in any manner from said electric service or any apparatus or equipment used in connection therewith on the City's side from the point of delivery.

The Company shall indemnify and save harmless the City, its successors and assigns, from and against any and all claims, demands, damages, actions or causes of action, together with any losses, costs or expenses in connection therewith or related thereto, asserted by any person or persons for personal injury, death or property damage arising, growing out of or resulting in any manner from said electric service or any apparatus or equipment used in connection therewith on the Company's side from the point of delivery.

The City shall not use, and shall not permit its customers to use, the service in such a manner as to impose an unreasonable unbalance between phases, or to disturb or impair the operation of the Company's system, or to interfere with service to the Company's customers.

Contract:

Service hereunder will be furnished in accordance with a written contract.

Application for
an Operating License for
Beaver Valley Unit No. 2

ANSWERS OF THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
TO THE INFORMATION REQUESTED BY THE ATTORNEY GENERAL
FOR ANTITRUST REVIEW

A F F I D A V I T

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

On Nov. 30, 1982, before me, a Notary Public in and for the State and County aforesaid, personally appeared Mr. D. R. Davidson, who, after being duly sworn according to law, deposed and said that he is Vice President - System Engineering and Construction of THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, a corporation; that in such capacity he is authorized to make this Affidavit; and that the within Answers of THE CLEVELAND ELECTRIC ILLUMINATING COMPANY to the Information Requested by the Attorney General for Antitrust Review are true and correct to the best of his knowledge, information and belief.

D. R. Davidson

D. R. Davidson
Vice President - System Engineering
and Construction

Sworn to and subscribed before me the day and year aforesaid.

William J. Kerner

Notary Public

WILLIAM J. KERNER, Attorney
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date.
Section 147.03 R.C.

Response of The Cleveland Electric Illuminating Company to Regulatory Guide 9.3

B. INFORMATION NEEDED BY THE NRC REGULATORY STAFF IN CONNECTION WITH ITS ANTI-TRUST REVIEW OF OPERATING LICENSE APPLICATIONS FOR NUCLEAR POWER PLANTS

1. To assist the regulatory staff in its review, an Applicant for a license to operate a commercial nuclear power plant should consider the following items and any related changes that have occurred or are planned to occur since submission of the construction permit application:

a. Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed or otherwise utilized or how the shortage will be obtained.

Prior to 1972, when application was made for the Beaver Valley Unit No. 2 construction permit, electric sales and peak demand had been rising steadily. In mid-1973, however, this situation began to change significantly. The Arab Oil Embargo, unexpected energy conservation and a period of economic uncertainty, which still continues, have resulted in lower growth in electric consumption than anticipated in the early and mid-seventies.

In the period starting in 1974, there have been several reviews and revisions of the CAPCO construction schedule. The most recent revision, in January 1980, included the termination of plans to build four nuclear units and extension of the schedule of three nuclear

plants under construction to more nearly conform to the current outlook on load growth.

In anticipation of the generating capacity requirements during the 1984 to 1990 period, The Cleveland Electric Illuminating Company has agreed to increase its ownership share in Perry Units 1 and 2 from 295 MW to 375 MW and to sell capacity and energy to Ohio Edison from Perry 1 in the amount equivalent to its increased ownership for a period of eighteen months starting with the date of commercial operation of Perry 1.

In September 1980, the applicant companies terminated the CAPCO Memorandum of Understanding and certain other agreements, and agreed to implement pool restructuring principles which would include independent planning of future generating capacity.

The Cleveland Electric Illuminating Company's generating capability, peak load and margin forecasts are summarized in Tables 1 through 3. Table 1 presents current (1982) estimates for the summer and winter periods for the years 1982-1988. The estimates anticipate the completion of Beaver Valley Unit No. 2 in 1986. Table 2 presents corresponding construction stage (1972) forecasts for the years 1972-1980. In these projections, Beaver Valley Unit No. 2 was scheduled to be in service in 1978. Table 3 is a comparison between the current forecast and that made at the construction stage. The forecast capability, load and margin is shown for the years in which the unit was scheduled to commence operation. Both the 1982

load and capability projections are lower than the corresponding 1972 estimates. However, because the load forecasts have declined more than capabilities, an increase in the margin resulted.

TABLE 1

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
1982 PROJECTIONS
LOADS, CAPABILITIES & MARGINS
FOR THE YEARS 1982-1988

	<u>1982</u>	<u>Summer</u>		<u>1985</u>
		<u>1983</u>	<u>1984</u>	
NDC	4716	4716	5011	5049
Seasonal Derating	92	92	98	98
NSC	4624	4624	4913	4951
Projected Peak Load	3390	3480	3560	3660
Margin (MW)	1234	1144	1353	1291
	<u>1986</u>	<u>1987</u>	<u>1988</u>	
NDC	5333	5281	5656	
Seasonal Derating	103	103	107	
NSC	5230	5178	5549	
Projected Peak Load	3740	3830	3910	
Margin (MW)	1490	1348	1639	
		<u>Winter</u>		
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
NDC	4716	4716	5049	5129
Seasonal Derating	0	0	0	0
NSC	4716	4716	5049	5129
Projected Peak Load	3090	3160	3250	3320
Margin (MW)	1721	1551	1799	1809
	<u>1986</u>	<u>1987</u>	<u>1988</u>	
NDC	5281	5281	5656	
Seasonal Derating	0	0	0	
NSC	5281	5281	5656	
Projected Peak Load	3400	3470	3560	
Margin (MW)	1881	1811	2096	

TABLE 2

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
1972 PROJECTIONS
LOADS, CAPABILITIES & MARGINS
FOR THE YEARS 1972-1980

	<u>1972</u>	<u>1973</u>	<u>Summer</u> <u>1974</u>	<u>1975</u>	<u>1976</u>
NDC	3647	3719	3727	4292	4550
Seasonal Derating	61	74	73	80	85
NSC	3586	3645	3654	4212	4465
Projected Peak Load	2880	3090	3280	3470	3670
Margin (MW)	706	555	374	742	795
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	
NDC	4550	4821	5140	5467	
Seasonal Derating	85	93	93	93	
NSC	4465	4728	5047	5374	
Projected Peak Load	3890	4120	4360	4620	
Margin (MW)	575	608	687	754	
	<u>1972</u>	<u>1973</u>	<u>Winter</u> <u>1974</u>	<u>1975</u>	<u>1976</u>
NDC	3647	3727	4152	4292	4550
Seasonal Derating	0	0	0	0	0
NSC	3647	3727	4152	4292	4550
Projected Peak Load	2700	2890	3050	3220	3410
Margin (MW)	947	837	1102	1072	1140
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	
NDC	4550	4821	5148	5467	
Seasonal Derating	0	0	0	0	
NSC	4550	4821	5148	5467	
Projected Peak Load	3600	3800	4020	4250	
Margin (MW)	950	1021	1128	1217	

- b. New power pools or coordinating groups or changes in structure, activities, policies, practices or membership of power pools or coordinating groups in which the licensee was, is or will be a participant.

The applicant companies continue to be the only members of the Central Area Power Coordination Group (CAPCO), and have changed or have agreed to change their activities, policies and practices as follows:

- 1) As of December 31, 1979, the applicant companies ceased mandatory purchases and sales required to be made between and among the CAPCO companies under prior agreements. (See Attachment A - "Agreement for the Elimination of Purchases and Sales Between and Among The Cleveland Electric Illuminating Company, Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and The Toledo Edison Company.")
- 2) The applicant companies amended the CAPCO Basic Operating Agreement dated as of January 1, 1975 in a number of respects as of September 1, 1980, August 1, 1981, and September 1, 1982.

The amended agreement continues coordinated maintenance responsibilities among the parties, but discontinues unqualified replacement capacity and replacement energy entitlements and obligations between the parties in favor of a limited and qualified mutual back-up system composed

of CAPCO Back-Up Power and Emergency Power. CAPCO Back-Up Power consists of CAPCO Unit Back-Up Power which provides for back-up entitlements and obligations upon the loss of a CAPCO Unit designated in the amended agreement. Emergency Power provides for back-up entitlements and obligations upon the outage or outages of other units or transmission facilities of the parties.

The amended agreement is to continue in effect until such time as all CAPCO Units are retired. Any party may withdraw from the amended agreement by giving one year's advance notice in writing, provided that such withdrawal shall not discontinue coordinated maintenance of CAPCO Units, CAPCO Unit Back-Up Power and CAPCO Coordinating Office obligations until such time as all CAPCO Units are retired.

(See Attachment B - September 18, 1980 letter to the Federal Energy Regulatory Commission (FERC) for details of the changes between the Agreement and the amended agreement. See Attachment C - conformed copy of the "CAPCO Basic Operating Agreement as amended September 1, 1980." See Attachment D - July 31, 1981 letter to FERC transmitting Amendment No. 1 to the amended agreement. See Attachment E - September 1, 1982 letter to FERC transmitting Amendment No. 2 to the amended agreement.)

- 3) As of September 1, 1980, the applicant companies terminated the CAPCO Memorandum of Understanding dated September 14,

1967 and certain other agreements, and agreed to implement pool restructuring principles to provide for independent planning, coordination of the maintenance of generating units, continuation of split-savings economy transactions, back-up arrangements for CAPCO Units, a review of the CAPCO transmission allocation procedures and the continuation of the CAPCO Coordinating Office which functions to coordinate operations.

(See Attachment F - "Agreement for the Termination or Construction of Certain Agreements by and among The Cleveland Electric Illuminating Company, Duquesne Light Company, Ohio Edison Company, Pennsylvania Power Company and The Toledo Edison Company.")

- c. Changes in transmission with respect to 1) the nuclear plant, 2) interconnections, or 3) connections to wholesale customers.

- 1) The current 345 kV transmission plan for the Beaver Valley Plant (DL) with Beaver Valley Unit 2 in service calls for connecting the Beaver Valley Plant (DL) to the following stations:

- Sammis Substation (OE)
- Collier Substation (DL)
- Crescent Substation (DL)
- Mansfield Plant (OE) (2 circuits)
- Hanna Substation (OE)

- 2) The following changes have been made or are planned for interconnections with The Cleveland Electric Illuminating Company System:
- a) A 138 kV interconnection to the Painesville Muny System was put in service in 1976.
 - b) Two 138 kV interconnections with the Cleveland Muny System were put in service in 1975 and 1982, respectively.
 - c) A 345 kV interconnection with the Ohio Edison System, from Avon Plant (CEI) to Beaver Substation (OE), was put in service in 1981.
 - d) A 345 kV interconnection with the Ohio Edison System, formerly planned from Juniper Substation (CEI) to the Mansfield Plant (OE) but currently planned from Harding Substation (CEI) to the Mansfield Plant (OE), is scheduled to be put in service in 1985.
 - e) A 345 kV interconnection with the Ohio Edison System, from Perry Plant (CEI) to Hanna Substation (OE), is scheduled to be put in service in 1987 or 1988.
- 3) No changes in wholesale customer's connections occurred between 1972 and 1982 except as noted in C(2)(a) and (b) above.

- d. Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

On June 28, 1977, Pennsylvania Power Company sold to its parent Ohio Edison Company its undivided 6.28% ownership interest in the facility, so that the resulting respective undivided ownership interests became as follows:

Duquesne Light Company	13.74%
Ohio Edison Company	41.88%
The Cleveland Electric Illuminating Company	24.47%
The Toledo Edison Company	19.91%

- e. Changes in design, provisions, or conditions of rate schedules and reasons for such changes. Rate increases or decreases are not necessary.

Since the completion of the antitrust review at the time of the construction permit application, Applicant has not effected any such changes. However, in the Applicant's next FERC Wholesale Rate Increase filing which will be filed late in 1982, the Applicant is proposing changes in conditions for Emergency Service, eliminating the use of the term "Contract Demand," redefining the terms "Firm Kilowatt Billing Demand" and "Maximum Billing Demand," and providing for an effective ratchet clause provision.

These changes are proposed in order to discourage the taking of Emergency Service from the Company during times when sufficient amounts of Firm Power have not been scheduled.

These changes will also enable the Company to have an effective ratchet clause provision in the Firm Power Service Agreement. Presently, the City of Cleveland MELP is a partial requirements customer of the Company. However, the Company is forced to standby the City of Cleveland MELP with Firm Power in case MELP's other sources of supply become unavailable. The ratchet clause provision the Company is proposing would compensate the Company for the standby service it is providing.

The changes will also simplify and streamline the administrative responsibilities associated with the City of Cleveland interconnection billing agreement. The City has recently had cause to make frequent changes to the "Contract Demand" level of the Firm Power Service Agreement. Therefore, the present Firm Power Service Agreement's language requiring written notice of "Contract Demand" changes has become, we believe, more administratively burdensome for both the Company and the City than it was intended to be.

- f. List all 1) -new wholesale customers, 2) transfers from one rate schedule to another, including copies of schedules not previously furnished, 3) changes in licensee's service area, and 4) licensee's acquisition or merger.

- 1) Applicant has no new wholesale customers.
- 2) Transfers from one rate schedule to another, including copies of schedules not previously furnished:

Applicant wheels power to the City of Cleveland from the Power Authority of the State of New York and Buckeye Power under a transmission tariff designated FERC Electric Tariff, Original Volume No. 1. (See Attachment G - "Transmission Service Tariff.")

- 3) Changes in licensee's service area:

As a result of the Opinion and Order in Public Utilities Commission of Ohio Case No. 81-732-EL-UNC, The Cleveland Electric Illuminating Company has established a certified service territory which is in compliance with Ohio Revised Code Section 4933.82.

- 4) Licensee's acquisitions or mergers:

Applicant has not participated in any acquisition or merger.

- g. List of those capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

Perry Nuclear Power Plant, Unit No. 2, is committed for commercial operation in 1988. Ownership rights and power output allocation will be as follows:

The Cleveland Electric Illuminating Company	31.11%
Duquesne Light Company	13.74%
Ohio Edison Company	30.00%
Pennsylvania Power Company	5.24%
The Toledo Edison Company	19.91%

h. Summary of requests or indications of interest by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

1) By letter dated December 29, 1978 to the chief executives of the applicant companies, attorneys Robert A. Jablon and David R. Strauss gave notice of a general intent of the twenty-one municipal wholesale customers of Ohio Edison (WCOE) and the four municipal wholesale customers of Toledo Edison (Ohio Munis) to obtain access to the Davis-Besse 1, 2 and 3 and the Perry 1 and 2 nuclear units.

By letter dated March 26, 1979, attorneys Jablon and Strauss requested a meeting between representatives of the municipalities and representatives of each of the CAPCO companies to exchange

views and information. Such a meeting was held in Cleveland, Ohio, on June 1, 1979 with representatives attending on behalf of WCOE, AMP-Ohio, Ohio Edison, Toledo Edison and The Cleveland Electric Illuminating Company. During the meeting, the WCOE and AMP-Ohio representatives discussed the then proposed establishment of an Ohio Municipal Electric Authority to be set up as a financing tool to be used on behalf of all 83 municipalities which had electrical generating facilities on January 1, 1979. The establishment of such an authority required an amendment to the Ohio constitution which was eventually defeated by the Ohio voters on June 3, 1980. Aside from subsequently forwarding for information and review copies of various contracts between publicly and privately owned utilities, no further action has been taken by the requesting parties to obtain access to the units (two of which have since been cancelled).

- 2) As the result of indications of interest initiated by the General Public Utilities Companies of the PJM Group for the transmission of bulk power from Ontario Hydro of Ontario, Canada, from St. Joe Resources of Monaca, Pennsylvania, and from the Detroit Edison Company of Detroit, Michigan, the applicant companies entered into agreements for the purchase and sale of such power effective as of August 1, 1981, January 25, 1982 and June 1, 1982. (See Attachment H for copies of the Agreements for Purchase and Sale.)

2. Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

It is the policy of Applicant to comply with all license conditions. Applicant's construction permit for Beaver Valley Unit No. 2 does not include conditions pertaining to antitrust aspects; Applicant's construction permits for Davis-Besse Unit No. 1 and Perry Nuclear Power Plant, Units 1 and 2, do include such conditions.

1. On April 17, 1975, Applicant entered into an agreement for installation and operation of a 138 kV synchronous interconnection with the City of Cleveland. An amendment to said contract provides for the installation and operation of a second interconnection. Both interconnections have been installed.

2. Applicant has filed "FERC Electric Tariff Original Volume No. 1 of The Cleveland Electric Illuminating Company" with the Federal Energy Commission. The tariff accords with License Condition 3, and service under the tariff has been made available to the City of Cleveland. Applicant has actually wheeled power to Cleveland from PASNY (for AMP-Ohio) and Buckeye.

3. As noted in Applicant's response to Item 1, Applicant met with representatives of the Wholesale Customers of Ohio Edison and the Ohio Municipal Customers of Toledo Edison on June 1, 1979 pursuant to the nuclear unit commitment provision of License Condition 9.b, but no binding commitments have been made. In the meantime, the Davis-Besse 2 and 3 Units have been cancelled.

AGREEMENT FOR THE ELIMINATION OF PURCHASES AND SALES
BETWEEN AND AMONG THE CLEVELAND ELECTRIC ILLUMINATING
COMPANY, DUQUESNE LIGHT COMPANY, OHIO EDISON COMPANY,
PENNSYLVANIA POWER COMPANY AND THE TOLEDO EDISON COMPANY

Attachment A

ORIGINAL

AGREEMENT FOR THE ELIMINATION OF PURCHASES AND SALES
BETWEEN AND AMONG THE CLEVELAND ELECTRIC ILLUMINATING COMPANY,
DUQUESNE LIGHT COMPANY, OHIO EDISON COMPANY, PENNSYLVANIA
POWER COMPANY AND THE TOLEDO EDISON COMPANY

THIS AGREEMENT, effective as of the 31st day of December, 1979, between and among The Cleveland Electric Illuminating Company ("CEI"), an Ohio corporation, Duquesne Light Company ("DL"), a Pennsylvania corporation, Ohio Edison Company, an Ohio corporation, and its wholly-owned subsidiary, Pennsylvania Power Company, a Pennsylvania corporation, which two companies are considered as a single party for purposes of this Agreement and referred to as "CE", and The Toledo Edison Company ("TE"), an Ohio corporation.

WITNESSETH:

WHEREAS, CEI, DL, OE and TE, are each members of the CAPCO Group, and have previously agreed to the installation of a number of large-scale generating units in which the members have agreed upon ownership interests, and to the assignment of individual capacity responsibilities to be discharged through ownership interests in and purchase and sale arrangements with respect to such units, and

WHEREAS, each of the members of the CAPCO Group is desirous of eliminating all such purchases and sales effective as of January 1, 1980.

NOW THEREFORE, it is agreed as follows:

Notwithstanding anything to the contrary in the Agreement of Chief Executives dated July 6, 1973, and the Memorandum of Agreement with an effective date of March 1, 1977, and captioned "Purchase and Sale Agreements Under Schedules E and H of the CAPCO Basic Operating Agreement for the period March 1, 1977 through December 31, 1977 and for 1978, and Tentative Purchase and Sale Agreements for 1979 and Beyond", purchases and sales required by such agreements between and among members of the CAPCO Group shall cease at midnight December 31, 1979.

The parties to this Agreement expressly waive applicability of paragraph 11 of the Agreement of Chief Executives dated July 6, 1973, relating to the application of Monthly Reserve Obligations during the period this Agreement is in effect.

In Witness Whereof, the parties have caused this Agreement to be executed.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

By: Robert W. Jones

Title: President

Date: Jan 11, 1980

DUQUESNE LIGHT COMPANY

By: John M. Anthony

Title: Chairman of the Board & Chief Executive

Date: Jan 11, 1980

OHIO EDISON COMPANY

By: J. Morgan

Title: President

Date: March 28, 1980

PENNSYLVANIA POWER COMPANY

By: J. Morgan

Title: Chairman of the Board

Date: March 28, 1980

THE TOLEDO EDISON COMPANY

By: J. Williamson

Title: Chairman

Date: Jan 11, 1980

SEPTEMBER 18, 1980 LETTER TO THE FEDERAL ENERGY
REGULATORY COMMISSION TRANSMITTING THE
CAPCO BASIC OPERATING AGREEMENT AS
AMENDED SEPTEMBER 1, 1980

Attachment B

ORIGINAL



THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

P.O. BOX 5000 ■ CLEVELAND, OHIO 44101 ■ TELEPHONE (216) 822-9800 ■ ILLUMINATING BLDG. ■ 55 PUBLIC SQUARE

Serving The Best Location in the Nation

September 18, 1980

Federal Energy Regulatory Commission
825 Capital Street, N.E.
Washington, D.C. 20426

Attention Kenneth F. Plumb, Secretary

Gentlemen:

On behalf of each of the following listed Companies, we hereby transmit for filing under Section 205 of the Federal Power Act twelve (12) copies of the CAPCO Basic Operating Agreement as amended September 1, 1980 (the "revised Agreement") to replace without interruption the CAPCO Basic Operating Agreement dated as of January 1, 1975, as amended (the "Agreement"), which is on file with the Commission and which is identified by the rate schedule numbers shown for each listed Company.

<u>Company</u>	<u>FERC Rate Schedule Number</u>
The Cleveland Electric Illuminating Company	13
Duquesne Light Company	14
Ohio Edison Company	120
Pennsylvania Power Company	29
The Toledo Edison Company	26

Please return one (1) time-stamped copy of the filing documents to each of the undersigned.

The documents accompanying this letter include:

1. The CAPCO Basic Operating Agreement as amended September 1, 1980.
2. Cost support data for each of the Companies for the rates specified in the revised Agreement.
3. Three (3) copies of a form of Notice suitable for publication in the Federal Register, in accordance with Section 35.8 of the Commission's Regulations.
4. A check covering the required filing fee.

The signed copies of the revised Agreement evidence the agreement of the Parties, and all of the Parties to the CAPCO Basic Operating Agreement have approved this filing.

Facilities over which services will be provided under the revised Agreement have been provided for pursuant to the provisions of the CAPCO Transmission Facilities Agreement among the Parties, dated as of September 14, 1967, which is on file with the Commission and is identified by the rate schedule numbers shown for each listed Company.

<u>Company</u>	<u>FERC Rate Schedule Number</u>
The Cleveland Electric Illuminating Company	8B
Duquesne Light Company	12B
Ohio Edison Company	96B
Pennsylvania Power Company	22B
The Toledo Edison Company	21B

The Parties to the CAPCO Basic Operating Agreement respectfully request that the Commission waive any requirements not already complied with under the Commission's Regulations and permit the revised Agreement to become effective as of September 1, 1980.

A check in the amount of \$500 is enclosed to cover the filing fee of \$100 for each of the Parties pursuant to Section 36 of the Commission's Regulations.

The revised Agreement amends the CAPCO Basic Operating Agreement dated as of January 1, 1975 by addition, substitution and deletion in the following respects without in any way changing or modifying the Appendices to Schedule E of the Agreement.

Article 1, entitled Purpose of Agreement, is amended chiefly by deletion of reference to the CAPCO Basic Generating Capacity Agreement which was to be formulated among the Parties and which the Parties have decided not to formulate, and by deletion of reference to the CAPCO Basic Transmission Facilities Agreement.

Article 2, entitled Definitions, is amended by deletion of the definitions for CAPCO Capacity, CAPCO Operating Reserve, CAPCO Operating Reserve Requirement, Committed Capacity, Common Facilities, Daily Operating Capacity, Daily Operating Capacity Requirement, Daily Operating Reserve Requirement, Monthly Actual Reserve, Planned Outage, Replacement Capacity and Replacement Energy, and by the addition of the definitions for Operating Capacity and Power.

Article 3, entitled Operating Committee, is amended by revising Subsections 3.05 (d), (e) and (f) to direct the CAPCO Operating Committee to establish rules and procedures for determining minimum Operating Reserve for each Party and for scheduling CAPCO Back-Up Power in lieu of determining Daily Operating Reserve requirements for each Party and the scheduling of Replacement Capacity and Replacement Energy.

Article 4, entitled CAPCO Coordinating Office, is amended by deleting reference in Subsection 4.02 (a) to specific types of operating information which the CAPCO Coordinating Office shall have the duty and responsibility to collect, record and disseminate.

Article 5, entitled Operating Conditions, is amended in consequence of a similar provision described in Article 3 by deleting the Section 5.07 requirements of each Party to provide Operating Reserve determined consistent with the rules and procedures established by the Operating Committee; and by deleting the Section 5.09 obligation of the Parties to supply capacity and energy to each other on the mandatory basis presently provided in Article 6.

Article 6, entitled Coordinated Operation and Services, presently consisting of 11 pages, is extensively revised into a new Article 6, entitled Coordinated Maintenance and CAPCO Back-Up Power, consisting of four pages. The amended Article continues Coordinated Maintenance responsibilities among the Parties, but discontinues unqualified Replacement Capacity and Replacement Energy entitlements and obligations between the Parties in favor of a limited and qualified mutual back-up system designated as CAPCO Back-Up Power. CAPCO Back-Up Power shall consist of CAPCO Unit Back-Up Power calling for back-up entitlements and obligations upon the loss of a CAPCO Unit designated in the revised Agreement, and shall consist of CAPCO System Back-Up Power to provide back-up entitlements and obligations upon the outage or outages of other units of the Parties. These entitlements to CAPCO Unit Back-Up Power and CAPCO System Back-Up Power shall be netted, scheduled and billed as CAPCO Back-Up Power, and such power will be made available from the least cost available power.

Article 7, entitled Communications, is substantially unchanged, but has been amended to include voice communication and automatic generation control as a means of communication.

Article 8, entitled Service Schedule, is amended by changing the title to Services, by changing the Schedule A title from Replacement Capacity and Replacement Energy to CAPCO Back-Up Power, by changing the Schedule B title from Short Term Power and Energy to Short Term Power, by changing the Schedule C title from Interchange Capacity and Energy to Non-Displacement Power, by changing the Schedule D title from Economy Interchange of Operating Capacity and/or Energy to Economy Power, by changing the Schedule E title from Specific Unit Capacity and Energy to Unit Power, by changing the Schedule G title from Pre-Commercial Equivalent Energy to Emergency Power and by deleting Schedule H, entitled System Capacity and Energy, which otherwise would expire December 31, 1980 under the Agreement.

Article 8 is further amended by the additions of Sections 8.02 and 8.03 relating to transmission loss, accounting and procedures; and relating to modified transactions resulting in material interference with facilities or operation of the system of any Party, respectively.

Article 9, entitled Executive Committee, is substantially unchanged.

Article 10, entitled Ohio Edison System, is substantially unchanged.

Article 11, entitled Interconnection Points and Metering Points, is insubstantially amended to change the title to Interconnection Metering, to delete Section 11.01 which defines the term "Interconnection Point," and to renumber the remaining sections of the Article.

Article 12, entitled Records, is unchanged.

Article 13, entitled Statements, Billings, Settlements and Payments, is unchanged except that Section 13.02 requires the payment of billing statements on the 25th day of the month in which presented or on the 15th day following receipt, whichever date is later, in lieu of requiring payment 15 days after the date of such statements.

Article 14, entitled Governmental Approvals, is amended by the addition of Section 14.02 which subjects the revised Agreement to the jurisdiction of governmental authorities and which expresses the right of any Party to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

Article 15, entitled Notices, is amended to require written confirmation of certain oral notices to be given within three working days rather than within three days.

Article 16, entitled Non-Waiver, is not amended.

Article 17, entitled Arbitration, is not amended.

Article 18, entitled Assignment, is not amended.

Article 19, entitled Governing Law, is not amended.

Article 20, entitled Other Agreements, is amended by the substitution of the date of August 31, 1980 for the date February 2, 1968, so that the revised Agreement is not to be interpreted as conflicting or interfering with the performance of any agreement between any Party and any system effective prior to August 31, 1980. Article 20 also terminates the following agreements identified by FERC rate schedule numbers shown for each listed Company:

<u>Company</u>	<u>FERC Rate Schedule Number(s)</u>
The Cleveland Electric Illuminating Company	2 and 2.1
Duquesne Light Company	10
Ohio Edison Company	42, 42.1, 68, 68.2, 71, 71.1, 71.2 and 71.3
Pennsylvania Power Company	21, 21.1, 21.2 and 21.3
The Toledo Edison Company	3 and 3.2

Article 21, entitled Term of Agreement, is amended by deleting the Section 21.01 expiration date of September 1, 1980 and by substituting language to continue the revised Agreement in effect until such time as all CAPCO Units are retired; and by adding Section 21.02 to permit any Party to withdraw from the revised Agreement by giving one year's advance notice in writing, provided that such withdrawal shall not discontinue Coordinated Maintenance of CAPCO Units, CAPCO Unit Back-Up Power, and CAPCO Coordinating Office obligations until such time as all CAPCO Units are retired.

Article 22, entitled Separate Identities, is not amended.

Article 23, entitled Force Majeure, is not amended.

Article 24, entitled Liability, is amended by deleting the Section 24.02 reference to Section 6.12 and by substituting therefor a reference to Section 8.03.

Schedule A, entitled Replacement Capacity and Replacement Energy, which provided for mandatory replacement capacity and replacement energy transactions, compensation for such transactions and the banking of entitlements and obligations resulting from such transactions, is deleted and substituted for by a new Schedule A now entitled CAPCO Back-Up Power. Settlement of all imbalances in the replacement capacity and replacement energy accounts under the old Schedule A shall be made within 60 days in accordance with Section 5, entitled, "Effect of Termination," of old Schedule A. The new Schedule is applicable to CAPCO Back-Up Power transactions among the Parties pursuant to the provisions of Article 6 of the Agreement, shall terminate as to provisions relating to CAPCO System Back-Up Power on August 31, 1982 unless extended, and sets forth compensation charges for CAPCO Back-Up Power.

Schedule B, entitled Short Term Power and Energy, is amended by shortening the title to Short Term Power; by providing for the reservation of short term power for periods of one or more days in addition to the weeks previously provided; and by revising the compensation sections.

Schedule C, entitled Interchange Capacity and Energy, is amended by changing the title to Non-Displacement Power and by revising the compensation sections.

Schedule D, entitled Economy Interchange of Operating Capacity and/or Energy, is amended by shortening the title to Economy Power and by providing for multiple party transactions.

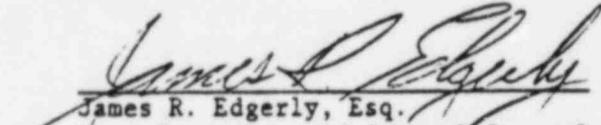
Schedule E, entitled Specific Unit Capacity and Energy, is amended by shortening the title to Unit Power and by deleting references to the previous mandatory CAPCO Group allocation procedures.

Schedule F, entitled Out-of-Pocket Costs, is amended by deleting specific references to various costs and by substituting a generic listing of operating capacity costs, energy costs, and purchased power costs.

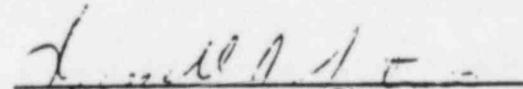
Schedule G, previously entitled Pre-Commercial Equivalent Energy, terminated under its own terms on December 31, 1975 and is replaced by a new Schedule G entitled Emergency Power. This Schedule requires the Parties to provide emergency power in the event of breakdown or other emergencies in or on the systems of other Parties except where a supplying Party cannot deliver emergency power without interposing a hazard upon its operations or without impairing or jeopardizing its load.

Correspondence with respect to this filing should be addressed to each of the undersigned.

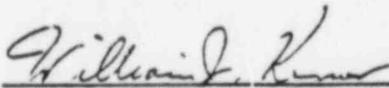
Very truly yours,



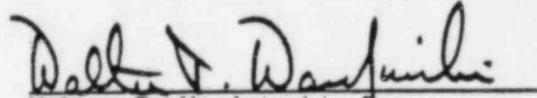
James R. Edgerly, Esq.
Vice President and General Counsel
Pennsylvania Power Company
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New Castle, Pennsylvania 16103



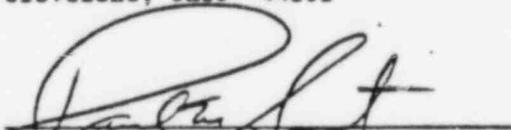
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1200 Edison Plaza
P.O. Box 2088
Toledo, Ohio 43605

CAPCO
BASIC OPERATING AGREEMENT
AS AMENDED SEPTEMBER 1, 1980

Attachment C

ORIGINAL

Conformed Copy

C A P C O

BASIC OPERATING AGREEMENT
As Amended September 1, 1980

* * *

The Cleveland Electric Illuminating Company

Duquesne Light Company

Ohio Edison Company

Pennsylvania Power Company

The Toledo Edison Company

Conformed Copy

INDEX

	<u>Page No.</u>
Article 1 -- Purpose of Agreement	1
Article 2 -- Definitions	2
Article 3 -- Operating Committee	5
Article 4 -- CAPCO Coordinating Office	7
Article 5 -- Operating Conditions	10
5.01 Parallel Operation	10
5.02 Frequency	11
5.03 Megavars	11
5.04 Unscheduled Energy	12
5.05 Transmission Operation	12
5.06 Coordinated Maintenance	12
5.07 Unit Availability	13
5.08 Utilization of CAPCO Units	13
Article 6 -- Coordinated Maintenance and CAPCO Back-Up Power	14
6.01 Coordinated Maintenance	14
6.02 CAPCO Back-Up Power	14
6.021 CAPCO Unit Back-Up Power	14
6.022 CAPCO System Back-Up Power	15
6.03 Scheduling CAPCO Back-Up Power	16
6.04 Obligation to Provide CAPCO Back-Up Power	16
6.05 Proportional Supply of CAPCO Back-Up Power	17
Article 7 -- Communications	17
Article 8 -- Services	18
Article 9 -- Executive Committee	20
Article 10 -- Ohio Edison System	20
Article 11 -- Interconnection Metering	21
Article 12 -- Records	22
Article 13 -- Statements, Billings, Settlements and Payments	22
Article 14 -- Governmental Approvals	23

<u>INDEX</u> - (Cont'd)	<u>Page No.</u>
Article 15 -- Notices	24
Article 16 -- Non-Waiver	24
Article 17 -- Arbitration	24
Article 18 -- Assignment	27
Article 19 -- Governing Law	28
Article 20 -- Other Agreements	28
Article 21 -- Term of Agreement	29
Article 22 -- Separate Identities	30
Article 23 -- Force Majeure	30
Article 24 -- Liability	31

CAPCO BASIC OPERATING AGREEMENT

(As Amended September 1, 1980)

This Agreement, effective as of the first day of September, 1980, by and among The Cleveland Electric Illuminating Company, an Ohio corporation ("CEI"); Duquesne Light Company, a Pennsylvania corporation ("DL"); Ohio Edison Company, an Ohio corporation, Pennsylvania Power Company, a Pennsylvania corporation and a wholly-owned subsidiary of Ohio Edison Company which company and its said subsidiary, except as otherwise provided herein, are considered as a single Party for the purposes of this Agreement and referred to as ("OE"); and The Toledo Edison Company, an Ohio corporation ("TE"); each of which is sometimes referred to as a Party, or Owner and collectively as the Parties, Owners or CAPCO,

W I T N E S S E T H:

0.01 The Parties own electric utility systems located in Western Pennsylvania, Northern and Central Ohio, and are engaged in the generation, transmission and distribution of electric power.

0.02 The systems of the Parties are interconnected directly or indirectly and are operated in synchronism.

ARTICLE 1

Purpose of Agreement

1.01 It is the purpose of this Agreement to provide for the coordinated operation of the systems of the Parties, so as to (1) provide

the utilization by each of the Parties of facilities heretofore provided for by the Parties; (2) provide a degree of mutual support; (3) provide for capacity and energy transactions by and among the Parties; (4) permit coordination of the operation of the systems of the Parties; and (5) achieve an equitable sharing of the responsibilities, risks and expenses and of the resulting benefits of coordinated operation of the systems of the Parties.

ARTICLE 2

Definitions

The definitions in this Article shall apply to this Agreement and to the Schedules hereto, unless otherwise expressly provided in such Schedules.

2.01 Actual Capacity of a Party shall mean the sum of the Net Demonstrated Capability of its ownership shares in CAPCO Units, plus its Individual Capacity (in all cases to the extent then in commercial operation) adjusted in all cases for seasonal factors existing at the time pursuant to the document entitled, "CAPCO Group Common Method of Rating Generating Equipment," dated October 17, 1969, as amended from time to time, plus such Party's individual purchases less such Party's individual sales (but shall exclude power scheduled to be received by a Party to provide for deliveries to cooperative systems and power purchased by a Party pursuant to contracts with other systems entitling such Party to purchase up to the entire requirements of specified buyers from such other systems).

2.02 CAPCO Unit shall mean any one of the following listed Units: W. H. Sammis Generating Station Unit No. 7, Bruce Mansfield Unit No. 1, Bruce Mansfield Unit No. 2, Bruce Mansfield Unit No. 3, Davis-Besse Nuclear Power Station Unit No. 1, Beaver Valley Power Station Unit No. 1, Beaver Valley Power Station Unit No. 2, Eastlake Generating Station Unit No. 5, Perry Nuclear Power Plant Unit No. 1 and Perry Nuclear Power Plant Unit No. 2.

2.03 Coordinated Maintenance Schedule means the schedule established under the direction of the Operating Committee pursuant to Section 3.01.

2.04 Individual Capacity of a Party as of any date is the sum of the following:

(a) The Net Demonstrated Capabilities of the generating units or portions thereof owned or leased by such Party in commercial operation and not placed in cold reserve, but exclusive of ownership of CAPCO Units.

(b) The equivalent Net Demonstrated Capability of such Party's portion of the Ohio Valley Electric Corporation ("OVEC") capacity.

2.05 Interruptible Load of a Party is the total of megawatt-hours delivered during any clock hour to its retail customers or to municipal or cooperative systems which the Party, in its sole discretion, is privileged to curtail or completely interrupt in accordance with a rate schedule or contractual arrangement with such customer or customers; and load

the service of which no other Party is obligated to supply CAPCO System Back-Up Power; and load which does not affect the determination of such Party's obligation to supply CAPCO System Back-Up Power.

2.06 Load of a Party during any clock hour is the total during any such clock hour (eliminating on an agreed basis any distortion arising out of deliveries between systems where material) of megawatthours (a) delivered by the Party to its retail customers and to municipal systems, (b) used by the Party on its own system, exclusive of use for station auxiliary power, and (c) lost and unaccounted for on the system of the Party; but shall exclude Interruptible Load.

2.07 Minimum Operating Reserve of a Party, unless otherwise determined by the Operating Committee, shall mean a spinning reserve of not less than 3% of the projected daily Peak Load of such Party.

2.08 Net Demonstrated Capability of a generating unit as of any time means that most recently determined pursuant to the methods and principles set forth in the document entitled, "CAPCO Group Common Method of Rating Generating Equipment," dated October 17, 1969, as amended from time to time.

2.09 Operating Capacity of a Party during a particular day shall mean that portion of a Party's Actual Capacity to the extent actually in operation or expected to be in operation.

2.10 Operating Reserve of a Party means that component of Operating Capacity which is unloaded, plus Quick Start Capacity and Interruptible Load to the extent they can be so included in accordance with rules and procedures established by the Operating Committee.

2.11 Peak Load of a Party for any period of time is the maximum Load of the Party for any clock hour of the period.

2.12 Power or power shall include electric power and energy expressed in megawatts and megawatthours.

2.13 Quick Start Capacity means generating capacity which can be started, synchronized to the system and loaded within a time period as specified by the Operating Committee.

ARTICLE 3

Operating Committee

3.01 The Operating Committee shall be that established pursuant to the CAPCO Administration Agreement dated as of September 14, 1967, as the same may be amended from time to time.

3.02 Each Party shall make available to the Operating Committee all data and information reasonably required to enable it to perform its duties.

3.03 The Operating Committee shall direct the activities of the CAPCO Coordinating Office.

3.04 The Operating Committee shall be responsible for establishing, maintaining and revising as necessary the Coordinated Maintenance Schedule.

3.05 The Operating Committee shall be responsible for the establishment and administration of rules and procedures to coordinate the operation of the systems of the Parties to effectuate the purpose of this Agreement. Without limiting the generality of the foregoing, the Operating Committee shall establish rules and procedures for:

(a) The determination of billing costs and other factors used for scheduling and billing of transactions hereunder;

(b) The determination of the increase or decrease of electrical losses incurred as the result of transactions hereunder;

(c) The establishment and periodic revision of the Coordinated Maintenance Schedule which shall be reviewed at least annually;

(d) The determination of the Minimum Operating Reserve for each Party;

(e) The scheduling of CAPCO Back-Up Power as provided in Article 6; and

(f) Accumulating and recording load, capacity and other operating data needed to evaluate performance under the various CAPCO agreements.

3.06 The Operating Committee shall conduct studies of the coordinated operation of the systems of the Parties for the purposes of this Agreement, and make recommendations with respect thereto, including recommendations with respect to the development and coordination of an adequate communication system. The Operating Committee is authorized to create task forces for particular studies and to appoint the members thereof who need not be members of the Operating Committee. Subject to such limitations as may be imposed by the Executive Committee, the Operating Committee is authorized on behalf of the Parties to hire consultants and computer time and to incur other expenses in the making of any of its studies.

ARTICLE 4

CAPCO Coordinating Office

4.01 The CAPCO Coordinating Office ("Office") located in Massillon, Ohio, shall, unless otherwise agreed, be equipped by OE as necessary to accomplish its functions as hereinafter provided.

4.02 The Operating Committee shall appoint a manager who, subject to the general supervision of the Operating Committee, shall select necessary personnel and be responsible for operation of the Office. The Office shall have the following duties and responsibilities:

(a) To collect, record and disseminate operating information as may be assigned by the Operating Committee.

(b) To prepare monthly budgets covering such time periods as shall be specified by the Operating Committee.

(c) To perform such other functions as may be assigned by the Operating Committee.

4.03 Each Party shall supply to the Office such information as may be reasonably required by the Operating Committee for the functioning of the Office.

4.04 All regular personnel of the Office shall, for administration purposes, be carried on the payroll of CEI or its nominee at compensation which shall be as extended to CEI employees similarly situated, and such other monetary or nonmonetary benefits as may be required by law. Such compensation shall include benefits not less favorable than extended to CEI employees similarly situated but excluding such benefits as directly related to employment by CEI as such. Changes in compensation levels and in benefit plans shall be as recommended by the Operating Committee and as approved by the Executive Committee. CEI or its nominee shall be responsible for fiscal administration of the Office. The Party in whose service area the Office is located, or its nominee, shall be responsible for physical maintenance and servicing of the Office. The use of a nominee by any Party pursuant to this Article 4 shall not relieve such Party of any of the obligations of such Party under this Agreement.

4.05 All costs, including overheads and fixed charges as appropriate, associated with the establishment, construction, equipping and operation of the Office shall, unless otherwise agreed as to any particular cost, be allocated among the Parties as follows: one-half shall be divided among the Parties equally, and one-half shall be divided on the basis of the ratio of the average of the annual Peak Loads of each Party for the three calendar years immediately preceding the calendar year of incurring the cost to the aggregate of such averages.

All costs, including overheads, fixed charges as appropriate, and any capital associated with the establishment, construction, equipping and operation of the Office at another location shall be allocated among the Parties as agreed.

4.06 The Party or Parties incurring expenses associated with the establishment, construction, equipping and operation of the Office shall bill the Office monthly for such expenses incurred. The Office through CEI or its nominee shall (a) allocate such charges in accordance with Section 4.05, (b) to the extent practicable, offset or reduce to a net basis said charges in order to provide a minimum practicable number of payments among the Parties, and (c) render appropriate itemized bills to each Party, payable to the Party or Parties incurring the expense or cost within 15 days after billing. Such statements may be rendered on an estimated basis subject to corrective adjustments in subsequent statements. Billings to OE shall be divided between Ohio Edison Company and Pennsylvania Power Company as directed by them.

4.07 OE or CEI, as may be appropriate, shall, with the approval of the Operating Committee, procure and maintain any insurance deemed appropriate in respect of the ownership, operation and maintenance of the Office, and the premium cost thereof shall be deemed an operating expense to be shared by the Parties in accordance with Section 4.05.

4.08 Claims for bodily injury, death or damage to property or business of third parties, not covered by insurance provided pursuant to Section 4.07 caused by or resulting from action or failure to act of the Office, shall be the responsibility of the Parties on the basis of the ratio of the average of the annual Peak Loads of each Party for the three calendar years immediately preceding the calendar year in which such claim arises to the aggregate of such averages.

4.09 Each Party hereby waives any and all claims it may have against any other Party arising from negligence or other fault of the Office in connection with operations under this Agreement.

ARTICLE 5

Operating Conditions

5.01 Each Party shall operate its system continuously in parallel with each other Party with which it is interconnected. Unless otherwise mutually agreed which agreement shall not be unreasonably withheld, all existing interconnections between the systems of the Parties operating at nominal voltages of 138,000 volts and above shall normally be operated closed. Each Party shall maintain and operate its system so as to minimize the likelihood and effect of

disturbances on its system which might impair the service on the system of any other Party. Each Party shall be the sole judge whether service on its system is being impaired by conditions on the system of another Party and may itself take, or request such other Party to take, appropriate corrective action to restore normal operating conditions as soon as reasonably practicable.

Power which is supplied by one Party to another Party through interconnections normally operated open or through a temporary interconnection point shall be compensated for by the other Party delivering to the first Party through other interconnections an equivalent amount of power in like amount and kind. It is the intent of the Parties that, whenever feasible, such compensation shall be made simultaneously with the delivery of power through such interconnections.

5.02 Each Party shall use its best efforts to operate its system so as to aid in maintaining the frequency on the systems of the Parties at a nominal 60 Hz within the limits for normal operating deviations as established from time to time by the Operating Committee.

5.03 Each Party shall, to the extent practicable, operate its system so as to avoid the creation of objectionable operating conditions on the system of another Party due to the transfer of megawatts. Subject to the foregoing, the Operating Committee shall (a) establish operating procedures for the coordination of megawatt supply associated with flows of power pursuant to this Agreement, and (b) determine the circumstances under which a Party shall compensate another for supplying megawatts in connection with flows of power pursuant to this Agreement and recommend the amount of such compensation.

5.04 Each Party shall exercise reasonable care to minimize, to the extent practicable, unscheduled deliveries or receipts of electric energy. The Parties recognize, however, that despite their best efforts such unscheduled deliveries or receipts of electric energy may occur. Electric energy delivered or received in such event shall be settled for by return of equivalent energy. It shall be returned at times when the load conditions of the returning Party are equivalent to the load conditions of such Party at the time the energy for which it is returned was received, unless otherwise agreed.

5.05 The Parties recognize that in the day-to-day operation of their systems the transmission facilities of any Party may, as a natural result of the physical and electrical characteristics of the interconnected network of transmission lines of which the transmission lines of the Parties are a part, carry power from one portion of the system of one of the Parties to another portion of that Party's system, or carry power intended to be transmitted to or from the system of one of the Parties from or to the system of another Party or other systems. The Parties will use their best efforts to resolve promptly any operating problems thereby created, including but not limited to curtailing or interrupting Interruptible Load and Economy Power transactions with other Parties and/or other systems.

5.06 Each Party shall, to the fullest extent practicable:

(a) Maintain generating units in accordance with the Coordinated Maintenance Schedule.

(b) Coordinate with the other Parties the scheduled outages of transmission facilities operating at nominal voltages of 138,000 volts or above.

(c) Return generation and transmission facilities to service in good operating condition with reasonable promptness.

(d) Advise the other Parties as to its maintenance practices and policies and any changes therein, and cooperate in attempts to accelerate or defer maintenance of generation and transmission facilities in emergency situations.

5.07 Each Party shall be the sole judge as to whether, due to physical conditions beyond its reasonable control, a generating unit operated by such Party is unavailable for operation or unavailable for continued operation or must be derated or temporarily removed from service; provided, however, that unavailability for operation or continued operation, or derating, for reasons of limitations of fuel supply for a CAPCO Unit, shall be determined in accordance with rules and procedures established by the Operating Committee.

5.08 Each Party shall be entitled to the full utilization, with respect to capacity and energy, when a CAPCO Unit is available and based on and in proportion to the actual day-by-day operating capacity, of (a) its ownership share of capacity in that Unit, plus (b) its entitlement to receive capacity from another Party's ownership share in such Unit, and minus (c) its

obligation to provide capacity from such Unit. Scheduling of such capacity and energy entitlements shall be adjusted appropriately for transmission line losses.

ARTICLE 6

Coordinated Maintenance and CAPCO Back-Up Power

6.01 The Parties shall coordinate the outages for maintenance of all CAPCO Units and such other units of the Parties as are identified by the Operating Committee and for such purpose the Coordinated Maintenance Schedule shall be developed and maintained in accordance with rules and procedures established pursuant to Section 3.05.

6.02 In order to provide back-up for CAPCO Unit outages, Operating Reserve shortages or a combination of both, each Party shall have an entitlement to receive or an obligation to provide operating capacity or operating capacity and associated energy in the form of CAPCO Back-Up Power. CAPCO Back-Up Power shall consist of CAPCO Unit Back-Up Power and CAPCO System Back-Up Power, and shall be compensated for in accordance with Schedule A of this Agreement.

6.021 In the event of the forced or scheduled outage of any CAPCO Unit in commercial operation (except those Units in cold reserve), each Party agrees to provide or shall have the right to receive, as the case may be, CAPCO Unit Back-Up Power in an amount equal to the difference between such Party's ownership share in the CAPCO Unit out of service, expressed in megawatts, and a value determined by multiplying the Net Demonstrated Capability of the CAPCO Unit out of service by the ratio of such Party's ownership share of the

et Demonstrated Capability of all of the CAPCO Units in commercial operation to the total Net Demonstrated Capability of all of the CAPCO Units in commercial operation.

6.022 Each Party shall use its best efforts to operate its system so as to provide the amounts of Minimum Operating Reserve determined consistent with the rules and procedures established pursuant to Section 3.05.

If on any day any Party's Operating Reserve is projected for the next succeeding day to be less than its Minimum Operating Reserve, after giving effect to its net entitlement or obligation relating to CAPCO Unit Back-Up Power, such Party shall during such next succeeding day be entitled to receive CAPCO System Back-Up Power up to 100 mW from each Party obligated to provide or up to the receiving Party's Minimum Operating Reserve, whichever is less provided, however, that if on any day more than one Party shall be obligated to provide CAPCO System Back-Up Power, each supplying Party shall be obligated to provide a share of the total obligation that is proportionate to such Party's share of the total reserves available for CAPCO System Back-Up Power on the systems of the supplying Parties.

If on any day any Party's Operating Reserve is projected for the next succeeding day to be more than its Minimum Operating Reserve, it shall be obligated to provide during such next succeeding day CAPCO System Back-Up Power up to a maximum of 100 mW or an amount which will reduce the supplying Party to its Minimum Operating Reserve, whichever is less. No Party shall be obligated on any hour of any day to provide more than 100 mW of CAPCO System Back-Up Power.

6.03 Pursuant to rules and procedures established by the Operating Committee, CAPCO Back-Up Power for the next succeeding day shall be arranged on a net basis, initially at 1200 hours on the preceding day or such other time mutually agreed upon by the Operating Committee, and shall be scheduled as requested by the receiving Party.

CAPCO Unit Back-Up Power and CAPCO System Back-Up Power shall be netted, scheduled and billed as CAPCO Back-Up Power. A receiving Party shall have the right to receive all or any part of such Party's net entitlement to CAPCO Back-Up Power.

6.04 Each Party is obligated to provide CAPCO Back-Up Power after supplying its Load and meeting its Minimum Operating Reserve, except when the delivery of such Power would, in the judgment of the supplying Party, have to be interrupted or reduced to preserve the integrity of or to prevent or limit any instability on the supplying Party's system. If a Party having an obligation to supply does not have sufficient capacity available on its own system to meet the obligation, it is obligated to purchase capacity and associated energy if available to provide CAPCO Back-Up Power.

For each day that a Party is unable to fulfill all or any part of its obligation to provide CAPCO Back-Up Power because it is supplying power other than CAPCO Back-Up Power to another Party or to a non-CAPCO party, except pursuant to obligations imposed by governmental authorities, agreements referred to in Article 20, and any additional agreements excepted by the Parties, such Party shall pay an amount equal to twice the daily demand charge for the CAPCO Back-Up Power not provided by such Party to the other Parties to be shared in

proportion to the entitlements which were not fulfilled. In the event any Party is unable to provide CAPCO Back-Up Power in any substantial amount over an extended period and reserves substantial CAPCO Back-Up Power from others, the Parties shall develop corrective measures such as, but not limited to, increasing the demand charge rate.

6.05 CAPCO Back-Up Power will be made available in proportion to Party entitlements from supplying Parties in proportion to their obligations, and will be made available from the least-cost available power. In the event that a receiving Party or Parties reserve less than its or their entitlement of CAPCO Back-Up Power, the remaining CAPCO Back-Up Power will be made available from the supplying Parties in proportion to their obligations to the other receiving Parties in proportion to their entitlements from such least-cost available power. CAPCO Back-Up Power obligations not reserved by the receiving Parties shall be deemed released to the supplying Parties.

ARTICLE 7

Communications

7.01 The Parties will establish communication facilities as may be required to provide voice communication, telemetering, automatic generation control, monitoring, tie-line control, and other functions as may be determined from time to time by the Operating Committee, or as required by other agreements among the Parties. Such communication facilities will consist of existing communication links owned or leased by the Parties as well as communication links to be built or leased by the Parties. It is understood that extensive use of microwave links will be made pursuant to the CAPCO Microwave Sharing Agreement, dated as of October 1,

7, as amended from time to time, although carrier current and wire communication facilities will be used as deemed appropriate by the Operating Committee. Communication links other than microwave will be provided, operated and paid for as determined by the Operating Committee following as closely as possible the principles established in said Sharing Agreement.

ARTICLE 8

Services

8.01 The specific services and transactions among the Parties pursuant to this Agreement shall be in conformance with the terms and conditions of this Agreement and as set forth in Schedules arranged from time to time among the Parties.

The following Schedules are agreed to and hereby made a part of this Agreement:

- Schedule A -- CAPCO Back-Up Power
- Schedule B -- Short Term Power
- Schedule C -- Non-Displacement Power
- Schedule D -- Economy Power
- Schedule E -- Unit Power
- Schedule F -- Out-Of-Pocket Cost
- Schedule G -- Emergency Power

The Parties may, from time to time, agree on modifications to or additional Schedules, and upon execution thereof by the Parties any such modification or addition shall become a part of this Agreement.

8.02 Energy transactions (other than those arising under Schedule E) shall be scheduled as if there were zero transmission losses. A Party receiving such energy from another Party (whether such Party is acting as a supplying or transmitting Party arising under Schedule D of this Agreement) shall be charged with any increase in transmission losses and/or shall receive credit for any decrease in transmission losses associated with the transmission of the energy through the systems of Parties other than that of the supplying Party. Transmission losses will be accounted for by separate calculation in a manner prescribed by the Operating Committee. Loss imbalances shall be repaid through loss-payback schedules arranged by the Office.

8.03 If any transaction results in material interference with the facilities or operation of the system of any other Party, the Parties to the transactions promptly shall take appropriate actions which may include, among other things, modification of the transaction to eliminate such interferences and compensation to the Party affected for increased operating costs or damage to facilities.

ARTICLE 9

Executive Committee

9.01 The Executive Committee shall be that established pursuant to the CAPCO Administration Agreement, dated as of September 14, 1967, as the same may be amended from time to time.

9.02 The Executive Committee shall have the duties and powers conferred on it by this Agreement, including the making of any decision or determination necessary under any provision of this Agreement and not expressly specified to be decided or determined by any other person or persons.

ARTICLE 10

Ohio Edison System

10.01 Ohio Edison Company and Pennsylvania Power Company shall be considered to be separate Parties under this Agreement whenever and to the extent that separate corporate action is required of such Companies in order to accomplish the purpose of this Agreement, but their liability and responsibility for the performance of any obligation of OE hereunder to the other Parties shall be joint and several. The allocation between Ohio Edison Company and Pennsylvania Power Company of their collective obligations hereunder as OE shall be the sole responsibility of said Companies, but they undertake that they will, during the period that they shall be obligated under this Agreement, have in force one or more arrangements for the allocation of the whole of such collective obligations and will, upon the request of any of the other parties hereto, furnish the requesting Party or Parties satisfactory evidence of the existence of their then effective arrangements relating to such allocation.

ARTICLE 11

Interconnection Metering

11.01 Electricity flowing across an interconnection shall be measured by suitable metering equipment at metering points agreed upon by the Parties to the interconnection. The equipment at such metering points shall be provided, owned and maintained as agreed by the affected Parties.

11.02 Measurements of electric energy for the purpose of effecting settlements shall be made by standard types of electric meters installed and maintained by the owners at the metering points. The timing devices of all meters having such devices shall be maintained in time synchronism as closely as practicable. The meters shall be sealed and the seals shall be broken only upon occasions when the meters are to be tested or adjusted.

11.03 The aforesaid standard metering equipment shall be tested by the owners at suitable intervals and its accuracy of registration maintained in accordance with good practice. On request of any affected Party, a special test may be made at the expense of the Party requesting such special test. Representatives of all affected Parties shall be afforded opportunity to be present at all routine or special tests and upon occasions when any readings, for purposes of settlements, are taken from meters not bearing an automatic record. For the purpose of checking the records of the metering equipment installed by a Party as provided above, the other affected Party shall have the right to install check metering equipment at its own expense at the metering points referred to in Section 11.01.

11.04 If any test of metering equipment shall disclose an inaccuracy greater than 2%, the accounts among the affected Parties for service theretofore delivered shall, unless otherwise agreed by the affected Parties, be adjusted to correct for the inaccuracy disclosed over the shorter of the following two periods: (1) from 30 days prior to the receipt of written request for the test until the meter is corrected; or (2) for the period that such inaccuracy may be determined to have existed. Should the metering equipment at any time fail to register under load conditions, or registers during times of zero flow, the electric energy delivered shall be determined from the best available data.

ARTICLE 12

Records

12.01 Each Party shall keep such records as may be reasonably required by the Executive Committee or the Operating Committee, and shall furnish to such committees such records, reports and other information as they may reasonably require.

ARTICLE 13

Statements, Billings, Settlements and Payments

13.01 As promptly as practicable within 10 days after the end of each calendar month, the Office shall prepare and furnish to each Party a statement showing the debits and credits to each Party for electric power transactions hereunder during such month and, to the extent appropriate, offset or reduce said transactions to a net basis. From the Party balances

so determined, each Party, or the Office when so directed by the Operating Committee, shall prepare and send to each Party, as appropriate, a billing statement for all transactions which occurred during the month and involve payment of money. Billing statements may be rendered on an estimated basis subject to corrective adjustments in subsequent statements.

13.02 Billing statements rendered pursuant to Section 13.01 shall be due and payable on the 25th day of the month in which presented or on the 15th day following receipt, whichever date is later. Interest on unpaid amounts shall accrue from the due date at the rate of one percent (1%) per month or part thereof.

ARTICLE 14

Governmental Approvals

14.01 The obligations of each of the Parties hereunder are subject to the obtaining of any requisite orders, approvals, permits, certificates or licenses from any governmental authorities having jurisdiction.

14.02 This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises. Nothing contained in this Agreement or any Schedule of this Agreement shall be construed as affecting in any way the right of any Party to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

ARTICLE 15

Notices

15.01 Notices or requests, when required under this Agreement to be in writing, shall be delivered in person or mailed to the addressee at such Party's general office. Other notices or requests required under this Agreement may be given orally and, if required by the other Party, shall thereafter be confirmed in writing within three working days. Copies of notices or requests, confirmations of oral notices or requests, and information as to oral notices or requests shall be provided to the Office in accordance with procedures established by the Operating Committee.

ARTICLE 16

Non-Waiver

16.01 Any waiver at any time by any Party of its rights with respect to any matter arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent similar matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right, except as provided in Section 17.01.

ARTICLE 17

Arbitration

17.01 Any controversy or claim arising out of this Agreement, including the refusal by any Party to perform the whole or any part hereof,

shall, upon demand of any Party aggrieved, be settled by an Arbitration Board, which shall consist of three nonrepresentative members and such additional representative members as hereinafter provided in this Section. No person shall be eligible for appointment as a nonrepresentative member of the Arbitration Board who is an officer, employee, shareholder of, or otherwise interested in, any Party or any affiliate thereof or in the matter sought to be arbitrated.

Unless otherwise agreed, no demand for arbitration shall be made more than one year after the Parties have reached an impasse as to the controversy or claim involved. The Party or Parties demanding arbitration shall serve written notice upon the other Party or Parties to the controversy, setting forth in detail the matter or matters with respect to which arbitration is demanded, and shall serve copies of such notice upon any other Parties hereto. Within a period of 10 days from the date of receipt of the aforesaid written notice, each Party to the controversy shall appoint a representative to serve as a member of the Arbitration Board; and, within a period of 30 days from such date of receipt of such written notice, such representative members shall unanimously agree upon the persons who shall serve as the three nonrepresentative members of the Arbitration Board.

If the representative members are not so appointed within the specified 30-day period, or if the representative members shall fail to unanimously agree under the appointment of any or all of the three nonrepresentative members of the Arbitration Board within the specified 30-day period, any Party to the controversy may, upon written notice to the

Other Parties to the controversy, request the American Arbitration Association to submit to the Parties to the controversy a list from its panels of arbitrators of the names of at least seven persons from which the non-representative member or members who have not been so appointed shall be selected in accordance with the Commercial Arbitration Rules of such Association.

If any Party to the controversy shall fail to appoint its representative member within the specified 10-day period, such Party shall be deemed to have waived its right to appoint such representative member and the Arbitration Board shall consist of the three nonrepresentative members and such representative members, if any, as shall have been appointed in accordance with the provisions of this Section 17.01.

The arbitration proceedings shall be conducted at a place, to be designated by the Arbitration Board, within the service area of one of the Parties to the controversy. The Arbitration Board shall afford adequate opportunity to each Party to the controversy to present information with respect to the controversy or claim submitted to arbitration and may request further information from any such Party. Except as provided in the preceding sentence, the Parties to the controversy may, by mutual agreement, specify the rules which are to govern any proceeding before the Arbitration Board and limit the matters to be considered by the Arbitration Board, in which event the Arbitration Board shall be governed by the terms and conditions of such agreement. To the extent of the absence of any such agreement specifying the rules which are to govern any proceeding, the then

current applicable rules of the American Arbitration Association for the conduct of commercial arbitration shall govern the proceedings.

The arbitration shall be limited to the matter or matters specified in the initial notice demanding arbitration and the award of the Board shall not affect or change any provision of this Agreement or any other transaction between the Parties.

Procedural matters pertaining to the conduct of the arbitration and the award of the Arbitration Board shall be determined by a majority of the nonrepresentative members thereof; provided, however, that the representative members shall have full right and authority to participate in all meetings and deliberations of the Arbitration Board leading to the award. The findings and award of the Arbitration Board, so made upon a determination of a majority of the nonrepresentative members thereof, shall be final and conclusive with respect to the controversy or claim submitted for arbitration and shall be binding upon the Parties to the controversy except as otherwise provided by law. Such award of the Arbitration Board shall specify the manner and extent of the division of the costs of the arbitration proceedings among the Parties to the controversy. Judgment upon the award may be entered in any court, State or Federal, having jurisdiction.

ARTICLE 18

Assignment

18.01 No Party may, without the prior written consent of the others, assign this Agreement, except as the same may be assigned (a) voluntarily

or otherwise under its first mortgage, or (b) to a successor to all or substantially all of the assets of the Party by way of merger, consolidation, sale or otherwise, where the successor assumes and becomes liable for all the obligations of the Party hereunder.

ARTICLE 19

Governing Law

19.01 This Agreement is made under and shall be governed by the laws of the State of Ohio insofar as applicable.

ARTICLE 20

Other Agreements

20.01 During the term of this Agreement, its terms, conditions and Schedules shall be applicable to transactions among the Parties. This Agreement is not to be interpreted as conflicting or interfering with the performance of any agreement including modifications or amendments thereto between any Party and any system not a Party to this Agreement, effective prior to August 31, 1980.

The Parties hereto shall be free to enter into any new agreements with other Parties or with other systems which do not impair operations under this Agreement or the ability of a Party to perform its obligations under this Agreement.

The following agreements identified by FERC rate schedule numbers shown for each listed company are hereby terminated:

<u>Company</u>	<u>FERC Rate Schedule Number(s)</u>
The Cleveland Electric Illuminating Company	2 and 2.1
Duquesne Light Company	10
Ohio Edison Company	42, 42.1, 68, 68.2, 71, 71.1, 71.2 and 71.3
Pennsylvania Power Company	21, 21.1, 21.2 and 21.3
The Toledo Edison Company	3 and 3.2

ARTICLE 21

Term of Agreement

21.01 This Agreement shall continue in effect until such time as all CAPCO Units are retired.

21.02 Any Party may withdraw from this Agreement by giving one year's advance notice in writing to the members of the Executive Committee of the other Parties, provided that in the event of such withdrawal, the provisions of this Agreement relating to coordinated maintenance of CAPCO Units, CAPCO Unit Back-Up Power, and the CAPCO Coordinating Office shall continue in effect until such time as all CAPCO Units are retired.

ARTICLE 22

Separate Identities

22.01 The duties, obligations and liabilities of the Parties are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to create an association, joint venture, trust or partnership or to impose a trust or partnership duty, obligation or liability on or with regard to any Party. Each Party shall be individually responsible for its own obligations as herein provided. No Party shall be under the control of or shall be deemed to control another Party by virtue of this Agreement. No Party shall have a right or power to bind another without its or their express written consent, except as expressly provided in this Agreement.

ARTICLE 23

Force Majeure

23.01 No Party shall be considered to be in default in the performance of any of the obligations hereunder if failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" shall mean any cause beyond the control of the Party affected, including but not limited to the failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, labor dispute, sabotage, restraint by Court order or public authority or inability to obtain necessary licenses or permits. Nothing herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved. Any Party which is unable to fulfill any obligations by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

ARTICLE 24

Liability

24.01 All claims arising out of any bodily injury, death or damages to property or business of third persons (other than customers, as such, of any of the Parties and other than claims covered by Sections 4.08 and 4.09) arising because of operations under this Agreement caused or sustained on the system of a Party (the Defending Party) shall be defended or in its discretion settled by such Party. In the event any action on any such claim is brought against any other Party, such other Party shall promptly notify the Defending Party in writing, and the Defending Party shall be entitled to and shall take over and direct the defense and disposition of the case. Any amounts paid by way of settlement or in satisfaction of any judgment and all expenses associated with such defense or settlement shall be the responsibility of the Defending Party. The provisions of this Section do not apply to claims of the employees of any Party under any workers' compensation law, for which the employing Party shall be responsible.

24.02 Each Party hereby waives any and all claims it may have against any other Party arising from negligence or other fault of another Party in connection with operations under this Agreement, except as otherwise provided in Section 8.03.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed effective as of the first day of September 1980.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

By s/ Robert M. Ginn
Title President

DUQUESNE LIGHT COMPANY

By s/ John M. Arthur
Chairman of the Board
Title and Chief Executive Officer

OHIO EDISON COMPANY

By s/ D. W. Tschappat
Title Executive Vice President

PENNSYLVANIA POWER COMPANY

By s/ Ray E. Semmler
Title President

THE TOLEDO EDISON COMPANY

By s/ J. P. Williamson
Chairman of the Board
Title and Chief Executive Officer

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE A

CAPCO BACK-UP POWER

Section 1 - Applicability

1.1 This Schedule A is applicable to CAPCO Back-Up Power transactions among the Parties pursuant to the provisions of Article 6 of the CAPCO Basic Operating Agreement ("Agreement").

Section 2 - Term

2.1 The provisions of this Schedule A relating to CAPCO System Back-Up Power shall terminate on August 31, 1982, unless extended pursuant to the agreement of the Parties.

Section 3 - Compensation for CAPCO Back-Up Power

3.1 Demand Charge

The demand charge shall be calculated on a daily basis for the net amount of CAPCO Back-Up Power reserved at the rate of \$110 per mW per day, plus for each megawatt of power that is purchased by a supplying Party from a Party or a non-CAPCO party system to provide CAPCO Back-Up Power the excess demand charge, if any, of the amount paid therefor by the supplying Party over such demand charge. If at any time during a day a supplying Party is unable to provide

all or any portion of the capacity reserved, the demand charge for the capacity not provided will be cancelled for that day.

Supplying Parties will communicate to the Office significant changes in estimated energy costs occurring during the day. A receiving Party shall have the right to cancel all or any part of the balance of the daily reservation which will include the cancellation of the daily demand charge for the capacity cancelled, if the supplying Party's estimated Out-Of-Pocket Costs for energy increase beyond limits established by the Operating Committee from the estimate which was used as the basis for the reservation.

In the event the total energy cost of a supplying Party for a particular day exceeded the total energy cost quoted by such Party for that day beyond limits established by the Operating Committee, such Party's demand charge for that day shall not be payable.

3.2 Operating Charge

CAPCO Back-Up Power shall be compensated for by the payment of the Out-Of-Pocket Cost of providing the operating capacity or the operating capacity and energy; plus

10% of the Out-Of-Pocket Cost or \$2.00 per mW-hr, whichever is less, for CAPCO Back-Up Power provided from the supplying CEI, DL and OE systems; and \$2.00 per mW-hr for CAPCO Back-Up Power provided from the supplying TE system; plus

\$1.00 per mW-hr for CAPCO Back-Up Power purchased from a Party or
a non-CAPCO party system.

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE B

SHORT TERM POWER

Section 1 - Services to be Rendered

Any Party may arrange to reserve from another Party for periods of one or more days or weeks Short Term Power whenever, in the sole judgment of the Party requested to supply the same, such Short Term Power is available. As used herein, the term "week" shall mean any seven consecutive days.

1.1 Prior to each reservation of Short Term Power, the number of megawatts to be reserved and the period of the reservation shall be determined by the Parties to the transaction. Such determination shall be confirmed in writing. If during such period conditions arise that could not have been reasonably foreseen at the time of reservation and cause the reservation to be burdensome to the supplying Party, such Party may by oral or written notice to the receiving Party, reduce the number of megawatts to be reserved by such amount and for such times as it shall specify in such notice.

1.2 During each period that Short Term Power has been reserved, the supplying Party shall upon call provide Short Term Operating Capacity up to and including the number of megawatts then reserved and deliver Short Term Energy to the receiving Party, as scheduled by the receiving Party, in an amount during each hour up to and including the number of megawatts of Short Term Operating Capacity then being provided.

Section 2 - Compensation

2.1 The receiving Party shall pay the supplying Party:

2.11 For any week that Short Term Power is reserved, a demand charge of \$850 per mW reserved for that week, less one-sixth of said \$850 per mW of reduction for each day (other than Sunday) during any part of which the amount of such Short Term Power is reduced by the supplying Party; or for any period less than a week but not less than a day that Short Term Power is reserved, a demand charge of \$150 per mW per day, less \$150 per mW of reduction for each day during any part of which the amount of such Short Term Power is reduced by the supplying Party; plus

2.12 For each megawatt of the reserved Short Term Power that is purchased by the supplying Party from a non-CAPCO party system, the excess, if any, of the amount paid therefor by the supplying Party over the demand charge therefor under Subsection 2.11 above (or, if such amount is less than such demand charge, minus the deficiency); plus

2.13 The supplying Party's Out-Of-Pocket Cost of providing operating capacity or operating capacity and energy; plus

10% of the Out-Of-Pocket Cost of Short Term Power provided from the supplying Party's system; plus

\$1.00 per mW-hr for Short Term Power purchased from a Party or a non-CAPCO party system.

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE C

NON-DISPLACEMENT POWER

Section 1 - Services to be Rendered

1.1 Transactions not specifically provided for under other Schedules may be mutually advantageous and may be arranged between Parties when one Party has operating capacity and/or energy it is willing to make available to another Party as Non-Displacement Power. Such transactions shall be arranged in advance and shall specify the amount of operating capacity to be provided, if any, and the hours it is to be provided. Energy to be delivered under this Schedule shall be as scheduled by the receiving Party.

Section 2 - Compensation

2.1 Non-Displacement Power shall be compensated for by return-in-kind or at the option of the supplying Party by payment of the Out-Of-Pocket Cost of providing operating capacity or operating capacity and energy, plus any demand charge paid to a non-CAPCO party system for power delivered hereunder; plus

10% of the Out-Of-Pocket Cost for Non-Displacement Power provided from the supplying Party's system; plus

\$1.00 per mW-hr for Non-Displacement Power purchased from a Party or a non-CAPCO party system.

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE D

ECONOMY POWER

Section 1 - Services to be Rendered

1.1 Economy Operating Capacity

Any Party may arrange to purchase from any other Party Economy Operating Capacity whenever, in the sole judgment of the Party requested to provide the same, such Economy Operating Capacity can be made available. Prior to its being made available, the amount of Economy Operating Capacity to be provided, the period during which it is to be provided, and the charge therefor shall be determined by the Parties to the transaction. The charge agreed to shall not be subject to later review or adjustment. Economy Operating Capacity may also be arranged to be obtained from or delivered to non-CAPCO party systems interconnected with a Party.

1.2 Economy Energy

Any Party may arrange to purchase from any other Party Economy Energy whenever it is possible to effect a saving thereby and, in the sole judgment of the Party requested to supply the same, such Economy Energy is available. Prior to each delivery of Economy Energy, the amount and time of delivery and the charge therefor shall be determined by the Parties to the transaction. The charge agreed to shall not be subject to later review or adjustment. Economy Energy may also be arranged to be obtained from or delivered to non-CAPCO party systems interconnected with a Party.

Section 2 - Discontinuance of Services

2.1 Service being provided under this Schedule may be discontinued at any time provided, however, that a Party making available Economy Operating Capacity shall allow the other Party a reasonable opportunity to restore its own operating capacity or make other arrangements before discontinuing such Economy Operating Capacity; and provided further that the receiving Party shall be obligated to pay to the supplying Party an amount not less than the Out-Of-Pocket Cost of the supplying Party.

Section 3 - Compensation

3.1 Economy Operating Capacity

The charge for Economy Operating Capacity shall be based on the principle that the Party purchasing it shall pay the Out-Of-Pocket Cost of providing it, and that the resulting savings to such Party shall be shared equally by the supplying and receiving Parties. When Economy Operating Capacity is obtained from or delivered to non-CAPCO party systems interconnected with a Party, payments shall be based on the Out-Of-Pocket Cost of supplying the Economy Operating Capacity and an allocation of the gross savings which are defined as the difference between (1) what the Out-Of-Pocket Costs of the receiving Party or system would have been to supply such Economy Operating Capacity, and (2) the Out-Of-Pocket Cost of the supplying Party or system providing the Economy Operating Capacity.

3.11 Each Party or system participating in the transaction other than the supplying and receiving Parties or systems, shall be paid (a) its cost of purchasing the Economy Operating Capacity supplied, plus (b) 15% of the gross savings.

3.12 The supplying Party or system shall be paid its Out-Of-Pocket Cost of providing the Economy Operating Capacity, plus one-half of the gross savings remaining after deducting payments made under Subsection 3.11 (b).

3.2 Economy Energy

The charge for Economy Energy shall be based on the principle that the Party purchasing it shall pay the Out-Of-Pocket Cost of providing it and that the resulting savings to such Party shall be shared equally by the supplying and receiving Parties. When Economy Energy is obtained from or delivered to non-CAPCO party systems interconnected with a Party, payments shall be based on the Out-Of-Pocket Cost of supplying the Economy Energy and an allocation of the gross savings which are defined as the difference between (1) what the Out-Of-Pocket Costs of the receiving Party or system would have been to generate such Economy Energy, and (2) the Out-Of-Pocket Cost of the supplying Party or system providing the Economy Energy.

3.21 Each Party or system participating in the transaction other than the supplying and receiving Parties or systems, shall be paid (a) its cost of purchasing the Economy Energy supplied, plus (b) its cost of additional transmission losses incurred, plus (c) 15% of the gross savings remaining after deducting all

such payments for transmission losses, if any. The incremental or decremental transmission losses incurred on the system of any other Party resulting from the transmission of such energy shall be banked.

3.22 The supplying Party or system shall be paid its Out-Of-Pocket Cost of providing the Economy Energy, plus one-half of the gross savings remaining after deducting all payments made under Subsections 3.21 (b) and (c).

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE E

UNIT POWER

Availability

This Schedule is available to a Party ("receiving Party") which has agreed with another Party ("supplying Party") to purchase for a specified period of time a specified amount of capacity out of the portion of a particular CAPCO Unit owned by the supplying Party.

Section 1 - Services to be Rendered

1.1 The amount of capacity purchased by a receiving Party shall be expressed as a fraction of the Unit's Net Demonstrated Capability of which the numerator is the receiving Party's entitlement in MW as purchased and the denominator is the Unit's Net Demonstrated Capability in MW at the time of the purchase. Unless otherwise agreed by the Parties to the transaction, such fraction shall remain the same notwithstanding any redetermination of the Unit's Net Demonstrated Capability. The supplying Party shall be obligated to provide and the receiving Party shall be entitled to receive in any hour upon request by the receiving Party up to an amount of capacity and energy equal to the Unit's expected capability for that hour multiplied by such fraction.

1.2 In the event the receiving Party schedules less than its full entitlement, the balance of its entitlement shall remain as unloaded capacity available to it.

1.3 At any time when the Unit is operated at minimum net generation required for safe operation of the Unit, each receiving Party shall be obligated to schedule an amount of energy equal to the Unit's minimum net safe generation for the hour multiplied by the fraction determined in Subsection 1.1; provided that, if any Party having an entitlement shall schedule more than its percentage entitlement of such minimum net safe generation, the other Party or Parties shall be obligated to schedule an amount of energy not less than the balance of such minimum net safe generation in proportion to its percentage entitlement in the Unit.

1.4 The amount of capacity and energy scheduled under Subsections 1.1, 1.2 and 1.3 above, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of the Unit, and adjusted for a proportionate share of the generation step-up transformer losses if the metering is located at the low voltage terminals, shall constitute scheduled billing values (net) as of the Unit's generator transformer high voltage terminals. The supplying Party shall schedule for delivery from its system, an amount of energy equal to the energy billing value less the increase, or plus the decrease, as the case may be, in electrical losses, incurred on the system of the supplying Party resulting from the transmission of such energy. The receiving Party shall schedule for receipt into its system an equivalent amount of energy to that scheduled for delivery by the supplying Party. The losses incurred on the system of any Party other than the supplying or receiving Parties resulting from the transmission of such energy shall be banked. Any such other Party so affected shall schedule for delivery from its system the decrease in losses it incurred or shall schedule for receipt into its system the increase in losses it incurred in accordance with rules and procedures established by the Operating

Committee. Electrical losses shall be determined in accordance with rules and procedures established by the Operating Committee.

Section 2 - Adjustments

2.1 If the supplying Party's records indicate that the receiving Party was entitled to schedule (or was obligated to schedule) values less than, or more than those determined pursuant to Section 1 above for any extended period of time, adjustments in future scheduling will be made by agreement of the Parties to the transaction to compensate for such differences.

Section 3 - Auxiliary Power for Maintenance

3.1 During the period of the transaction, the receiving Party shall be obligated to the supplying Party for maintenance auxiliary energy.

3.2 The amount of maintenance auxiliary energy obligation shall be a figure in mWh equal to the total auxiliary power used by the Unit's auxiliary equipment when the Unit is off for maintenance multiplied by the fraction determined pursuant to Subsection 1.1.

3.3 Such obligation for maintenance auxiliary energy shall be discharged by reimbursement to the operating Owner at the operating Owner's system average cost (including net purchase power costs) for supplying net energy for load during the current calendar month, adjusted to exclude the output and cost during the current calendar month of the Unit to which such maintenance auxiliary energy was supplied. In the event actual costs are not available,

Estimated costs will be used for the current month's calculations and an adjustment, based upon the deviation of estimated actual costs will be made in the next succeeding month.

Section 4 - Compensation

4.1 The receiving Party shall compensate the supplying Party for Operation and Maintenance costs, monthly, on a basis consistent with the method used to compensate the operating Owner by nonoperating Owners.

4.2 Additionally, the receiving Party shall pay the supplying Party, monthly, Fixed Charges which shall cover Return on Investment, Depreciation and Income Tax.

In the event that a CAPCO Unit is placed in commercial operation at a capability which is not within a reasonable range of the expected Net Demonstrated Capability, a proportional amount of the capital costs of such Unit will be retained in FERC Account 107, Construction Work in Progress, and will continue to accrue allowance for funds used during construction. Such portion shall be excluded from the determination of Fixed Charges payable by the receiving Party.

In the event that the final Net Demonstrated Capability of a Unit proves to be different from the original expected Net Demonstrated Capability, the remaining portion of the capital costs shall be transferred to FERC Account 101, Electric Plant in Service, and all of the capital costs shall then be included in the determination of Fixed Charges payable by the receiving Party. The operating Owner shall have the responsibility for determining the timing and level of the final Net Demonstrated Capability.

In any event, the amount of investment in FERC Account 101, Electric Plant in Service, shall be the basis for determining Fixed Charges to be paid.

4.3 The supplying Party shall also bill the receiving Party for its share of property, franchise, business or other taxes and insurance applicable to its share of the Unit, based on the fraction determined pursuant to Subsection 1.1 specifically identifying these items on the invoice. To the extent that such taxes and insurance are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.

4.4 Specific charges applicable to each transaction under this Schedule from a particular Unit supplying the capacity and energy shall be set forth in appropriate Appendices to this Schedule, or in separate agreements to be attached to or referred to in appropriate Appendices to this Schedule.

APPENDIX 1 TO SCHEDULE ECharges Applicable to Transactions From W. H. Sammis Unit No. 7
Pursuant to Schedule E

This Appendix provides for specific charges applicable to transactions made from W. H. Sammis Unit No. 7 pursuant to Schedule E.

Costs will be shared on a basis equivalent to that of the joint owners. Interim short term sales agreements signed by the parties involved have provided the basis for the billing to date which will be adjusted based on this Appendix.

The following are the components of the costs to be included.

A. Fixed Costs of Invested Capital

1. It is expected that sales out of production units will occur predominantly over a relatively short time period in the early part of the unit's life. However, this Appendix develops a consistent basis which is applicable throughout the life cycle.
2. Amortization and tax calculations are based on the following:

Amortization Period	35 Years (420 Months)
DDB Tax Life	28 Years (336 Months)
Estimated Salvage Rate	
Fossil Fuel Plant	-5%
Nuclear Fuel Plant	-10%
Accounting Treatment	Flow Through
3. DDB tax depreciation is assumed, with switch to straight line method effective the first month in which the straight line remaining life depreciation exceeds DDB depreciation, with

remaining life stretched out in the straight line calculations to extend to the end of the book amortization period. The switch occurs in the 222nd month for fossil fuel production plant, and in the 199th month for nuclear fuel plant.

4. All fixed charges are on a month-to-month declining basis. The investment base from which fixed charges are developed shall be the CAPCO investment basis as defined in the accounting and Procedure Manual under Procedures for Discharging Investment Responsibility.
5. The monthly finance charge rate applicable to all additions from the inservice date through the last month of the calendar year in which the construction job order is closed out shall be one-twelfth the annual rate calculated as the weighted average of the finance charge rates applicable in the calendar years over which construction expenditures are incurred, using as weights the dollars expended in the respective years. All expenditures to the closing of the job order are to be included, using the best estimate available at the inservice date.
6. The finance charge rate for ordinary additions in years subsequent to the calendar year in which the construction job order was closed out shall be the rate defined in the Accounting and Procedure Manual as the rate applicable to expenditures in the year in question. Only in the case of major capital additions mentioned in paragraph 8 will a weighted average finance charge as described in paragraph 5 apply.

7. Amortization and other charges and adjustments shall be billed each month. Each month's additions to plant in service shall constitute a vintage investment. However, in order to simplify the billing process, the monthly vintages of any particular calendar year may be combined into a composite vintage, either on an on-going basis or at the end of the calendar year, providing the same bill results. Since finance charge rates are recalculated each year, vintages of different calendar years will not be composited.
8. The tax plant ratio to amortizable plant (CAPCO investment basis) shall be established from data for the total project as estimated at the inservice date, as described in paragraph 5 above. This ratio will be used in developing fixed charge rates for the initial placements and all subsequent additions; except that in the case of major capital additions, at seller's option and with buyers' concurrence, a completely new vintage may be developed and the fixed charge factor recalculated using the new tax plant ratio and other pertinent data as appropriate.
9. When a production unit, or a major capital addition such as described in paragraph 8, is placed in commercial service the first fixed charge billing shall begin effective with the inservice date. For subsequent month-to-month additions the billing shall begin with the first full calendar month after the addition is made.
10. Where sales are initiated out of an existing production facility to a new buyer, a single-vintage CAPCO investment basis may be calculated, with an appropriate adjustment for depreciation incurred to date. The amortization component of the fixed charge factor will be calculated on the basis of remaining life of the original amortization period, or by mutual agreement.

11. The specific fixed charge rate for W. H. Sammis Unit No. 7 is developed in Exhibit A.

B. Operating and Maintenance Costs

1. The methods specified in the attached Exhibit B shall be used to allocate all costs, including overheads directly or indirectly applicable to the operation and maintenance of the operating company's ownership in such unit between it and the Purchaser(s).
2. The operating company will prepare, revise from time to time as appropriate and furnish to the Purchaser(s) an annual estimate of the amount to be billed by months (a) for the cost of energy during the term of the purchase from a unit, and (b) any other costs which shall accrue during this period. The Operating Company will furnish any reasonable request for estimates for longer periods if required by the Purchasers.
3. The operating company will maintain the records used in the determination of the Purchaser(s) bill in order that the Purchaser(s) and their independent auditors shall have access at all reasonable times to such records and the operating company will furnish copies of such records as requested. The operating company shall preserve and maintain the originals of such records for at least such periods of time as the Purchaser(s) may request, having in mind the requirements of regulatory authorities having jurisdiction, and the policies and practices of the parties with respect to the retention of records.

4. The cost of preparing, preserving and making copies of such budgets, records and accounts shall be borne by the companies in proportion to their respective capacity entitlements, except that any costs incurred at the special request of the Purchaser(s) shall be borne by them.
5. The operating company shall have special audits conducted with respect to the matters provided for in this Appendix, either internally or by independent auditors, according to such programs and procedures as agreed to be necessary to conform to the auditing requirements of each Company, and shall furnish copies of the reports of such audits to the Purchaser(s). The cost of making such audits, including any participation by the auditors of the Purchaser(s) agreed to be desirable and necessary, shall be shared by the Companies in relation to the current capacity entitlement ratio. The Purchaser(s), may, at their own expense, make such further audits, using their internal or independent auditors or both, as it may be deemed desirable.
6. If requested by the Purchaser(s), the operating company will make such examinations, analyses, or studies as would go to support the reasonableness of the specific costs so allocated, or provide a basis for modification to achieve such reasonableness with respect to either the specific or the indirect cost allocations. Shareable costs which are incurred by the Purchaser(s) shall be accumulated and billed on a direct charge basis from specific records or reasonable estimates, with applicable additives as agreed upon by the Companies.

7. Except as otherwise provided herein, the accounting methods and practices normally in use at the time by each of the Companies in determining and assigning Operating and Maintenance costs, generally, are to be used by such Company for the purposes of this Appendix unless otherwise agreed, provided such methods and practices are consistent with sound accounting practices.
8. The operating company will bill the Purchaser(s) for its share of property, franchise, business or other taxes applicable to their share of the unit, specifically identifying these items on the invoice when such taxes are payable by the operating company. To the extent that such taxes are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.
9. As soon as possible after the close of each calendar month, preferably on or before the 8th working day of the following month, the operating company shall advise the Purchaser(s) of its proportionate share of estimated operating expenses, fixed charges, displacement training costs, and working capital for the preceding month.
10. As soon as possible after the close of each calendar month, preferably on or before the 25th of the following month, the operating company shall prepare and deliver an invoice to the Purchaser for its share of actual costs for the preceding month. The amount billed will be due and payable upon receipt

of invoice and will be subject to a late payment charge if not received within 15 days from date of invoice.

C. Working Capital

It is recognized that the operating company undertakes certain obligations to provide expenditures in advance of compensation by the purchasers of capacity and energy. These purchases include but may not be limited to payroll, fuel and material and supplies purchases; and coal and material and supplies inventories. A reasonable allowance for this investment in working capital funds shall be considered a sharable cost to be compensated for as set out in detail in Exhibit C.

D. Displacement Training Costs

The CAPCO Companies have agreed that the costs which an operating company will incur in training personnel at existing stations in order to be able to transfer experienced personnel to a new CAPCO generating unit should be shared by the joint owners.

Purchasers of Capacity and Energy shall also share in these costs.

1. For each new CAPCO unit, the cost basis of \$1/KW of the installed capacity is determined to be a reasonable estimate of the present-day cost which a company will incur within its existing plants as a result of assigning experienced company personnel to a new CAPCO generating unit. Installed capacity for this purpose is defined as the Net Demonstrated Capability of the CAPCO generating unit.

2. It is recognized that these costs will increase as labor costs increase. Therefore, this cost determination factor of \$1/KW shall be subject to escalation for units installed after Davis-Besse No. 1 based on an index of the composite labor costs of CAPCO Companies as agreed to by the CAPCO Accounting and Finance Committee using 1972 as the base year equaling 100.0. The index to be applied shall be that calculated for the period two years prior to the actual inservice date for fossil-fired generating units and for the period three years prior to the actual inservice date for nuclear units.
3. The purchasers of Capacity and Energy shall share in these costs for the periods they are involved. An amount of 1/420 of the cost basis for each KW of the purchasing company's capacity entitlement shall be included in the monthly billing.
4. The cost basis provided for capacity shall be shown in Exhibit D.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS

CAPCO UNIT NO. 1 (W. H. SAMMIS UNIT NO. 7)

EXHIBIT A

FIXED COSTS OF INVESTED CAPITAL

The monthly fixed charge for a vintage addition shall be calculated as the algebraic sum of the following components:

- A. Amortization. ^{1/} The product of 0.0025 multiplied by the gross CAPCO investment base exclusive of land.
- B. Finance Charge. ^{2/} The product of 0.00788333 multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- C. Gross Income Tax. ^{3/} The product of 0.00419231 multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- D. Income Tax Adjustment. ^{4/} The product of (1) the difference obtained by subtracting (a) $.00537054 \times 0.99404762^M$ (where M is the number of amortization months elapsed prior to the month being billed), if the month being billed is prior to the 222nd month of service, or (b) .00143858, if the month being billed is the 222nd month or later, from (c) 0.0025, multiplied by (II) 0.92307692, and the result multiplied by (III) the vintage gross CAPCO investment base exclusive of land.

Note ^{1/} The monthly amortization rate (depreciable property only) is based on a 420 month amortization period and a negative 5% salvage rate.

$$1.05/420 = 0.0025$$

Note ^{2/} The monthly finance charge rate applicable to Sammis No. 7 facilities placed in service in 1971 is:

$$.0946/12 = .00788333$$

Where .0946 is the weighted average of the annual finance charge rates applicable in the calendar years over which the facility was constructed, using the dollars expended in the respective years as weights:

Year	Amount Expended ^(a)	Per Cent Of Total	Applicable Component Return Rate ^(c)			
			Bonds	Preferred	Common	Total
1965	1,770,041 ^(b)	3.332%	2.80	0.57	5.13	8.50
1969	14,784,374	27.827%	3.22	0.58	5.20	9.00
1970	22,107,739	41.611%	4.07	0.69	4.74	9.50
1971	14,467,246	27.230%	4.90	0.70	4.40	10.00
	53,129,400	100.000%	4.01	0.66	4.79	9.46

- (a) Ohio Edison portion only
 (b) Includes \$63,629 expended in 1967
 (c) Annual values as derived from preceding calendar year data.
 Composite values derived using annual expenditures as weights.

Note 3/ The monthly gross income tax charge rate is the product of $1/12$ x .0545 multiplied by the federal income tax rate and divided by the complement of the income tax rate; where .0545 is the total equity component of the annual finance charge rate:

$$\frac{1}{12} \times .0545 \times \frac{.48}{1-.48} = .00419231$$

Note 4/ The income tax adjustment results from the difference between amortization and tax depreciation. DDB depreciation is based on a 336 month tax life. The undepreciated portion of the original CAPCO tax basis (whose ratio to total CAPCO basis in this case is .902251 (5/)) under DDB depreciation after a period of M months is the product of the original CAPCO tax basis multiplied by the net tax-base factor:

$$.902251 \times \left(1 - \frac{2}{336}\right)^M, \text{ Where } 1 - \frac{2}{336} = 0.99404762$$

The monthly factor for tax depreciation under DDB depreciation is the product of the DDB depreciation rate multiplied by the net (undepreciated) tax basis (as of the beginning of the computation month):

$$\frac{2}{336} \times .902251 \times \left(1 - \frac{2}{336}\right)^M = .00537054 \times 0.99404762^M$$

The income tax adjustment factor is the product of the difference between the amortization factor and the DDB depreciation factor, multiplied by the federal income tax rate and divided by the complement of the income tax rate.

$$(0.0025 - .00537054 \times 0.99404762^M) \times \frac{.48}{.52}, \text{ or}$$

$$(0.0025 - .00537054 \times 0.99404762^M) \times 0.92307692$$

Switch to straight line tax depreciation (with stretch-out of straight line tax life to the end of the amortization period, occurs after the end of the 221st month (remaining life = 199 months).

After switchover the monthly tax depreciation is the product of the reciprocal of the remaining life at switchover (199 months) multiplied by the algebraic difference between net tax basis and total expected net salvage to be realized:

$$\frac{1}{199} \times \left[.902251 \times \left(1 - \frac{2}{336}\right)^{221} - .902251 \times (.05) \right] = .00143858$$

Note 5/ Development of CAPCO Tax Plant Ratio

Adjustments to CAPCO Basis

(1) Total Investment Per Books		\$53,129,400
(2) Payroll Taxes and Pension Costs Capitalized per Books but Expensed for Tax Purposes	\$140,200	
(3) 48% of Line (2)		(67,300)
(4) Investment Tax Credit Applicable		<u>1,838,100</u>
(5) Adjusted CAPCO Investment Basis		51,224,000

Adjustment to CAPCO Income Tax Basis

(6) Land		(25,300)
(7) Interest During Construction		(4,931,700)
(8) Balance of Payroll Taxes and Pension Costs Capitalized per Books but Expensed for Tax Purposes: \$131,462 - \$63,102		<u>(72,900)</u>
(9) Adjusted CAPCO Income Tax Basis		46,194,100
(10) Adjusted CAPCO Investment Basis Less Land		51,198,700
(11) Ratio of Adjusted CAPCO Income Tax Basis to Adjusted CAPCO Amortizable Investment Basis		.902251

SALES OF CAPACITY AND ENERGY
FROM BASE LOAD UNITS TO PURCHASERS
EXHIBIT B
(CAPCO UNIT NO. 1)
W. H. SAMMIS UNIT NO. 7

Section I Introduction

The amount of energy scheduled from entitlements, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of the Unit, shall constitute a scheduled (billing) MWH value (net) as of the Unit's generator transformer low voltage terminals. OE shall schedule for delivery from its system, and the Purchaser shall schedule for receipt into its system, an amount of energy equal to such billing value less the increase, or plus the decrease, in electrical losses as determined by the Planning Committee under terms of the CAPCO Transmission Facilities Agreement, as the case may be, incurred on its system resulting from the transmission of such energy, including losses on the Unit's step-up transformer resulting from the transmission of such energy.

Section II Accounting Concepts

The basis for allocating the Operation and Maintenance Costs of the Sammis Unit No. 7 between the joint owners is set forth in Exhibit A of the Operating Agreement for this unit. This Exhibit is designed to determine the portion of the Ohio Edison Company cost which will be billed to the Purchaser.

The costs to be billed to the Purchaser will be segregated as to those that are directly identified with the purchaser and to those that are allocated either on an investment responsibility or a coal consumed basis. The codes for these segregations are defined at the end of Section III.

Section II Accounting Concepts (continued)

In addition to the direct costs for operating and maintaining the unit, OE will bill the Purchaser for an appropriate portion of indirect overheads and taxes other than income taxes as defined in Section V.

Section III Allocation of Costs

The operation and maintenance costs identified by FPC account number are assigned to the Purchaser either directly or on the basis of appropriate allocation codes as set forth in the following table.

Number	Description	Direct Cost To Purchaser	OE's Cost to be Allocated to Purchaser	
			Allocation Codes O(IR)	SY(IR)
500.10	Supervision & Engineering		X	
501.00	Fuel			
501.10	Coal	X		
501.11	Oil	X	X	
501.20	Residual Disposal			X
502.00	Steam Expenses			
502.10	Labor		X	
502.20	Other			X
503.10	Steam from other Sources - Costs		X	
504.10	Steam Transferred - Credits		X	
505.00	Electric Expenses			
505.10	Labor		X	
505.20	Other		X	
506.00	Misc. Steam Power Expenses			
506.10	Labor		X	
506.20	Other		X	

MAINTENANCE ACCOUNTS

510.10	Supervision & Engineering		X	
511.10	Structures		X	
512.10	Boiler Plant **		X	
512.10	Boiler Plant **			X
513.10	Electric Plant		X	
514.10	Misc. Steam Plant		X	

(** See Operating Agreement between owners Exhibit A for breakdown of 512 Account)

OTHER ACCOUNTS

562.10	Operation - Station Expense ***		X	
570.10	Maintenance of Station Equipment ***		X	

(*** Step-Up Transformer and connection to switch yard only)

Direct charges will be made to the purchaser for coal consumed as determined in accordance with Section IV.

CODEBASIS

O(IR)

Investment Responsibility Ratio

Example No. 1

The portion of OE's Operation and Maintenance to be billed to CEI and TE shall be (a) the purchaser's entitlement from the unit (165 MW and 90 MW, respectively) divided by (b) OE's ownership interest in the unit rounded to the nearest whole megawatt. OE's ownership interest in the unit shall be the product of the prevailing Net Demonstrated Capability (NDC) of the unit multiplied by OE's percentage ownership (48.0%) in the unit. Currently the NDC of the Sammis Unit No. 7 is 650 MW.

$$O(IR) = \frac{165}{650 \times .48} = \frac{165}{312} = 52.88\% \quad (CEI)$$

$$O(IR) = \frac{90}{650 \times .48} = \frac{90}{312} = 28.85\% \quad (TE)$$

In the event that there is a determination of the Units Net Demonstrated Capability different than its Initial Net Demonstrated Capability, the fraction above shall be recalculated using the same numerator and substituting a new denominator equal to the Unit's revised Net Demonstrated Capability.

Example No. 2

The portion of OE's Operation and Maintenance to be billed to TE shall be (a) the purchaser's entitlement from the unit (80 MW) divided by (b) OE's ownership interest in the unit rounded to the nearest whole megawatt. OE's ownership interest in the unit shall be the product of the prevailing Net Demonstrated Capability (NDC) of the unit multiplied by OE's percentage ownership (48%) in the unit. Currently the NDC of the Sammis Unit No. 7 is 650 MW.

$$O(IR) = \frac{80}{650 \times .48} = \frac{80}{312} = 25.64\%$$

In the event that there is a determination of the Units Net Demonstrated Capability different than its Initial Net Demonstrated Capability, the fraction above shall be recalculated using the same numerator and substituting a new denominator equal to the Unit's revised Net Demonstrated Capability.

CODEBASIS - (Cont'd)

SY.18)

Coal Allocation Ratio

The portion of the cost to charge to a Purchaser(s) during the current month shall be (a) the total tons of coal allocated to the Purchaser(s) for the preceding 12-month period determined as set forth in Section IV divided by (b) the tons of coal charged to OE for the Sammis Unit No. 7 for the same 12-month period.

Section IV - Fuel

In determining fuel costs the Purchaser(s) shall be treated in the same manner as an owner. The tons of coal and the costs thereof shall be allocated in proportion to the Btu's consumed to produce the kilowatthours taken by each of those sharing in the output of the unit, taking into account the Btu's consumed during start-ups of the unit. OE's share of Btu's used during a start-up (including Btu's which may be supplied by transfers of steam from steam sources other than that unit's own steam source) and Btu's computed to have been used during periods of synchronized on-line operation of the unit to maintain zero load on the unit (the "Y" intercept, or no load input, of the standard Input/Output equation for the unit) shall be allocated among those sharing in the OE's share of the output of the unit in proportion to their investment responsibilities in the unit during the month for which allocation is being made. Btu's consumed during periods of synchronized on-line operation in excess of those used to maintain zero load on the unit (see preceding statement) shall be allocated each hour in proportion to the net kilowatthours determined to have been taken from the unit by each of those sharing in the output of the unit.

Section V - Other Expenses

For billing of costs to Purchaser(s), labor and material additives at current rates prevailing at OE as adjusted from time to time, shall be added to those labor and material components of operation and maintenance costs of the Sammis Unit No. 7 to which such rates are applicable and shall be shared by the Purchasers on the same basis on which the primary labor and material costs are shared.

For billing of cost to Purchaser(s) administrative and general expenses shall be allocated to the Sammis Unit No. 7 on the basis of the composite three-year moving average ratio for OE, calculated at the end of each calendar year and to become effective on July 1 of the following year, in accordance with the following formula.

$$\frac{L_{a1} (1 + p/P) + O_{a1}}{(L_e - L_{a2}) (1 + p/P) + (O_e - O_{a2})}$$

In which:

L_{a1} and O_{a1} = the 3-year sums of direct labor expenses and direct other-than-labor expense, respectively charged to the following accounts:

- 1) Account 920, Administrative and general salaries.
- 2) Account 921, Office supplies and expenses.
- 3) Account 922, Administrative expenses transferred - Credit.

$(1 + p/P)$ = a cost ratio by means of which those expenses directly associated with payroll (labor additives) may be added to direct labor charges.

p = the 3-year sum of the following labor additives:

- 1) Payroll Taxes
 - Federal Old-Age Benefits
 - Federal Unemployment Insurance
 - State Unemployment Insurance
- 2) Workmen's Compensation and/or Injuries and Damages
(Payroll related costs only)
- 3) Employee Pensions and Benefits (Account 926)
- 4) Pay for Time Not Worked

Exclude any labor additives which are included with the basic labor charges, examples of which might be "Pay for Time Not Worked" or "Payroll Taxes".

P = the 3-year sum of the total payroll with which the above labor additives are associated.

L_e and O_e = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all operation and maintenance expense accounts except Fuel (Account 501) for the entire Company.

L_{a2} and O_{a2} = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged all Administrative and General Expense Accounts 920 to 932, inclusive.

The amount of administrative and general expenses to be allocated to the Purchaser(s) during a given period shall be the product of the above ratio multiplied by the total operation and maintenance expenses, excluding Fuel (Account 501), allocated to the Purchaser(s) for that period.

In addition the Purchaser(s) shall pay to Ohio Edison, at the times payable by Ohio Edison, amounts determined by multiplying (a) the property taxes and any other taxes except Federal Income Tax, payable by OE with respect to the Unit for the periods the Purchaser(s) were involved by (b) the O(IR) ratio for that period involved. Insurance costs shall also be shared on the basis of the O(IR) ratio for the periods the Purchaser(s) are involved.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS

CAPCO UNIT NO. 1 (W. H. SAKMIS UNIT NO. 7)

EXHIBIT CSection I - Offsets to Added Working Capital Requirements

A. Diversity of Ownership and Operation

The possibility of satisfactory offsets to working capital requirements arising from diversity of ownership and operation of production plants was considered. A study of diversity revealed that during the next several years, diversity of ownership and operation would provide only partial, and rather insignificant offsets to working capital requirements. This is due to not only a lack of diversity in terms of capacity, but is also related to the lack of diversity with respect to the type of generation. That is, working capital requirements are not nearly as significant for owner-operators of nuclear production plants as compared with the working capital burden associated with a coal-fired station.

The conclusion of the Economic Studies Subcommittee is that offsets arising from diversity of ownership are not significant and provide inadequate relief to the owner-operators of coal-fired plants.

B. Diversity Arising from Time-Fixed Payments

Time lags associated with the payments of interest charges, common and preferred dividends, income taxes and contributions of retained earnings were considered as possible offsets to working capital requirements. It was found that due to the time variability of these charges relative to the time variability of power sales, these lags provided no significant offset to working capital requirements.

Section II - Deposit Required to Compensate the Operator of a Coal-Fired Production Unit Added Working Capital Requirements - \$ Per MW

The following schedules show the amount of deposit that would be required to be placed with the operating company to provide equitable compensation for added working capital requirements during a period of sale. The amounts are for 1972.

Deposit Associated with a Nonowner Purchase - \$ Per MW

Payroll	\$ 200
Coal Inventory	3,800
Coal Purchases	900
M&S Inventory	1,000
M&S Purchases	<u>100</u>
Total	\$6,000

Deposit For a Joint Owner (Assuming Joint Ownership of the Coal Pile) - \$ Per MW*

Payroll	\$ 200
Coal Purchases	900
M&S Inventory	1,000
M&S Purchases	<u>100</u>
Total	\$2,200

Deposit For a Joint Owner (Assuming Joint Ownership of the Coal Pile and M&S Inventory) - \$ Per MW*

Payroll	\$ 200
Coal Purchases	900
M&S Purchases	<u>100</u>
Total	\$1,200

*The Economic Studies Subcommittee suggests joint ownership of M&S inventory at all plants that contain only CAPCO units.

Section III - Method of Compensation

There are two methods for compensating operating companies for added working capital requirements. A fully refundable deposit may be placed with the operating company in accordance with the above schedules (or as escalated in accordance with Section IV below) during the period of capacity entitlement or the operating company may be compensated by being paid on the basis for the current CAPCO cost of capital with provision for federal income taxes, multiplied by the appropriate deposit schedule from Section II calculated on a monthly basis.

The method of compensation shall be determined by mutual agreement between the two parties to the transaction. In the event that the two parties do not agree on the method of compensation, the operating company shall decide upon the method to be used.

Section IV - Application and Escalation of Deposit Schedules

The 1972 deposit schedules shown in Section II are to be applied for 1971, 1972 and 1973 working capital compensation. The basis for 1974 billings will be the 1972 schedules, escalated two years by the Escalation Task Force of the Accounting and Finance Committee. Thereafter, escalation will be calculated annually for each component of the deposit schedule by the Escalation Task Force, and furnished to the Accounting and Finance Committee for approval and inclusion in the Accounting and Procedure Manual. The Economic Studies Subcommittee will periodically review the deposit schedules, to incorporate more current operating data. These periodic reviews will be made as required or every three years, whichever comes first. The first such review will take place in 1976 or sooner if required. (Manual Section 08-10)

Section V - Retroactivity

The provisions herein shall be retroactive. The basis compensation shall be the annual CAPCO cost of capital including Federal Income Tax, applied to the appropriate deposit schedule in Section II, calculated on a monthly basis. The resulting amounts will then be subject to the short-term carrying charge rate as provided for in Section 05-21 of the Accounting and Procedure Manual.

CAPCO COST OF CAPITAL WITH PROVISION
FOR FEDERAL INCOME TAX

<u>YEAR</u>	<u>CAPCO COST OF CAPITAL*</u>	<u>FEDERAL INCOME TAX**</u>	<u>TOTAL INCLUDING FIT</u>
1971	Bonds	4.90%	
	Preferred	0.70	
	Common	<u>4.40</u>	
	Total	10.00%	4.71%
			<u>14.71%</u>
1972	Bonds	4.27%	
	Preferred	0.74	
	Common	<u>4.24</u>	
	Total	9.25%	4.60%
			<u>13.85%</u>
1973	Bonds	4.13%	
	Preferred	0.90	
	Common	<u>3.97</u>	
	Total	9.00%	4.50%
			<u>13.50%</u>

*From the CAPCO Accounting and Procedure Manual, 05-09-01.

**The Federal Income Tax factor is:

$$\text{FIT} = (\text{Preferred} + \text{Common}) \frac{t}{1-t}$$

Note: In future years as Pennsylvania Plants become operational, a new carrying charge will be calculated to reflect Pennsylvania Income Taxes.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS

CAPCO UNIT NO. 1 (W. H. SAMMIS UNIT NO. 7)

EXHIBIT D

DISPLACEMENT TRAINING COSTS

Installed Capacity at CAPCO Unit No. 1 (W. H. Sammis No. 7) 650,000 kW

<u>Ownership</u>	
Duquesne Light	202,800 kW
Penn. Power	135,200 kW
Ohio Edison	<u>312,000 kW</u>
	650,000 kW

Ohio Edison as operating company assumed \$312,000 (based on \$1/kW) for its share of displacement training costs.

Therefore under the terms of this Appendix Toledo Edison, Cleveland Electric Illuminating and Penn Power as purchasers would share in these costs based on their entitlement for the period they were involved at the rate of 1/420 of the cost basis for each billing month.

APPENDIX 2 TO SCHEDULE ECharges Applicable to Transactions From Eastlake Unit No. 5 Pursuant to Schedule E

This Appendix provides for specific charges applicable to transactions made from Eastlake Unit No. 5 pursuant to Schedule E.

Costs will be shared on a basis equivalent to that of the joint owners. Interim short term sales agreements signed by the parties involved have provided the basis for the billing to date which will be adjusted based on this Appendix.

The following are the components of the costs to be included.

A. Fixed Costs of Invested Capital

1. It is expected that sales out of production units will occur predominantly over a relatively short time period in the early part of the unit's life. However, this Appendix develops a consistent basis which is applicable throughout the life cycle.

2. Amortization and tax calculations are based on the following:

Amortization Period	35 Years (420 Months)
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DDB Tax Life	28 Years (336 Months)
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Estimated Salvage Rate	
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Fossil Fuel Plant	-5%
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Nuclear Fuel Plant	-10%
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Accounting Treatment	Flow Through
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3. DDB tax depreciation is assumed, with switch to straight line method effective the first month in which the straight line remaining life depreciation exceeds DDB depreciation, with

remaining life stretched out in the straight line calculations to extend to the end of the book amortization period. The switch occurs in the 222nd month for fossil fuel production plant, and in the 199th month for nuclear fuel plant.

4. All fixed charges are on a month-to-month declining basis. The investment base from which fixed charges are developed shall be the CAPCO investment basis as defined in the accounting and Procedure Manual under Procedures for Discharging Investment Responsibility.
5. The monthly finance charge rate applicable to all additions from the inservice date through the last month of the calendar year in which the construction job order is closed out shall be one-twelfth the annual rate calculated as the weighted average of the finance charge rates applicable in the calendar years over which construction expenditures are incurred, using as weights the dollars expended in the respective years. All expenditures to the closing of the job order are to be included, using the best estimate available at the inservice date.
6. The finance charge rate for ordinary additions in years subsequent to the calendar year in which the construction job order was closed out shall be the rate defined in the Accounting and Procedure Manual as the rate applicable to expenditures in the year in question. Only in the case of major capital additions mentioned in paragraph 8 will a weighted average finance charge as described in paragraph 5 apply.

7. Amortization and other charges and adjustments shall be billed each month. Each month's additions to plant in service shall constitute a vintage investment. However, in order to simplify the billing process, the monthly vintages of any particular calendar year may be combined into a composite vintage, either on an on-going basis or at the end of the calendar year, providing the same bill results. Since finance charge rates are recalculated each year, vintages of different calendar years will not be composited.
8. The tax plant ratio to amortizable plant (CAPCO investment basis) shall be established from data for the total project as estimated at the inservice date, as described in paragraph 5 above. This ratio will be used in developing fixed charge rates for the initial placements and all subsequent additions; except that in the case of major capital additions, at seller's option and with buyers' concurrence, a completely new vintage may be developed and the fixed charge factor recalculated using the new tax plant ratio and other pertinent data as appropriate.
9. When a production unit, or a major capital addition such as described in paragraph 8, is placed in commercial service the first fixed charge billing shall begin effective with the inservice date. For subsequent month-to-month additions the billing shall begin with the first full calendar month after the addition is made.
10. Where sales are initiated out of an existing production facility to a new buyer, a single-vintage CAPCO investment basis may be calculated, with an appropriate adjustment for depreciation incurred to date. The amortization component of the fixed charge factor will be calculated on the basis of remaining life of the original amortization period, or by mutual agreement.

11. The specific fixed charge rate for Eastlake Unit No. 5 is developed in Exhibit A.

3. Operating and Maintenance Costs

1. The methods specified in the attached Exhibit B shall be used to allocate all costs, including overheads directly or indirectly applicable to the operation and maintenance of the operating company's ownership in such unit between it and the Purchaser(s).
2. The operating company will prepare, revise from time to time as appropriate and furnish to the Purchaser(s) an annual estimate of the amount to be billed by months (a) for the cost of energy during the term of the purchase from a unit, and (b) any other costs which shall accrue during this period. The Operating Company will furnish any reasonable request for estimates for longer periods if required by the Purchasers.
3. The operating company will maintain the records used in the determination of the Purchaser(s) bill in order that the Purchaser(s) and their independent auditors shall have access at all reasonable times to such records and the operating company will furnish copies of such records as requested. The operating company shall preserve and maintain the originals of such records for at least such periods of time as the Purchaser(s) may request, having in mind the requirements of regulatory authorities having jurisdiction, and the policies and practices of the parties with respect to the retention of records.

4. The cost of preparing, preserving and making copies of such budgets, records and accounts shall be borne by the companies in proportion to their respective capacity entitlements, except that any costs incurred at the special request of the Purchaser(s) shall be borne by them.
5. The operating company shall have special audits conducted with respect to the matters provided for in this Appendix, either internally or by independent auditors, according to such programs and procedures as agreed to be necessary to conform to the auditing requirements of each Company, and shall furnish copies of the reports of such audits to the Purchaser(s). The cost of making such audits, including any participation by the auditors of the Purchaser(s) agreed to be desirable and necessary, shall be shared by the Companies in relation to the current capacity entitlement ratio. The Purchaser(s) may, at their own expense, make such further audits, using their internal or independent auditors or both, as it may be deemed desirable.
6. If requested by the Purchaser(s), the operating company will make such examinations, analyses, or studies as would go to support the reasonableness of the specific costs so allocated, or provide a basis for modification to achieve such reasonableness with respect to either the specific or the indirect cost allocations. Sharable costs which are incurred by the Purchaser(s) shall be accumulated and billed on a direct charge basis from specific records or reasonable estimates, with applicable additives as agreed upon by the Companies.

7. Except as otherwise provided herein, the accounting methods and practices normally in use at the time by each of the Companies in determining and assigning Operating and Maintenance costs, generally, are to be used by such Company for the purposes of this Appendix unless otherwise agreed, provided such methods and practices are consistent with sound accounting practices.
8. The operating company will bill the Purchaser(s) for its share of property, franchise, business or other taxes applicable to their share of the unit, specifically identifying these items on the invoice when such taxes are payable by the operating company. To the extent that such taxes are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.
9. As soon as possible after the close of each calendar month, preferably on or before the 8th working day of the following month, the operating company shall advise the Purchaser(s) of its proportionate share of estimated operating expenses, fixed charges, displacement training costs, and working capital for the preceding month.
10. As soon as possible after the close of each calendar month, preferably on or before the 25th of the following month, the operating company shall prepare and deliver an invoice to the Purchaser for its share of actual costs for the preceding month. The amount billed will be due and payable upon receipt

of invoice and will be subject to a late payment charge if not received within 15 days from date of invoice.

C. Working Capital

It is recognized that the operating company undertakes certain obligations to provide expenditures in advance of compensation by the purchasers of capacity and energy. These purchases include but may not be limited to payroll, fuel and material and supplies purchases; and coal and material and supplies inventories. A reasonable allowance for this investment in working capital funds shall be considered a sharable cost to be compensated for as set out in detail in Exhibit C.

D. Displacement Training Costs

The CAPCO Companies have agreed that the costs which an operating company will incur in training personnel at existing stations in order to be able to transfer experienced personnel to a new CAPCO generating unit should be shared by the joint owners.

Purchasers of Capacity and Energy shall also share in these costs.

1. For each new CAPCO unit, the cost basis of \$1/KW of the installed capacity is determined to be a reasonable estimate of the present-day cost which a company will incur within its existing plants as a result of assigning experienced company personnel to a new CAPCO generating unit. Installed capacity for this purpose is defined as the Net Demonstrated Capability of the CAPCO generating unit.

2. It is recognized that these costs will increase as labor costs increase. Therefore, this cost determination factor of \$1/KW shall be subject to escalation for units installed after Davis-Besse No. 1 based on an index of the composite labor costs of CAPCO Companies as agreed to by the CAPCO Accounting and Finance Committee using 1972 as the base year equaling 100.0. The index to be applied shall be that calculated for the period two years prior to the actual inservice date for fossil-fired generating units and for the period three years prior to the actual inservice date for nuclear units.
3. The purchasers of Capacity and Energy shall share in these costs for the periods they are involved. An amount of 1/420 of the cost basis for each KW of the purchasing company's capacity entitlement shall be included in the monthly billing.
4. The cost basis provided for herein shall be shown in Exhibit D.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS

CAPCO UNIT NO. 2 (EASTLAKE UNIT NO. 5)

EXHIBIT A

FIXED COSTS OF INVESTED CAPITAL

The monthly fixed charge for a vintage addition shall be calculated as the algebraic sum of the following components:

- A. Amortization. 1/ The product of 0.0025 multiplied by the gross CAPCO investment base exclusive of land.
- B. Finance Charge. 2/ The product of 0.00801667 multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- C. Gross Income Tax. 3/ The product of 0.00401538 multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- D. Income Tax Adjustment. 4/ The product of (I) the difference obtained by subtracting (a) $.00546057 \times 0.99404762^M$ (where M is the number of amortization months elapsed prior to the month being billed), if the month being billed is prior to the 222nd month of service, or (b) .00146270, if the month being billed is the 222nd month or later, from (c) 0.0025, multiplied by (II) 0.92307692, and the result multiplied by (III) the vintage gross CAPCO investment base exclusive of land.

Note 1/ The monthly amortization rate (depreciable property only) is based on a 420-month amortization period and a negative 5% salvage rate.

$$1.05/420 = 0.0025$$

Note 2/ The monthly finance charge rate applicable to Eastlake Unit No. 5 facilities placed in service in 1972 is:

$$.0962/12 = .00801667$$

Where .0962 is the weighted average of the annual finance charge rates applicable in the calendar years over which the facility was constructed, using the dollars expended in the respective years as weights:

Year	Amount Expended (a)	Percent of Total (b)	Applicable Component Return Rate (c)			Total
			Bonds	Preferred	Common	
1968	\$ 2,022,465	2.644%	2.80	0.57	5.13	8.50
1969	3,258,242	4.259%	3.22	0.58	5.20	9.00
1970	21,845,878	28.560%	4.07	0.69	4.74	9.50
1971	33,201,261	43.405%	4.90	0.70	4.40	10.00
1972	16,164,046	21.132%	4.27	0.74	4.24	9.25
	\$76,491,892	100.000%	4.40	0.70	4.52	9.62

(a) CEI portion only

(b) Includes old common facilities and land applicable to Eastlake Unit #5

(c) Annual values as derived from preceding calendar year data.

Composite values derived using annual expenditures as weights.

Note 3/ The monthly gross income tax charge rate is the product of $1/12$ x .0522 multiplied by the federal income tax rate and divided by the complement of the income tax rate; where .0522 is the total equity component of the annual finance charge rate:

$$\frac{1}{12} \times .0522 \times \frac{.48}{1-.48} = .00401538$$

Note 4/ The income tax adjustment results from the difference between amortization and tax depreciation. DDB depreciation is based on a 336-month tax life. The undepreciated portion of the original CAPCO tax basis (whose ratio to total CAPCO basis in this case is .917375 ($\frac{2}{336}$)) under DDB depreciation after a period of M months is the product of the original CAPCO tax basis multiplied by the net tax-base factor:

$$.917375 \times \left(1 - \frac{2}{336}\right)^M, \text{ Where } 1 - \frac{2}{336} = 0.99404762$$

The monthly factor for tax depreciation under DDB depreciation is the product of the DDB depreciation rate multiplied by the net (undepreciated) tax basis (as of the beginning of the computation month):

$$\frac{2}{336} \times .917375 \times \left(1 - \frac{2}{336}\right)^M = .00546057 \times 0.99404762^M$$

The income tax adjustment factor is the product of the difference between the amortization factor and the DDB depreciation factor, multiplied by the federal income tax rate and divided by the complement of the income tax rate.

$$\left(0.0025 - .00546057 \times 0.99404762^M\right) \times \frac{.48}{.52}, \text{ or}$$

$$\left(0.0025 - .00546057 \times 0.99404762^M\right) \times 0.92307692$$

Switch to straight line tax depreciation (with stretch-cut of straight-line tax life to the end of the amortization period occurs after the end of the 221st month (remaining life = 199 months)).

After switchover the monthly tax depreciation is the product of the reciprocal of the remaining life at switchover (199 months) multiplied by the algebraic difference between net tax basis and total expected net salvage to be realized:

$$\frac{1}{199} \times .917375 \times \left(1 - \frac{2}{336}\right)^{221} - .917375 \times (-.05) = .00146270$$

Note 5/ Development of CAPCO Tax Plant Ratio

Adjustments to CAPCO Basis

(1) Total Investment per Books	\$76,491,892
(2) Payroll Taxes, Pensions and Other Overheads Capitalized per Books but Expensed for Tax Purposes Total = \$1,216,332	
(3) 48% of Line (2)	(583,839)
(4) Investment Tax Credit Applicable	(2,083,850)
(5) Depreciation on Old Common Facilities	<u>(513,310)</u>
(6) Adjusted CAPCO Investment Basis	\$73,310,893

Adjustments to CAPCO Income Tax Basis

(7) Land	(212,428)
(8) Allowance for Funds Used During Construction	(5,407,244)
(9) Balance of Payroll Taxes, Pensions and Other Overheads Capitalized per Books but Expensed for Tax Purposes 52% of Line (2)	<u>(632,493)</u>
(10) Adjusted CAPCO Income Tax Basis	\$67,058,728
(11) Adjusted CAPCO Investment Basis Less Land	\$73,098,465
(12) Ratio of Adjusted CAPCO Income Tax Basis to Adjusted Amortizable Investment Basis	.917375

SALES OF CAPACITY AND ENERGY
FROM BASE LOAD UNITS TO PURCHASERS
EXHIBIT B
(CAPCO UNIT NO. 2)
EASTLAKE UNIT NO. 5

Section I Introduction

The amount of energy scheduled from entitlements, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of the Unit, shall constitute a scheduled (billing) MWH value (net) as of the Unit's generator transformer low voltage terminals. CEI shall schedule for delivery from its system, and the Purchaser shall schedule for receipt into its system, an amount of energy equal to such billing value less the increase, or plus the decrease, in electrical losses as determined by the Planning Committee under terms of the CAPCO Transmission Facilities Agreement, as the case may be, incurred on its system resulting from the transmission of such energy, including losses on the Unit's step-up transformer resulting from the transmission of such energy.

Section II Accounting Concepts

The basis for allocating the Operation and Maintenance Costs of the Eastlake Unit No. 5 between the joint owners is set forth in Exhibit A of the Operating Agreement for this unit. This Exhibit is designed to determine the portion of the Cleveland Electric Illuminating Company's (CEI) cost which will be billed to the Purchaser.

The costs to be billed to the Purchaser will be segregated as to those that are directly identified with the purchaser and to those that are allocated either on an investment responsibility or a coal consumed basis. The codes for these segregations are defined at the end of Section III.

Section II Accounting Concepts (continued)

In addition to the direct costs for operating and maintaining the unit, CEI will bill the Purchaser for an appropriate portion of indirect overheads and taxes other than income taxes as defined in Section V.

Section III Allocation of Costs

The operation and maintenance costs identified by FPC account number are assigned to the Purchaser either directly or on the basis of appropriate allocation codes as set forth in the following table.

Account Number	Direct Basis To Purchaser	CEI's Costs to be Allocated to the Purchaser Allocation Codes	
		O(IR)	SY(IR)
<u>OPERATION ACCOUNTS</u>			
500	Supervision and Engineering	X	
501	Fuel	X	
501	Direct - See Note 1.		
501-1	Cost of Fuel Consumed	X	
501-2	Fuel Purchasing and Accounting		X
501-3	Fuel Delivery - Railroad into Track Hopper		X
501-4	Fuel Storage		X
501-5	Ash Disposal		X
501-8	Other Fuel Expense		X
502	Steam Expenses--Boiler Operation		
502	See Note 1.	X	
502-1	Fuel Handling	X	
502-2	Pulverized Fuel Preparation	X	
502-3	Boiler Apparatus	X	
502-4	Feedwater	X	
502-5	Ash Handling	X	
505	Electric Expenses		
505	See Note 1.	X	
505-1	Turbo-Generators	X	
505-2	Control & Switching	X	
506	Misc. Steam Power Expense	X	

Account Number	Direct Basis To Purchaser	CEI's Costs to be Allocated to the Purchaser	
		Allocation Codes	
		O(IR)	SY(IR)
<u>MAINTENANCE ACCOUNTS</u>			
500	Supervision and Engineering	X	
501	Structures		
511	See Note 1.	X	
512	Boiler Plant		
512	See Note 1.	X	
512-1	Fuel Storage, Delivery and Rolling Stock Equipment		X
512-2	Coal Handling Equipment		X
512-3	Mill Feeders, Mill Exhausters and/or Forced Draft Fans		X
512-4	Coal Pulverizers and Pulverized Fuel Handling System		X
512-5	Feedwater Equipment	X	
512-6	Boilers and Furnaces		X
512-7	Ash Handling		X
512-8	Accessory Steam Plant Equipment	X	
513	Electric Plant		
513	See Note 1.	X	
513-1	Turbo-Generator Units	X	
513-2	Accessory Electric Equipment	X	
514	Miscellaneous Steam Plant	X	
<u>OTHER ACCOUNTS</u>			
556	System Control and Load Dispatching (Power Supply)	X	
557	Other Expenses (Power Supply)	X	
560	Transmission Station Expenses (Step-Up Transformer and Connection to Switch Yard Only)	X	
570	Maintenance of Station Equipment (Step-Up Transformer and Connection to Switch Yard Only)	X	

NOTE 1. Charges made to primary accounts (500, 501, 502, etc.) will include distributions from clearing accounts for such costs as non-productive time and plant stores handling costs.

Direct charges will be made to the Purchaser for coal consumed as determined in accordance with Section IV

CEI

BASIS

O(IR) Investment Responsibility Ratio

The portion of CEI's Operation and Maintenance Expense to be billed to the purchaser shall be (a) the purchaser's entitlement from the unit (in MW) divided by (b) CEI's ownership interest in the unit rounded to the nearest whole megawatt. CEI's ownership interest in the unit shall be the product of the prevailing Net Demonstrated Capability (NDC) of the unit multiplied by CEI's percentage ownership (68.8%) in the unit. Currently the NDC of the Eastlake Unit No. 5 is 650 MW.

In the event that there is a determination of the Unit's Net Demonstrated Capability different than its Initial Net Demonstrated Capability, the fraction above shall be recalculated using the same numerator and substituting a new denominator equal to the Units revised Net Demonstrated Capability.

If the capacity of the unit is reduced by operating problems, the Purchaser will be entitled to his C(IR) ratio multiplied by CEI's entitlement of the output of the unit on an hour to hour basis.

FY(IR) Coal Allocation Ratio

The portion of the cost to be charged to a Purchaser during the current month shall be (a) the total tons of coal allocated to the Purchaser for the preceding 12-month period divided by (b) the tons of coal charged to CEI for the Eastlake Unit No. 5 for the same 12-month period. Prior to the time that this data is available on a 12-month basis, available data will be used to determine the allocation ratio.

Section IV Fuel

In determining fuel costs the Purchaser shall be treated in the same manner as an owner. The fuel cost shall be allocated in proportion to the Btu's consumed to produce the kilowatt hours taken by each of those sharing in the output of the unit, taking into account the Btu's consumed during start-ups of the unit. Btu used during a start-up (including Btu which may be supplied by transfers of steam from steam sources other than that unit's own steam source) and Btu computed to have been used during periods of synchronized on-line operation of the unit to maintain zero load on the unit (the "Y" intercept, or no load input, of the standard Input/Output equation for the unit) shall be allocated among those sharing in the output of the unit in proportion to their investment responsibilities in the unit during the month for which the allocation is being made. Btu consumed during periods of synchronized on-line operation in excess of those used to maintain zero load on the unit (see preceding statement) shall be allocated each hour in proportion to the net kilowatt hours determined to have been taken from the unit by each of those sharing in the output of the unit.

Section V Other Expenses

For billing costs to the Purchaser, labor and material additive costs at current rates prevailing at CEI as adjusted from time to time shall be added to the labor and material components of operation and maintenance costs of the Eastlake Unit No. 5 to which such rates are applicable and shall be shared by the purchaser on the same basis on which the primary labor and material costs are shared.

Section V Other Expenses (continued)

In addition, an allocation will be made of Other Power Supply Expenses: Account 556, System Control and Load Dispatching costs related to production, and Account 557, Other Expenses. These costs attributable to the Eastlake Unit No. 5 shall be allocated to the Purchaser on the "O(IR)" ratio listed in Section III above. Included in Account 557, Other Expenses, are such items as insurance premiums and recoveries and other production expenses not directly assignable to the other production accounts. The cost included in Account 557 will be identified on the invoice.

For billing costs to the Purchaser, administrative and general expenses shall be allocated to the Eastlake Unit No. 5 on the basis of the three-year moving average ratio for CEI calculated at the end of each calendar year to become effective on July 1 of the following year in accordance with the following formula.

$$\frac{L_{a1} (1 + p/P) + O_{a1}}{(L_e - L_{a2}) (1 + p/P) + (O_e - O_{a2})}$$

In which

L_{a1} and O_{a1} = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively charged to the following accounts:

- 1) Account 920, Administrative and general salaries.
- 2) Account 921, Office supplies and expenses.
- 3) Account 922, Administrative expenses transferred - Credit.

$(1 + p/P)$ = a cost ratio by means of which those expenses directly associated with payroll (labor additives) may be added to direct labor charges.

p = the 3-year sum of the following labor additives:

- 1) Payroll Taxes
 - Federal Old-age Benefits
 - Federal Unemployment Insurance
 - State Unemployment Insurance
- 2) Workmen's Compensation and/or Injuries and Damages
(Payroll related costs only)
- 3) Employee Pensions and Benefits (Account 926).
- 4) Pay for Time Not Worked

Exclude any labor additives which are included with the basic direct labor charges, examples of which might be "Pay for time not worked" or Payroll taxes".

P = the 3-year sum of the total payroll with which the above labor additives are associated.

L_e and O_e = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all operation and maintenance expense accounts except Fuel (Account 501) for the entire Company.

L_{a2} and O_{a2} = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged all Administrative and General Expense Accounts 920 to 932, inclusive.

The amount of administrative and general expenses to be allocated to the Purchaser during a given period shall be the product of the above ratio multiplied by the total operation and maintenance expenses, excluding Account 501, allocated to the Purchaser for that period.

In addition, the Purchaser shall pay to CEI, at times payable by CEI, amounts determined by multiplying, (A) the property taxes and any other taxes except Federal Income Tax, payable by CEI with respect to the Unit for the periods the Purchaser was involved by, (B), the O(IR) ratio for that period.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD
UNITS TO PURCHASERS

CAPCO UNIT NO. 2 (EASTLAKE UNIT NO. 5)

EXHIBIT C

WORKING CAPITAL

Compensatory Deposit Required

The following schedules show the amount of deposit that would be required to be placed with the operating company to provide equitable compensation for added working capital requirements during a period of sale. The amounts are for sales during 1972, 1973 and 1974.

DEPOSIT ASSOCIATED WITH A NON-OWNER PURCHASE -- \$ PER MW

	<u>1972</u>	<u>1973</u>	<u>1974</u>
PAYROLL	\$ 200	\$ 200	\$ 230
COAL INVENTORY	3,800	3,800	5,500
COAL PURCHASES	900	900	1,300
M&S INVENTORY	1,000	1,000	1,250
M&S PURCHASES	100	100	120
TOTAL	<u>\$6,000</u>	<u>\$6,000</u>	<u>\$8,400</u>

DEPOSIT FOR A JOINT OWNER (ASSUMING JOINT OWNERSHIP OF THE COAL FILE) -- \$ PER MW

	<u>1972</u>	<u>1973</u>	<u>1974</u>
PAYROLL	\$ 200	\$ 200	\$ 230
COAL PURCHASES	900	900	1,300
M&S INVENTORY	1,000	1,000	1,250
M&S PURCHASES	100	100	120
TOTAL	<u>\$2,200</u>	<u>\$2,200</u>	<u>\$2,900</u>

Escalation of Deposit Schedules

The deposit schedules shown above are to be applied for 1972, 1973, and 1974 working capital compensation. Thereafter, escalation will be calculated annually for each component of the deposit schedule by the Escalation Task Force, and

furnished to the Accounting and Finance Committee for approval and inclusion in the Accounting and Procedure Manual. The Economic Studies Subcommittee will periodically review the deposit schedules, to incorporate more recent operating data. These periodic reviews will be made as required or every three years, whichever comes first. The first such review will take place in 1976, or sooner if required.

Method of Compensation

There are two methods for compensating operating companies for added working capital requirements. A fully refundable deposit may be placed with the operating company during the period of capacity entitlement in accordance with the above schedules as appropriately escalated, or the operating company may be compensated by being paid on the basis of the current CAPCO cost of capital with provision for federal income taxes, multiplied by the appropriate deposit schedule, calculated on a monthly basis.

The method of compensation shall be determined by mutual agreement between the two parties to the transaction. In the event that the two parties do not agree on the method of compensation, the operating company shall decide upon the method to be used.

The CAPCO cost of capital with provision for federal income taxes is given by the following tabulation for the years 1972, 1973, and 1974.

	<u>1972</u>	<u>1973</u>	<u>1974</u>
Bonds	4.27%	4.13%	4.19%
Preferred	0.74	0.90	1.01
Common	4.24	3.97	4.05
CAPCO Cost of Capital	<u>9.25%</u>	<u>9.00%</u>	<u>9.25%</u>
Federal Income Tax	<u>4.60</u>	<u>4.50</u>	<u>4.67</u>
Total Cost of Capital with FIT Provision	13.85%	13.50%	13.92%

For subsequent years, the CAPCO Cost of Capital will be found in Section 05-09 of the CAPCO Accounting and Procedure Manual. The provision for Federal Income Taxes is calculated by the formula:

$$FIT = (\text{Preferred} + \text{Common}) \times \frac{t}{1-t}$$

where t is the effective tax rate, now .48.

Retroactivity

The provisions herein shall be retroactive. The basis for retroactive compensation shall be the annual CAPCO cost of capital including Federal Income Tax, applied to the appropriate deposit schedule, calculated on a monthly basis. The resulting amounts will then be subject to the short-term carrying charge rate as provided for in Section 05-21 of the Accounting and Procedure Manual.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS

CAPCO UNIT NO. 2 (EASTLAKE UNIT NO. 5)

EXHIBIT D

DISPLACEMENT TRAINING COSTS

Installed Capacity at CAPCO Unit No. 2 (Eastlake No. 5)	650,000 kW
<u>Ownership</u>	
Cleveland Electric Illuminating	447,000 kW
Duquesne Light	<u>203,000 kW</u>
	650,000 kW

Cleveland Electric Illuminating as operating company assumed \$447,000 (based on \$1/kW) for its share of displacement training costs.

Therefore, under the terms of this agreement the purchaser, would share in these costs based on its entitlement at the rate of 1/420 of the cost basis, for each billing month beginning on September 21, 1972.

APPENDIX 3 TO SCHEDULE ECharges Applicable to Transactions From Bruce Mansfield Unit No. 1
Pursuant to Schedule E

This Appendix provides for specific charges applicable to transactions made from Bruce Mansfield Unit No. 1 pursuant to Schedule E

Costs will be shared on a basis equivalent to that of the joint owners.

The following are the components of the costs to be included.

A. Fixed Costs of Invested Capital

1. It is expected that sales out of production units will occur predominantly over a relatively short time period in the early part of the unit's life. However, this Appendix develops a consistent basis which is applicable throughout the life cycle.

2. Amortization and tax calculations are based on the following:

Amortization Period	35 Years (420 Months)
DDB Tax Life	28 Years (336 Months)
Estimated Salvage Rate	-5%
Accounting Treatment	Flow Through

3. DDB tax depreciation is assumed, with switch to straight line method effective the first month in which the straight line remaining life depreciation exceeds DDB depreciation, with

remaining life stretched out in the straight line calculations to extend to the end of the book amortization period. The switch occurs at the end of the 221st month.

4. All fixed charges are on a month-to-month declining basis. The investment base from which fixed charges are developed shall be the CAPCO investment basis as defined in the Accounting and Procedure Manual under Procedures for Discharging Investment Responsibility.
5. The monthly finance charge rate applicable to all additions from the inservice date through the last month of the calendar year in which the construction job order is closed out shall be one-twelfth the annual rate calculated as the weighted average of the finance charge rates applicable in the calendar years over which construction expenditures are incurred, using as weights the dollars expended in the respective years. All expenditures to the closing of the job order are to be included, using the best estimate available at the inservice date.
6. The finance charge rate for ordinary additions in years subsequent to the calendar year in which the construction job order was closed out shall be the rate defined in the Accounting and Procedure Manual as the rate applicable to expenditures in the year in question. Only in the case of major capital additions mentioned in paragraph 8 will a weighted average finance charge as described in paragraph 5 apply.

7. Amortization and other charges and adjustments shall be billed each month. Each month's additions to plant in service shall constitute a vintage investment. However, in order to simplify the billing process, the monthly vintages of any particular calendar year may be combined into a composite vintage, either on an on-going basis or at the end of the calendar year, providing the same bill results. Since finance charge rates are recalculated each year, vintages of different calendar years will not be composited.
8. The tax plant ratio to amortizable plant (CAPCO investment basis) shall be established from data for the total project as estimated at the inservice date, as described in paragraph 5 above. This ratio will be used in developing fixed charge rates for the initial placements and all subsequent additions; except that in the case of major capital additions, at seller's option and with buyers' concurrence, a completely new vintage may be developed and the fixed charge factor recalculated using the new tax plant ratio and other pertinent data as appropriate.
9. When a production unit, or a major capital addition such as described in paragraph 8, is placed in commercial service the first fixed charge billing shall begin effective with the inservice date. For subsequent month-to-month additions the billing shall begin with the first full calendar month after the addition is made.
10. Where sales are initiated out of an existing production facility to a new buyer, a single-vintage CAPCO investment basis may be calculated, with an appropriate adjustment for depreciation incurred to date. The amortization component of the fixed charge factor will be calculated on the basis of remaining life of the original amortization period, or by mutual agreement.

11. The specific fixed charge rate for Bruce Mansfield Unit No. 1 is developed in Exhibit A.

B. Operating and Maintenance Costs

1. The methods specified in the attached Exhibit B shall be used to allocate all costs, including overheads directly or indirectly applicable to the operation and maintenance of the operating company's ownership in such unit between it and the Purchaser(s).
2. The operating company will prepare, revise from time to time as appropriate and furnish to the Purchaser(s) an annual estimate of the amount to be billed by months (a) for the cost of energy during the term of the purchase from a unit, and (b) any other costs which shall accrue during this period. The Operating Company will furnish any reasonable request for estimates for longer periods if required by the Purchasers.
3. The operating company will maintain the records used in the determination of the Purchaser(s) bill in order that the Purchaser(s) and their independent auditors shall have access at all reasonable times to such records and the operating company will furnish copies of such records as requested. The operating company shall preserve and maintain the originals of such records for at least such periods of time as the Purchaser(s) may request, having in mind the requirements of regulatory authorities having jurisdiction, and the policies and practices of the parties with respect to the retention of records.

4. The cost of preparing, preserving and making copies of such budgets, records and accounts shall be borne by the companies in proportion to their respective capacity entitlements, except that any costs incurred at the special request of the Purchaser(s) shall be borne by them.
5. The operating company shall have special audits conducted with respect to the matters provided for in this Appendix, either internally or by independent auditors, according to such programs and procedures as agreed to be necessary to conform to the auditing requirements of each Company, and shall furnish copies of the reports of such audits to the Purchaser(s). The cost of making such audits, including any participation by the auditors of the Purchaser(s) agreed to be desirable and necessary, shall be shared by the Companies in relation to the current capacity entitlement ratio. The Purchaser(s) may, at their own expense, make such further audits, using their internal or independent auditors or both, as it may be deemed desirable.
6. If requested by the Purchaser(s), the operating company will make such examinations, analyses, or studies as would go to support the reasonableness of the specific costs so allocated, or provide a basis for modification to achieve such reasonableness with respect to either the specific or the indirect cost allocations. Shareable costs which are incurred by the Purchaser(s) shall be accumulated and billed on a direct charge basis from specific records or reasonable estimates, with applicable additives as agreed upon by the Companies.

7. Except as otherwise provided herein, the accounting methods and practices normally in use at the time by each of the Companies in determining and assigning Operating and Maintenance costs, generally, are to be used by such Company for the purposes of this Appendix unless otherwise agreed, provided such methods and practices are consistent with sound accounting practices.
8. The operating company will bill the Purchaser(s) for its share of property, franchise, business or other taxes applicable to their share of the unit, specifically identifying these items on the invoice when such taxes are payable by the operating company. To the extent that such taxes are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.
9. As soon as possible after the close of each calendar month, preferably on or before the 8th working day of the following month, the operating company shall advise the Purchaser(s) of its proportionate share of estimated operating expenses, fixed charges, displacement training costs, and working capital for the preceding month.
10. As soon as possible after the close of each calendar month, preferably on or before the 25th of the following month, the operating company shall prepare and deliver an invoice to the Purchaser for its share of actual costs for the preceding month. The amount billed will be due and payable upon receipt

of invoice and will be subject to a late payment charge if not received within 15 days from date of invoice.

C. Working Capital

It is recognized that the operating company undertakes certain obligations to provide expenditures in advance of compensation by the purchasers of capacity and energy. These purchases include but may not be limited to payroll, fuel and material and supplies purchases; and coal and material and supplies inventories. A reasonable allowance for this investment in working capital funds shall be considered a shareable cost to be compensated for as set out in detail in Exhibit C.

D. Displacement Training Costs

The CAPCO Companies have agreed that the costs which an operating company will incur in training personnel at existing stations in order to be able to transfer experienced personnel to a new CAPCO generating unit should be shared by the joint owners.

Purchasers of Capacity and Energy shall also share in these costs.

1. For the older CAPCO units, the cost basis of \$1/KW of the installed capacity was determined to be a reasonable estimate of the present-day cost which a company will incur within its existing plants as a result of assigning experienced company personnel to a new CAPCO generating unit. Installed capacity for this purpose is defined as the Net Demonstrated Capability of the CAPCO generating unit.

2. It was recognized that these costs will increase as labor costs increased. Therefore, this cost determination factor of \$1/KW is subject to escalation for units planned to be in service after Davis-Besse No. 1 based on an index of the composite labor costs of CAPCO Companies as agreed to by the CAPCO Accounting and Finance Committee using 1972 as the base year equaling 100.0. The index to be applied is that calculated for the period two years prior to the actual inservice date for fossil-fired generating units. As so escalated, the cost factor attributable to Bruce Mansfield Unit No. 1 is \$1.069/KW.
3. The purchasers of Capacity and Energy shall share in these costs for the periods they are involved. An amount of 1/420 of the cost basis for each KW of the purchasing company's capacity entitlement shall be included in the monthly billing.
4. The cost basis provided for herein shall be shown in Exhibit D.

Basic Operating Agreement
Sales of Capacity and Energy from Base Load Units to Purchasers
CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
Exhibit A

Fixed Costs of Invested Capital

The monthly fixed charge for a vintage addition shall be calculated as the algebraic sum of the following components:

- A. Amortization. 1/ The product of .0025 multiplied by the gross CAPCO investment base exclusive of land.
- B. Finance Charge. 2/ The product of .00819167 (CEI), .00816667 (DUQ), .00817500 (OE), or .00819167 (PP) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- C. Gross Income Tax. 3/ The product of .00434705 (CEI), .00494039 (DUQ), .00433883 (OE), or .00494977 (PP) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- D. Income Tax Adjustment. 4/ The product of (I) the difference obtained by subtracting (a) [.0052015 (CEI), .0052597 (DUQ), .0050936 (OE), or .0050179 (PP)] x .99404762^M (where M is the number of amortization months elapsed prior to the month being billed), if the month being billed is prior to the 222nd month of service, or (b) .001393 (CEI), .001409 (DUQ), .001364 (OE), or .001344 (PP), if the month being billed is the 222nd month or later, from (c) .0025, multiplied by (II) .98609732 (Ohio) or 1.12494688 (Pennsylvania) and the result multiplied by (III) the vintage CAPCO investment base exclusive of land.

Percentage Ownership CAPCO Companies: CEI-6.5%; DL-29.3%; OE-60%; PP-4.2%

Note 1/ The monthly amortization rate (depreciable property only) is based on a 420-month amortization period and a negative 5% salvage rate.

$$1.05/420 = .0025$$

Note 2/ The monthly finance charge rate applicable to Mansfield No. 1 facilities placed in service in 1976 is:

CEI	.0983/12	=	.00819167
DUQ	.0980/12	=	.00816667
OE	.0981/12	=	.00817500
PP	.0983/12	=	.00819167

Where .0983, .0980, .0981 and .0983 are the respective weighted average of the annual finance charge rates applicable in the calendar years over which the facility was constructed, using the dollars expended in the respective years as weights:

Assignment of Production Costs
Sales of Capacity and Energy from Base Load Units to Purchasers
CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
Exhibit A

Note 2/ (Cont'd)

Year	Amount Expended (a)				
	CEI	DUQ	OE	PP	Total
1971	\$ 555,000	\$ 1,990,000	\$ 3,401,000	\$ 806,000	\$ 6,752,000
1972	2,002,000	9,989,000	20,209,000	1,043,000	33,243,000
1973	4,849,000	21,931,000	45,177,000	3,125,000	75,082,000
1974	6,259,000	28,237,000	58,840,000	4,028,000	97,364,000
1975	5,650,000	24,461,000	53,904,000	3,503,000	87,518,000
1976	3,422,000	14,905,000	29,372,000	2,204,000	49,903,000
Total	\$22,737,000	\$101,513,000	\$210,903,000	\$14,709,000	\$349,862,000

Year	Percent of Total					Applicable Component Return Rate (b)			
	CEI	DUQ	OE	PP	Total	Bonds	Pref.	Com.	Total
1971	2.441%	1.960%	1.612%	5.480%	1.930%	4.90	0.70	4.40	10.00
1972	8.80%	9.840%	9.582%	7.091%	9.502%	4.27	0.74	4.24	9.25
1973	21.327%	21.604%	21.421%	21.245%	21.460%	4.13	0.90	3.97	9.00
1974	27.528%	27.816%	27.899%	27.385%	27.829%	4.19	1.01	4.05	9.25
1975	24.849%	24.097%	25.559%	23.815%	25.015%	4.93	1.29	4.28	10.50
1976	15.050%	14.683%	13.927%	14.984%	14.264%	5.23	1.50	4.52	11.25
Total	100.000%	100.000%	100.000%	100.000%	100.000%	4.54	1.10	4.19	9.83 (CEI)
						4.53	1.09	4.18	9.80 (DUQ)
						4.53	1.10	4.18	9.81 (OE)
						4.55	1.09	4.19	9.83 (PP)

(a) Includes common facilities and land applicable to Mansfield Unit No. 1, and also substation facilities associated with production plant under the joint ownership agreement.

(b) Annual values as derived from preceding calendar year data. Composite values derived using annual expenditures as weights.

Note 3/ The monthly gross income tax charge rate is the product of $1/12 \times [.0529$ (CEI), $.0527$ (DUQ), $.0528$ (OE), or $.0528$ (PP)] multiplied by the federal income tax rate* and divided by the component of the income tax rate; where $.0529$, $.0527$, $.0528$ and $.0528$ are the respective total equity component of the annual finance charge rate:

CEI	$1/12 \times .0529 \times .4965 / (1 - .4965)$	=	.00434705
DUQ	$1/12 \times .0527 \times .5294 / (1 - .5294)$	=	.00494039
OE	$1/12 \times .0528 \times .4965 / (1 - .4965)$	=	.00433883
PP	$1/12 \times .0528 \times .5294 / (1 - .5294)$	=	.00494977

Assignment of Production Costs
Sales of Capacity and Energy from Base Load Units to Purchasers
CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
Exhibit A

Note 3/ (Cont'd)

*The income tax factor $t/(1-t)$ is based on a composite federal and state tax rate "t" derived as follows:

Ohio owner selling from plant located in Pennsylvania:
 $t = .095/3 + .48(1-.095/3) = .4965$

Pennsylvania owner selling from plant located in Pennsylvania:
 $t = .095 + .3(1-.095) = .5294$

The above values are derived on the basis of limiting the property effect of the Pennsylvania income tax allocation factor to sales from plants in Pennsylvania. This basis shall be subject to reconsideration in the event of any substantial change in the effective Pennsylvania income tax rate or the structure of the allocation factor.

Other special Pennsylvania taxes, such as the realty tax, the capital stock tax, and the foreign corporation franchise tax, shall be included, as applicable, with the operation and maintenance expense charges.

Note 4/ The income tax adjustment results from the difference between amortization and tax depreciation. DDB depreciation is based on a 336-month tax life. The undepreciated portion of the original CAPCO tax basis (whose ratio to total CAPCO basis in this case are .873850 (CEI), .883630 (DUQ.), .855727 (OE), and .843008 (PP) under DDB depreciation after a period of M months is the product of the original CAPCO tax basis multiplied by the net tax-base factor:

CEI	.873850	$\times (1 - 2/336)^M$, Where $1 - 2/336 = .99404762$
DUQ	.883630	$\times (1 - 2/336)^M$, Where $1 - 2/336 = .99404762$
OE	.855727	$\times (1 - 2/336)^M$, Where $1 - 2/336 = .99404762$
PP	.843008	$\times (1 - 2/336)^M$, Where $1 - 2/336 = .99404762$

The monthly factor for tax depreciation under DDB depreciation is the product of the DDB depreciation rate multiplied by the net (undepreciated) tax basis (as of the beginning of the computation month):

CEI	$2/336 \times .873850 \times (1 - 2/336)^M$	$= .0052015 \times .99404762^M$
DUQ	$2/336 \times .883630 \times (1 - 2/336)^M$	$= .0052597 \times .99404762^M$
OE	$2/336 \times .855727 \times (1 - 2/336)^M$	$= .0050936 \times .99404762^M$
PP	$2/336 \times .843008 \times (1 - 2/336)^M$	$= .0050179 \times .99404762^M$

The income tax adjustment factor is the product of the difference between the amortization factor and the DDB depreciation factor, multiplied, by the federal income tax rate and divided by the complement of the income tax rate.

Assignment of Production Costs
Sales of Capacity and Energy from Base Load Units to Purchasers
CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
Exhibit A

Note 4/ (Cont'd)

$$\begin{aligned} \text{CEI} & (.0025 - (.0052015 \times .99404762^M)) \times .4965/.5035, \text{ or} \\ & (.0025 - (.0052015 \times .99404762^M)) \times .98609732 \\ \text{DUQ} & (.0025 - (.0052597 \times .99404762^M)) \times .5294/.4706, \text{ or} \\ & (.0025 - (.0052597 \times .99404762^M)) \times 1.12494688 \\ \text{OE} & (.0025 - (.0050936 \times .99404762^M)) \times .4965/.5035, \text{ or} \\ & (.0025 - (.0050936 \times .99404762^M)) \times .98609732 \\ \text{PP} & (.0025 - (.0050179 \times .99404762^M)) \times .5294/.4706, \text{ or} \\ & (.0025 - (.0050179 \times .99404762^M)) \times 1.12494688 \end{aligned}$$

Switch to straight line tax depreciation (with stretch-out of straight line tax life to the end of the amortization period occurs after the end of the 221st month (remaining life = 199 months).

After switchover the monthly tax depreciation is the product of the reciprocal of the remaining life at switchover (199 months) multiplied by the algebraic difference between net tax basis and total expected net salvage to be realized:

$$\begin{aligned} \text{CEI} & 1/199 \times [.873850 \times (1 - 2/336)^{221} - .873850 \times (-.05)] = .001393 \\ \text{DUQ} & 1/199 \times [.883630 \times (1 - 2/336)^{221} - .883630 \times (-.05)] = .001409 \\ \text{OE} & 1/199 \times [.855727 \times (1 - 2/336)^{221} - .855727 \times (-.05)] = .001364 \\ \text{PP} & 1/199 \times [.843008 \times (1 - 2/336)^{221} - .843008 \times (-.05)] = .001344 \end{aligned}$$

Note 5/ Development of CAPCO Tax Plant Ratio

<u>Adjustment to CAPCO Basis</u>	<u>CEI</u>	<u>DUQ</u>	<u>OE</u>	<u>PP</u>
(1) Total Investment per Books	\$22,737,000	\$101,449,000	\$210,903,000	\$14,709,000
(2) Payroll Taxes, Property Taxes, and Other Overheads Capitalized per Books but Expensed for Tax Purposes	285,000*	64,000*	1,648,000*	435,000*
(3) 49.65% of Line (2) for Ohio Companies	(142,000)		(818,000)	
52.94% of Line (2) for Pennsylvania Companies		(34,000)		(230,000)
(4) Investment Tax Credit Applicable	<u>(1,079,000)</u>	<u>(1,387,000)</u>	<u>(10,493,000)</u>	<u>(821,000)</u>
(5) Adjusted to CAPCO Investment Basis	\$21,516,000	\$96,092,000	\$199,592,000	\$13,658,000

Assignment of Production Costs
 Sales of Capacity and Energy from Base Load Units to Purchasers
 CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
 Exhibit A

Note 5/ (Cont'd)

<u>Adjustments to CAPCO Income Tax Basis</u>	<u>CEI</u>	<u>DUQ</u>	<u>OE</u>	<u>PP</u>
(6) Land	\$ (208,000)	\$ (930,000)	\$ (1,904,000)	\$ (135,000)
(7) Allowance for Funds Used During Construction	(2,545,000)	(1,044,000)	(27,691,000)	(1,918,000)
(8) Balance of Payroll Taxes, Property Taxes, and Other Overheads Capitalized per Books but Expensed for Tax Purposes				
50.35% of Line (2) for Ohio Companies	(143,000)		(830,000)	
47.06% of Line (2) for Pennsylvania Companies		(30,000)		(205,000)
(9) Adjusted CAPCO Income Tax Basis (Amortizable)	\$18,620,000	\$84,088,000	\$169,167,000	\$11,400,000
(10) Adjusted CAPCO Investment Basis Less Land	\$21,308,000	\$95,162,000	\$197,688,000	\$13,523,000
(11) Ratio of Adjusted CAPCO Income Tax Basis to Adjusted Amortizable Investment Basis	.373850	.883630	.855727	.843008

*Not Used in Total.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS
BRUCE MANSFIELD PLANT

EXHIBIT B

Section I - Introduction

This Exhibit pertains to all agreements related to the Sales of Capacity and Energy from the Owners of Bruce Mansfield Units No. 1, 2 and 3 to Purchasers.

In the event a Purchaser from a Unit does not schedule part or any of its energy entitlement as stated in the applicable agreement, the balance of its entitlement shall remain as capacity available to the Purchaser, provided that, if the Unit is operated at minimum load required for safe operation of the Unit, the Purchaser shall be obligated to schedule an amount of energy equal to the Unit's minimum load for the hour multiplied by a fraction of which the numerator is the Purchaser's entitlement under the applicable agreement and the denominator is the applicable Unit's Net Demonstrated Capability.

The amount of energy determined above, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of a Unit, shall constitute a scheduled (billing) MWH value (net) as of the Unit's generator transformer low voltage terminals. An Owner shall schedule for delivery from its system, and a Purchaser shall schedule for receipt into its system, an amount of energy equal to such billing value less the increase, or plus the decrease, in electrical losses as determined by the Planning Committee under terms of the CAPCO Transmission Facilities Agreement, as the case may be, incurred on its system resulting from the transmission of such energy, including losses on the Unit's step-up transformer resulting from the transmission of such energy.

Section II - Accounting Concepts

The basis for allocating the operation and maintenance costs of Bruce Mansfield Units No. 1, 2 and 3 among the joint Owners is set forth in Exhibit A of the Operating Agreement for these Units. This Exhibit prescribes the method of determining the portion of that cost of an Owner which will be billed to a Purchaser.

The costs to be billed to a Purchaser will be segregated as to those that are directly identified with the Purchaser and to those that are allocated either on an investment responsibility or a coal consumed basis. The codes for these segregations are defined at the end of Section III.

In addition to the direct costs for operating and maintaining a Unit, an Owner shall bill a Purchaser for an appropriate portion of indirect overheads and taxes other than income taxes as defined in Section V.

Section III - Allocation of Costs

The operation and maintenance costs identified by FPC account number are assigned to a Purchaser either directly or on the basis of appropriate allocation codes as set forth in the following table:

Section III - Allocation of Costs (Continued)

<u>Number</u>	<u>Description</u>	<u>Direct Basis to Purchaser</u>	<u>Owner's Costs to be Allocated to Purchaser</u>		
			<u>O(IR)</u>	<u>SY(IR)</u>	<u>S(IR)</u>
<u>OPERATION ACCOUNTS</u>					
500	Supervision & Engineering		X		
501	Fuel				
501.10	Coal	X			
501.11	Oil**		X		X
501.20	Residual Disposal**			X	X
502	Steam Expenses**		X	X	X
505	Electric Expenses		X		
506	Miscellaneous Steam Power Expenses		X		
507	Rents		X		
<u>MAINTENANCE ACCOUNTS</u>					
510	Supervision & Engineering		X		
511	Structures**		X	X	
512	Boiler Plant**		X	X	
513	Electric Plant		X		
514	Miscellaneous Steam Plant		X		
<u>OTHER ACCOUNTS</u>					
562	Operation - Station Expense***		X		
570	Maintenance of Station Equipment***		X		

**See Operating Agreement between Owners Exhibit A for breakdown of these Accounts.

***Step-Up Transformer and connection to switch yard only.

Direct charges will be made to a Purchaser for fuel consumed as determined in accordance with Section IV.

Section III - Allocation of Costs (Continued)

- | <u>Code</u> | <u>Basis</u> |
|-------------|---|
| S(IR) | The portion of an Owner's cost of a Unit to be billed to a Purchaser during the current month shall be (a) the no-load and start-up coal consumed plus the variable portion of coal consumed for net positive generation (as determined in Section IV) for the Purchaser during the current month divided by (b) the total adjusted tons of coal charged to the Owner during the current month. In the event an accounting charge occurs in a month when a Unit did not operate, data will be used from the next preceding month for which data is available. |
| O(IR) | The portion of an Owner's operation and maintenance expense of a Unit to be billed to a Purchaser during the current month shall be a fraction of which the numerator is the Purchaser's entitlement from the Unit as specified in the applicable agreement and the denominator is the Owner's ownership interest in the Unit rounded to the nearest whole megawatt. An Owner's ownership interest in a Unit shall be the product of the prevailing Net Demonstrated Capability (NDC) of a Unit multiplied by that Owner's percentage ownership in the Unit.

If the capacity of a Unit is reduced due to operating problems, the Purchaser will be entitled to his O(IR) ratio multiplied by the Owner's entitlement of the output of the Unit on an hour to hour basis. |
| SY(IR) | The portion of an Owner's cost of a Unit to be billed to a Purchaser during the current month shall be (a) the total tons of coal allocated to the Purchaser for the preceding twelve-month period divided by (b) the tons of coal charged to the Owner for the same twelve-month period. Prior to the time that this data is available on a twelve-month basis, available data will be used to determine the allocation ratio. |

Section IV - Fuel

In determining fuel costs for a Unit a Purchaser shall be treated in the same manner as an Owner. The fuel costs shall be allocated in proportion to the Btu's consumed to produce the kilowatt-hours taken by each of those sharing in the output of the Unit, taking into account the Btu's consumed during start-ups of the Unit. The Owner's share of Btu's used during a start-up (including Btu's which may be supplied by transfers of steam from steam sources other than that Unit's own steam source) and Btu's computed to have been used during periods of synchronized on-line operation of the Unit to maintain zero load on the Unit (the "Y" intercept, or no-load input, of the standard Input/Output equation for the Unit) shall be allocated among those sharing in the Owner's share of the output of the Unit in proportion to their investment responsibilities in the Unit during the month for which allocation is being made. Btu's consumed during periods of synchronized on-line operation in excess of those used to maintain zero load on the Unit (see preceding statement) shall be allocated each hour in proportion to the net kilowatt-hours determined to have been taken from the Unit by each of those sharing in the output of the Unit.

Section III - Allocation of Costs (Continued)Section V - Other Expenses

For billing of costs to a Purchaser, labor and material additives at current rates prevailing at Pennsylvania Power Company as adjusted from time to time, shall be added to those labor and material components of direct operation and maintenance costs of a Unit to which such rates are applicable and shall be shared by the Purchasers on the same basis on which the primary labor and material costs are shared.

For billing of costs to a Purchaser Administrative and General Expenses shall be allocated to a Unit on the basis of the composite three-year moving average ratio for Pennsylvania Power Company, calculated at the end of each calendar year and to become effective on July 1 of the following year, in accordance with the following formula:

$$\frac{L_{a1} (1 + p/P) + O_{a1}}{(L_e - L_{a2}) (1 + p/P) + (O_e - O_{a2})}$$

In which:

L_{a1} and O_{a1} = the three-year sums of direct labor expenses and direct other-than-labor expense, respectively charged to the following accounts:

1. Account 920 - Administrative and General Salaries
2. Account 921 - Office Supplies and Expenses
3. Account 922 - Administrative Expenses Transferred - Credit

$(1 + p/P)$ = a cost ratio by means of which those expenses directly associated with payroll (labor additives) may be added to direct labor charges.

p = the three-year sum of the following labor additives:

1. Payroll Taxes
 - Federal Old Age Benefits
 - Federal Unemployment Insurance
 - State Unemployment Insurance
2. Workmen's Compensation and/or Injuries and Damages
 - (Payroll Related Costs Only)
3. Employee Pensions and Benefits (Account 926)
4. Pay for Time Not Worked

Exclude any labor additives which are included with the basic labor charges, examples of which might be "Pay for Time Not Worked" or "Payroll Taxes."

P = the three-year sum of the total payroll with which the above labor additives are associated.

Section V - Other Expenses (Continued)

L_e and O_e = the three-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all Operation and Maintenance Expense accounts except Fuel (Accounts 501, 518 and 547) for the entire Company.

L_{a2} and O_{a2} = the three-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all Administrative and General Expense Accounts 920 to 932, inclusive.

The amount of Administrative and General Expenses to be allocated to a Purchaser during a given period shall be the product of the above ratio multiplied by the total operation and maintenance expenses, excluding Account 501 allocated to the Purchaser for that period.

In addition a Purchaser shall pay an Owner, at the times payable by the Owner, amounts determined by multiplying (a) the property taxes and any other taxes except Federal Income Tax, payable by the Owner with respect to the Unit for the periods the Purchaser was involved by (b) the O(IR) ratio for that period involved. Insurance costs shall also be shared on the basis of the O(IR) ratio for the periods a Purchaser is involved.

Basic Operating Agreement
 Sales of Capacity and Energy from Base Load Units to Purchasers
 CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
 Exhibit C

Reimbursements of Working Capital Costs

I. Fuel Inventory - Working Capital Costs Applicable to a Purchaser of Capacity and Energy.

A. Reimbursement by Monthly Carrying Charge in Lieu of Deposit

The charge for a given month per megawatt of capacity purchased shall be based on the Seller's total dollar balance in fuel inventory per megawatt of capacity, at the end of the month in which service was rendered, and shall be calculated as follows:

1. Mansfield Unit #1 The product of

- (a) (Total Dollars in Fuel Inventory for the Entire Mansfield Unit No. 1)
- (b) (The Ratio of Total Megawatt Capacity Purchased to Total Megawatt Capacity of Mansfield Unit No. 1.)
- (c) (One-Twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component)

B. Reimbursement by Deposit of Working Capital

The amount of the deposit shall be an appropriate portion of the dollar balance in fuel inventory, calculated as the product of the respective factors (a) and (b) in (1) or (2) above, except that the deposit will be adjusted, not every month, but at six-month intervals and shall be calculated respectively as the average of the first six and the second six calendar months of the year.

II. Materials and Supplies Inventory - Working Capital Cost Applicable to a Purchaser, or to a Joint Owner if M&S Inventory is not jointly owned.

A. Reimbursement by Monthly Carrying Charge in Lieu of Deposit

The charge for a given month per megawatt of capacity purchased (or shared) shall be based on the Seller's total dollar balance in M&S inventory at the end of the month in which service was rendered, and shall be calculated as follows:

1. Mansfield Unit #1 The product of

- (a) (Total Dollars in Seller's M&S Inventory at the Entire Plant)
- (b) (The Ratio of Total Megawatt Capacity Purchased (or Shared) to the Total Megawatts of Seller's Plant Capacity)
- (c) (One-Twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component)

B. Reimbursement by Deposit of Working Capital

The amount of the deposit shall be an appropriate portion of the dollar balance in M&S inventory, calculated as the product of the respective factors (a) and (b) above: except that the deposit shall be adjusted at six-month intervals and not every month.

Basic Operating Agreement
Sales of Capacity and Energy from Base Load Units to Purchasers
CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
Exhibit C

Reimbursements of Working Capital Costs

III. Monthly Fuel, M&S Purchases, and Payroll Expenses - Working Capital Cost
Applicable to a Purchaser or to a Joint Owner.

The deposit for a given month per megawatt of capacity purchased (or shared) shall be in the amount of \$600.

The monthly charge in lieu of deposit per megawatt of capacity purchased (or shared) shall be calculated as the product of \$600 multiplied by (One-Twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component.)

The deposit amount will be reviewed from time to time to determine whether the amount is still appropriate, in particular considering the M&S purchases required for such facilities as the scrubber and waste disposal systems.

Basic Operating Agreement
 Sales of Capacity and Energy from Base Load Units to Purchasers
 CAPCO Unit No. 5 (Bruce Mansfield Unit No. 1)
 Exhibit D

Displacement Training Costs

Installed Capacity at CAPCO Unit No. 5 - Bruce Mansfield Unit No. 1 825,000 Kw

<u>Ownership</u>	
Cleveland Electric Illuminating Company	6.5%
Duquesne Light Company	29.3%
Ohio Edison Company	60.0%
Pennsylvania Power Company	4.2%
Total	<u>100.0%</u>

The owning companies respective shares of the displacement training costs, based on \$1.069/Kw, are:

Cleveland Electric Illuminating	\$ 57,325
Duquesne Light Company	258,404
Ohio Edison Company	529,155
Pennsylvania Power Company	37,041

Therefore, under the terms of this agreement, each purchaser, would share in these costs based on its entitlement at the rate of 1/420 of the cost basis, for each billing month beginning with the effective purchase date.

APPENDIX 4 TO SCHEDULE E

Charges Applicable to Transactions From Beaver Valley Unit No. 1 Pursuant to Schedule E

This Appendix provides for specific charges applicable to transactions made from Beaver Valley Unit No. 1 pursuant to Schedule E.

Costs will be shared on a basis equivalent to that of the joint owners.

The following are the components of the costs to be included.

4. Fixed Costs of Invested Capital

1. It is expected that sales out of production units will occur predominantly over a relative short time period in the early part of the unit's life. However, this Appendix develops a consistent basis which is applicable throughout the life cycle.

2. Amortization and tax calculations are based on the following:

Amortization Period	35 Years (420 Months)
DDB Tax Life	28 Years (336 Months)
Estimated Salvage Rate	-10%
Accounting Treatment	Flow Through

3. DDB tax depreciation is assumed, with switch to straight line method effective the first month in which the straight line remaining life depreciation exceeds DDB depreciation, with

remaining life stretched out in the straight line calculations to extend to the end of the book amortization period. The switch occurs at the end of the 221st month.

4. All fixed charges are on a month-to-month declining basis. The investment base from which fixed charges are developed shall be the CAPCO investment basis as defined in the Accounting and Procedure Manual under Procedures for Discharging Investment Responsibility.
5. The monthly finance charge rate applicable to all additions from the inservice date through the last month of the calendar year in which the construction job order is closed out shall be one-twelfth the annual rate calculated as the weighted average of the finance charge rates applicable in the calendar years over which construction expenditures are incurred, using as weights the dollars expended in the respective years. All expenditures to the closing of the job order are to be included, using the best estimate available at the inservice date.
6. The finance charge rate for ordinary additions in years subsequent to the calendar year in which the construction job order was closed out shall be the rate defined in the Accounting and Procedure Manual as the rate applicable to expenditures in the year in question. Only in the case of major capital additions mentioned in paragraph 8 will a weighted average finance charge as described in paragraph 5 apply.

7. Amortization and other charges and adjustments shall be billed each month. Each month's additions to plant in service shall constitute a vintage investment. However, in order to simplify the billing process, the monthly vintages of any particular calendar year may be combined into a composite vintage, either on an on-going basis or at the end of the calendar year, providing the same bill results. Since finance charge rates are recalculated each year, vintages of different calendar years will not be composited.
8. The tax plant ratio to amortizable plant (CAPCO investment basis) shall be established from data for the total project as estimated at the inservice date, as described in paragraph 5 above. This ratio will be used in developing fixed charge rates for the initial placements and all subsequent additions; except that in the case of major capital additions, at seller's option and with buyers' concurrence, a completely new vintage may be developed and the fixed charge factor recalculated using the new tax plant ratio and other pertinent data as appropriate.
9. When a production unit, or a major capital addition such as described in paragraph 8, is placed in commercial service the first fixed charge billing shall begin effective with the inservice date. For subsequent month-to-month additions the billing shall begin with the first full calendar month after the addition is made.
10. Where sales are initiated out of an existing production facility to a new buyer, a single-vintage CAPCO investment basis may be calculated, with an appropriate adjustment for depreciation incurred to date. The amortization component of the fixed charge factor will be calculated on the basis of remaining life of the original amortization period, or by mutual agreement.

11. The specific fixed charge rate for Beaver Valley Unit No. 1 is developed in Exhibit A.

5. Operating and Maintenance Costs

1. The methods specified in the attached Exhibit B shall be used to allocate all costs, including overheads directly or indirectly applicable to the operation and maintenance of the operating company's ownership in such unit between it and the Purchaser(s).
2. The operating company will prepare, revise from time to time as appropriate and furnish to the Purchaser(s) an annual estimate of the amount to be billed by months (a) for the cost of energy during the term of the purchase from a unit, and (b) any other costs which shall accrue during this period. The Operating Company will furnish any reasonable request for estimates for longer periods if required by the Purchasers.
3. The operating company will maintain the records used in the determination of the Purchaser(s) bill in order that the Purchaser(s) and their independent auditors shall have access at all reasonable times to such records and the operating company will furnish copies of such records as requested. The operating company shall preserve and maintain the originals of such records for at least such periods of time as the Purchaser(s) may request, having in mind the requirements of regulatory authorities having jurisdiction, and the policies and practices of the parties with respect to the retention of records.

4. The cost of preparing, preserving and making copies of such budgets, records and accounts shall be borne by the companies in proportion to their respective capacity entitlements, except that any costs incurred at the special request of the Purchaser(s) shall be borne by them.
5. The operating company shall have special audits conducted with respect to the matters provided for in this Appendix, either internally or by independent auditors, according to such programs and procedures as agreed to be necessary to conform to the auditing requirements of each Company, and shall furnish copies of the reports of such audits to the Purchaser(s). The cost of making such audits, including any participation by the auditors of the Purchaser(s) agreed to be desirable and necessary, shall be shared by the Companies in relation to the current capacity entitlement ratio. The Purchaser(s) may, at their own expense, make such further audits, using their internal or independent auditors or both, as it may be deemed desirable.
6. If requested by the Purchaser(s), the operating company will make such examinations, analyses, or studies as would go to support the reasonableness of the specific costs so allocated, or provide a basis for modification to achieve such reasonableness with respect to either the specific or the indirect cost allocations. Shareable costs which are incurred by the Purchaser(s) shall be accumulated and billed on a direct charge basis from specific records or reasonable estimates, with applicable additives as agreed upon by the Companies.

7. Except as otherwise provided herein, the accounting methods and practices normally in use at the time by each of the Companies in determining and allocating operating and Maintenance costs, generally, are to be used by such Company for the purposes of this Appendix unless otherwise agreed, provided such methods and practices are consistent with sound accounting practices.
8. The operating company will bill the Purchaser(s) for its share of property, franchise, business or other taxes applicable to their share of the unit, specifically identifying these items on the invoice when such taxes are payable by the operating company. To the extent that such taxes are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.
9. As soon as possible after the close of each calendar month, preferably on or before the 8th working day of the following month, the operating company shall advise the Purchaser(s) of its proportionate share of estimated operating expenses, fixed charges, displacement training costs, and working capital for the preceding month.
10. As soon as possible after the close of each calendar month, preferably on or before the 25th of the following month, the operating company shall prepare and deliver an invoice to the Purchaser for its share of actual costs for the preceding month. The amount billed will be due and payable upon receipt

of invoice and will be subject to a late payment charge if not received within 15 days from date of invoice.

.. Working Capital

It is recognized that the operating company undertakes certain obligations to provide expenditures in advance of compensation by the purchasers of capacity and energy. These purchases include but may not be limited to payroll, fuel and material and supplies purchases; and coal and material and supplies inventories. A reasonable allowance for this investment in working capital funds shall be considered a sharable cost to be compensated for as set out in detail in Exhibit C.

D. Displacement Training Costs

The CAPCO Companies have agreed that the costs which an operating company will incur in training personnel at existing stations in order to be able to transfer experienced personnel to a new CAPCO generating unit should be shared by the joint owners.

Purchasers of Capacity and Energy shall also share in these costs.

1. For each new CAPCO unit, the cost basis of \$1/KW of the installed capacity is determined to be a reasonable estimate of the present-day cost which a company will incur within its existing plants as a result of assigning experienced company personnel to a new CAPCO generating unit. Installed capacity for this purpose is defined as the Net Demonstrated Capability of the CAPCO generating unit.

2. It is recognized that these costs will increase as labor costs increase. Therefore, this cost determination factor of \$1/KW shall be subject to escalation for units planned to be in service after Davis-Besse No. 1 based on an index of the composite labor costs of CAPCO Companies as agreed to by the CAPCO Accounting and Finance Committee using 1972 as the base year equaling 100.0. The index to be applied shall be that calculated for the period two years prior to the actual inservice date for fossil-fired generating units and for the period three years prior to the actual inservice date for nuclear units.
3. The purchasers of Capacity and Energy shall share in these costs for the periods they are involved. An amount of 1/420 of the cost basis for each KW of the purchasing company's capacity entitlement shall be included in the monthly billing.
4. The cost basis provided for herein shall be shown in Exhibit D.

BASIC OPERATING AGREEMENT
 Sales of Capacity and Energy from Base Load Units to Purchasers
 CAPCO Unit No. 3 (Beaver Valley Unit No. 1)

EXHIBIT A

FIXED COSTS OF INVESTED CAPITAL

The monthly fixed charge for a vintage addition shall be calculated as the algebraic sum of the following components:

- A. Amortization. 1/ The product of .00261905 multiplied by the adjusted CAPCO investment base exclusive of land. (Line #10 of Note 5/)
- B. Finance Charge. 2/ The product of .00817500 (DUQ), .00818333 (OE), or .00815833 (PP) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- C. Gross Income Tax. 3/ The product of .00494039 (DUQ), .00433825 (OE), or .00493102 (PP) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- D. Income Tax Adjustment. 4/ The product of (I) the difference obtained by subtracting (a) .00462017 (DUQ), .00458218 (OE), or .0045211 (PP) x .99404762^M (where M is the number of amortization months elapsed prior to the month being billed), if the month being billed is prior to the 222nd month of service, or (b) .00143261 (DUQ), .00142083 (OE), or .00140189 (PP), if the month being billed is the 222nd month or later, from (c) .00261905 multiplied by (II) .985966 (Ohio) or 1.124947 (Pennsylvania) and the result multiplied by (III) the vintage gross CAPCO investment base exclusive of land.

PERCENTAGE OWNERSHIP OF CAPCO COMPANIES: D.L.Co.47.5%; O.E.Co.35.0%; P.P.Co.17.5%

Note 1/ The monthly amortization rate (depreciable property only) is based on a 420-month amortization period and a negative 10% salvage rate.

1.10/420

.00261905

Note 2/ The monthly finance charge rate applicable to Beaver Valley No. 1 facilities placed in service in 1976 is:

DUQ	.0981/12	=	.00817500
OE	.0982/12	=	.00818333
PP	.0979/12	=	.00815833

Where .0981, .0982 and .0979 are the respective weighted average of the annual finance charge rates applicable in the calendar years over which the facility was constructed, using the dollars expended in the respective years as weights:

Year	Amount Expended (\$1,000) (a)			
	DUQ	OE	PP	TOTAL
1969 & Prior	\$ 5,845	\$ 3,587	\$ 2,338	\$ 11,770
1970	15,758	11,171	5,558	32,487
1971	48,249	32,183	17,702	98,134
1972	42,493	26,771	15,774	85,038
1973	35,552	28,298	13,348	77,198
1974	48,082	33,159	17,862	99,103
1975	44,943	32,210	17,273	94,426
1976 (Est)	32,750	25,117	11,295	69,162
Total	\$ 273,672	\$ 192,496	\$ 101,150	\$ 567,318

Year	Percent of Total				Applicable Component Return Rate (b)			
					Bonds	Pref.	Com.	Total
	DUQ	OE	PP	Total				
1969 & Prior	2.136%	1.863%	2.312%	2.075%	3.22	0.58	5.20	9.00
1970	5.758	5.803	5.495	5.726	4.07	0.69	4.74	9.50
1971	17.630	16.719	17.500	17.298	4.90	0.70	4.40	10.00
1972	15.527	13.907	15.595	14.989	4.27	0.74	4.24	9.25
1973	12.991	14.701	13.196	13.608	4.13	0.90	3.97	9.00
1974	17.569	17.226	17.659	17.469	4.19	1.01	4.05	9.25
1975	16.422	16.733	17.077	16.644	4.93	1.29	4.28	10.50
1976 (Est)	11.967	13.048	11.166	12.191	5.23	1.50	4.52	11.25
Total	100.000%	100.000%	100.000%	100.000%	4.54	0.98	4.29	9.81 (DUQ)
					4.54	0.99	4.29	9.82 (OE)
					4.53	0.98	4.28	9.79 (PP)

(a) Includes common facilities and land applicable to Beaver Valley No. 1, and also substation facilities associated with production plant under the joint ownership agreement.

(b) Annual values as derived from preceding calendar year data. Composite values derived using annual expenditures as weights.

Note 3/ The monthly gross income tax charge rate is the product of $1/12 \times$.0527 (DUQ), .0528 (OE), or .0526 (PP) multiplied by the federal and state income tax rate and divided by the component of the income tax rate*; where .0527, .0528 and .0526 are the respective total equity component of the annual finance charge rate:

$$\text{DUQ } 1/12 \times .0527 \times .5294 / (1 - .5294) = .00494039$$

$$\text{OE } 1/12 \times .0528 \times .496467 / .503533 = .00433825$$

$$\text{PP } 1/12 \times .0526 \times .5294 / (1 - .5294) = .00493102$$

* The income tax factor $\frac{T}{1-T}$ is based on a composite federal and state tax rate "T" derived as follows:

Ohio owner selling from plant located in Pa.

$$T = \frac{.095}{3} + .48 \left(1 - \frac{.095}{3}\right) = .496467$$

Pa. owner selling from plant located in Pa.

$$T = .095 + .48 (1 - .095) = .529400$$

The above values are derived on the basis of limiting the property effect of the Pa. income tax allocation factor, to sales from plants in Pa. This basis shall be subject to reconsideration in the event of any substantial change in the effective Pa. income tax rate or the structure of the allocation factor.

Other special Pa. taxes such as Realty Tax, Capital Stock Tax and the Foreign Corporation Franchise Tax, shall be included, as applicable, with the operating and maintenance expense charges.

Note 4/ The income tax adjustment results from the difference between amortization and tax depreciation. DDB depreciation is based on a 336-month tax life. The undepreciated portion of the original CAPCO tax basis (whose ratio to total CAPCO basis in this case are .776188 (DUQ), .769807 (OE), and .759547 (PP) under DDB depreciation after a period of M months is the product of the original CAPCO tax basis multiplied by the net tax-base factor:

$$\begin{aligned} \text{DUQ} & .776188 \times (1 - 2/336)^M, \text{ Where } 1 - 2/336 = .99404762 \\ \text{OE} & .769807 \times (1 - 2/336)^M, \text{ Where } 1 - 2/336 = .99404762 \\ \text{PP} & .759547 \times (1 - 2/336)^M, \text{ Where } 1 - 2/336 = .99404762 \end{aligned}$$

The monthly factor for tax depreciation under DDB depreciation is the product of the DDB depreciation rate multiplied by the net (undepreciated) tax basis (as of the beginning of the computation month):

$$\begin{aligned} \text{DUQ} & 2/336 \times .776188 \times (1 - 2/336)^M = .00462017 \times .99404762^M \\ \text{OE} & 2/336 \times .769807 \times (1 - 2/336)^M = .00458218 \times .99404762^M \\ \text{PP} & 2/336 \times .759547 \times (1 - 2/336)^M = .0045211 \times .99404762^M \end{aligned}$$

The income tax adjustment factor is the product of the difference between the amortization factor and the DDB depreciation factor, multiplied by the federal income tax rate and divided by the complement of the income tax rate.

$$\begin{aligned} \text{DUQ} & (.00261905 - (.00462017 \times .99404762^M)) \times .5294/.4706, \text{ or} \\ & (.00261905 - (.00462017 \times .99404762^M)) \times 1.124947 \\ \text{OE} & (.00261905 - (.00458218 \times .99404762^M)) \times .496467/.503533 \\ & (.00261905 - (.00458218 \times .99404762^M)) \times .985966 \\ \text{PP} & (.00261905 - (.0045211 \times .99404762^M)) \times .5294/.4706, \text{ or} \\ & (.00261905 - (.0045211 \times .99404762^M)) \times 1.124947 \end{aligned}$$

Switch to straight line tax depreciation (with stretch-out of straight line tax life to the end of the amortization period occurs after the end of the 221st month (remaining life = 199 months).

After switchover the monthly tax depreciation is the product of the reciprocal of the remaining life at switchover (199 months) multiplied by the algebraic difference between net tax basis and total expected net salvage to be realized:

$$\begin{aligned} \text{DUQ} & 1/199 \times [.776188 \times (1 - 2/336)^{221} - .776188 \times (-.10)] = .00143261 \\ \text{OE} & 1/199 \times [.769807 \times (1 - 2/336)^{221} - .769807 \times (-.10)] = .00142083 \\ \text{PP} & 1/199 \times [.759547 \times (1 - 2/336)^{221} - .759547 \times (-.10)] = .00140189 \end{aligned}$$

Note 5/ Development of CAPCO Tax Plant Ratio

<u>Adjustment to CAPCO Basis</u>	<u>DUQ</u>	<u>OE</u>	<u>PP</u>
(1) Total Investment per Books	\$273,672,000	\$192,496,000	\$101,150,000
(2) Payroll Taxes, Property Taxes, and Other Overheads Capitalized per Books but Expensed for Tax Purposes			
Total = \$1,086,577 (D.L.Co.)	-----	-----	-----
\$2,330,445 (O.E.Co.)			
\$1,364,000 (P.P.Co.)			
(3) 49.6467% of Line (2) for Ohio owners		(1,157,000)	
52.94% of Line (2) for Pa. owners	(575,000)		(722,000)
(4) Investment Tax Credit Applicable	<u>(12,626,000)</u>	<u>(7,671,000)</u>	<u>(3,461,000)</u>
(5) Adjusted to CAPCO Investment Basis	\$260,471,000	\$183,668,000	\$96,967,000
<u>Adjustments to CAPCO Income Tax Basis</u>			
(6) Land	\$ (136,000)	\$ (100,000)	\$ (50,000)
(7) Allowance for Funds Used During Construction	(57,755,000)	(41,083,000)	(22,662,000)
(8) Balance of Payroll Taxes, Property Taxes, and Other Overheads Capit- alized per Books but Expensed for Tax Purposes			
50.3533% of Line (2) for Ohio owners		(1,173,000)	
47.06% of Line (2) for Pa. owners	<u>(511,000)</u>	<u> </u>	<u>(642,000)</u>
(9) Adjusted CAPCO Income Tax Basis (Amortizable)	\$202,069,000	\$141,312,000	\$73,613,000
(10) Adjusted CAPCO Investment Basis Less Land	\$260,335,000	\$183,568,000	\$96,917,000
(11) Ratio of Adjusted CAPCO Income Tax Basis to Adjusted Amortizable Investment Basis	.776188	.769807	.759547

Sales of Capacity and Energy from Base Load Units to Purchasers
Beaver Valley Plant

Exhibit B

Section I - Introduction

This Exhibit pertains to all agreements related to the Sales of Capacity and Energy from the Owners of Beaver Valley Units No. 1 and 2 to Purchasers. In the event any Purchaser does not schedule part or any of its energy entitlement as stated in the applicable agreement, the balance of its entitlement shall remain as capacity available to the Purchaser, provided that, if the Unit is operated at minimum load required for safe operation of that Unit, the Purchaser shall be obligated to schedule an amount of energy equal to that Unit's minimum load for the hour, multiplied by a fraction of which the numerator is the Purchaser's entitlement under the applicable agreement and the denominator is the applicable Unit's Net Demonstrated Capability. The amount of energy determined above, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of each Unit, shall constitute a scheduled (billing) MWH value (net) as of each Unit's generator transformer high voltage terminals. Each Owner shall schedule for delivery from the Units, and each Purchaser shall schedule for receipt into its system, an amount of energy equal to such billing value less the increase, or plus the decrease, as the case may be, in electrical losses incurred on its system resulting from the transmission of such energy as determined by the Planning Committee under terms of the CAPCO Transmission Facilities Agreement.

Section II - Accounting Concepts

The basis for allocating the operation and maintenance costs of Beaver Valley Units No. 1 and No. 2 between the joint owners is set forth in Exhibit A of the Operating Agreement for these units. This Exhibit prescribes the method of determining the portion of that cost of an Owner which will be billed to a Purchaser.

The costs to be billed to a Purchaser will be segregated as to those that are directly identified with a Purchaser and to those that are allocated either on an investment responsibility or a fuel consumed basis. The codes for these segregations are defined at the end of Section III.

In addition to the direct costs for operating and maintaining a Unit, an Owner shall bill a Purchaser for an appropriate portion of indirect overheads and taxes other than income taxes as defined in Section V.

Section III - Allocation of Costs

The operation and maintenance costs identified by FPC account number are assigned to a Purchaser either directly or on the basis of appropriate allocation codes as set forth in the following table.

<u>Account Number</u>		<u>Direct Basis To Purchaser</u>	<u>Owners Costs to be Allocated to the Purchaser</u>	
			<u>O(IR)</u>	<u>HY(IR)</u>
<u>OPERATION ACCOUNTS</u>				
517	Supervision and Engineering		X	
518	Nuclear Fuel Expense	X		
519	Coolants and Water			X
520	Steam Expenses*		X	
520	Steam Expenses*			X
523	Electric Expenses		X	
524	Misc. Nuclear Power Expenses		X	
525	Rents		X	
<u>MAINTENANCE ACCOUNTS</u>				
528	Supervision and Engineering		X	
529	Structures		X	
530	Reactor Plant and Equipment*			X
530	Reactor Plant and Equipment*		X	
531	Electric Plant		X	
532	Misc. Nuclear Plant		X	
<u>OTHER ACCOUNTS</u>				
562	Operation - Station Expenses		X	
570	Maintenance of Station Equipment		X	

*See Exhibit A of the Beaver Valley Operating Agreement for breakdown of these accounts.

Direct charges will be made to a Purchaser for fuel consumed as determined in accordance with Section IV.

Code

Basis

O(IR)

The portion of an Owner's operation and maintenance costs for a Unit to be billed to a Purchaser for the current month shall be a fraction of which the numerator is a Purchaser's entitlement from the Unit as specified in the applicable agreement and the denominator is an Owner's ownership interest in that Unit, both figures rounded to the nearest whole megawatt. An Owner's ownership interest in a unit shall be the product of the prevailing

CodeBasis

Net Demonstrated Capability (NDC) of a Unit multiplied by that Owner's percentage ownership in the unit.

If the capacity of a Unit is reduced by operating problems, a Purchaser will be entitled to his O (IR) ratio multiplied by the Owner's entitlement of the output of the Unit on an hour to hour basis.

HY(IR)

The portion of an Owner's cost for a Unit to be billed to a Purchaser for the current month shall be a fraction of which the numerator is the portion of the BTU input to the main unit turbine used to produce the kilowatt hours of energy taken from the Unit by the Purchaser during the preceding 12-month period and the denominator is the portion of the BTU input to the main turbine used to produce the kilowatt hours of energy taken from the Unit by the Owner during that same preceding 12-month period. Prior to the time that this data is available on a 12-month basis, available data will be used to determine the allocation ratio.

Section IV - Fuel

In determining fuel costs a Purchaser shall be treated in the same manner as an Owner.

The following basic principles shall govern the calculation of depletion (amortization) of fuel assemblies installed in the reactor for heat production and the billing of fuel costs to Purchasers.

1. Nuclear fuel assemblies shall be considered to be producing heat only during periods of zero or positive net generation.
2. During periods of negative net generation, it will be considered that installed nuclear fuel assemblies are not producing heat and are not thus consumed. During periods of negative net generation, records of station service electric energy supplied by the system shall be maintained and the participants in the unit shall be invoiced for such electric energy in proportion to their investment responsibilities in the Unit at the operating owner's system average production cost (including net purchased power costs) during the current calendar month adjusted to exclude the output and cost during the current calendar month of the Unit to which such station service energy was supplied.
3. During periods of zero or positive net generation, the components of consumption of heat from nuclear fuel assemblies shall be considered to consist of a fixed heat consumption component and a variable heat consumption component. The components of heat consumption are illustrated by the current Input/Output curve

for each Unit as agreed to by the Owners. The fixed portion of heat consumption consists of the heat produced by the reactor required to supply station service electric energy plus heat losses in the plant.

4. During periods of zero or positive net generation, the fixed and variable portions of the total unit heat consumption shall be calculated on an hour by hour basis. The fixed portion of the Unit heat consumption shall be the product of service hours accumulated during periods of zero or positive net generation times the fixed unit heat consumption as indicated on the current Input/Output curve for each Unit as agreed to by the Owners. The variable portion of the unit heat consumption shall be the total net main unit generation in $MW_{e}hr/hr$ converted to BTU/hr excluding the fixed unit heat consumption utilizing the relationship between $MW_{e}hr/hr$ versus BTU/hr as represented on the current Input/Output curve for each Unit as agreed to by the Owners. The total unit heat consumption shall be the sum of fixed and variable portions of the unit heat consumption. The portion of the cost of nuclear fuel consumed to be considered to be attributable to fixed unit heat consumption shall be the total cost of nuclear fuel consumed times a fraction the numerator of which is the monthly fixed unit heat consumption and the denominator of which is the total monthly unit heat consumption. The portion of the cost of nuclear fuel consumed to be attributable to variable heat consumption shall be the total cost of nuclear fuel consumed minus the portion of the cost of nuclear fuel consumed attributable to fixed unit heat consumption.
5. In calculations using amortization in proportion to Main Unit heat consumption for determining the cost of nuclear fuel consumed Duquesne Light shall take into account the original acquisition cost of the materials and services required to provide the fuel as originally installed, the predicted total heat output of the assemblies and the estimated net value of salvage materials. DL shall calculate such cost of nuclear fuel consumed using methods and/or computer codes generally considered acceptable by the CAPCO Companies for this purpose.
6. Fixed nuclear fuel expense shall be allocated among participants in a Unit in proportion to their investment responsibilities in the Unit during the month for which the allocation is being made. Variable nuclear fuel expense shall be allocated among those sharing in the output of a unit in proportion to the BTU consumed to produce the kilowatt hours of energy taken from the Unit by each participant during the month.

7. For owned nuclear fuel, the total monthly fixed and variable nuclear fuel expense for a unit shall be determined by the formula

$$FC_c = \frac{E_c}{E_f} (A_c - S_f)$$

where:

- FC_c = Nuclear Fuel expense during the current accounting month.
- E_c = The energy, in BTU, produced during the current accounting month.
- E_f = The energy, in BTU, expected to be produced from the beginning of the current accounting month until the estimated end of life of the fuel.
- A_c = The unamortized value of the fuel as reflected by the difference between the balances in Accounts 120.3 (Nuclear fuel assemblies in reactor) and 120.5 (Accumulated provision for amortization of nuclear fuel assemblies) at the beginning of the current accounting month.
- S_f = Anticipated salvage value of the fuel with related deductions including but not limited to shipping, reprocessing and waste disposal costs.

Such cost will be separated into fixed and variable components as described in 3 above.

8. The total monthly fixed and variable nuclear fuel expense for leased nuclear fuel consumed is composed of A) a burnup expense related to energy resource consumption B) amortization of accumulated deferred expenses not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel and C) monthly payments not related to burnup made by the Owners to the Lessor pertaining to the period after the beginning of commercial operation of the leased nuclear fuel. A, B, and C will each be separated into fixed and variable components as described in 3 above.

- A. The monthly burnup expense shall be calculated as follows:

$$B_c = \frac{E_c}{E_f} (C_c - S_f)$$

where:

- B_c = Burnup expense for the current accounting month.
- E_c = The energy, in BTU, produced during the current accounting month.
- E_f = The energy, in BTU, expected to be produced from the beginning of the current accounting month to the end of life of the fuel.
- C_c = The lessor's net investment (acquisition cost as defined in the lease agreement less burnup expenses prior to the current accounting month) at the beginning of the current accounting month.
- S_f = Anticipated salvage value of the fuel with related deductions including but not limited to shipping, reprocessing and waste disposal costs.

B. The amortization of accumulated deferred expenses not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel shall be calculated as follows:

$$FDA_c = \frac{E_c}{E_f} (D_p)$$

where:

- FDA_c = The current month amortization of deferred expenses not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel.
- E_c = The energy, in BTU, produced during the current accounting month.
- E_f = The energy, in BTU, expected to be produced from the beginning of the current accounting month to the end of life of the fuel.
- D_p = The unamortized portion at the beginning of the current accounting month of the deferred expense not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel.

C. Monthly payments not related to burnup made by Owners to the Lessor pertaining to the period after the beginning of commercial operation of the leased nuclear fuel shall be calculated as follows:

$$MPL_c = R_c (C_c)$$

where:

- MPL_c = The current payments not related to burnup made by the Owners to the Lessor.
- R_c = The current lease rate as defined in the lease agreement expressed as the decimal equivalent of percent per month.
- C_c = The lessor's net investment (acquisition cost as defined in the lease agreement less burnup expenses prior to the current accounting month) at the beginning of the current accounting month.

Section 7. Other Expenses

For billing costs to the Purchaser, labor and material additive costs at current rates prevailing at Duquesne Light Company as adjusted from time to time shall be added to the labor and material components of direct operation and maintenance costs of Beaver Valley Units No. 1 and No. 2 to which such rates are applicable and shall be shared by Purchasers on the same bases on which the primary labor and material costs are shared.

In addition, an allocation will be made of Account 556, System Control and Load Dispatching costs related to production, and Account 557, Other Production Expenses. These costs would be allocated to Beaver Valley Units Nos. 1 and 2 on a direct basis where a direct relationship exists, or on a net generating capability ratio when a direct relationship does not exist. Account 556 will include only those load dispatching costs incurred by DL that are attributable to the Beaver Valley Units No. 1 and No. 2. Included in Account 557, Other Production Expenses, are such items as insurance premiums and recoveries and other production expenses not directly assignable to the other production accounts. These costs included in Account 557 may be charged directly where a direct relationship exists or, if not, they may be allocated on a net generating capability basis. The invoice will identify amounts billed that were included in Account 557.

For billing costs to Purchasers administrative and general expenses shall be allocated to Beaver Valley Units No. 1 and No. 2 on the basis of the three-year moving average ratio for Duquesne Light Company calculated at the end of each calendar year to become effective on July 1 of the following year in accordance with the following formula.

$$\frac{L_{a1} (1 + p/P) + O_{a1}}{(L_e - L_{a2}) (1 + p/P) + (O_e - O_{a2})}$$

In which:

L_{a1} and O_{a1} = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively charged to the following accounts:

- 1) Account 920, Administrative and general salaries
- 2) Account 921, Office supplies and expenses
- 3) Account 922, Administrative expenses transferred - Credit

$(1 + p/P)$ = A cost ratio by means of which those expenses directly associated with the payroll (labor additives) may be added to direct labor charges.

F = the 3-year sum of the following labor additives:

- 1) Payroll Taxes
 - Federal Old-age Benefits
 - Federal Unemployment Insurance
 - State Unemployment Insurance
- 2) Workmen's Compensation and/or Injuries and Damages
(Payroll related costs only)
- 3) Employee Pensions and Benefits (Account 926)
- 4) Pay for Time Not Worked

Exclude any labor additives which are included with the basic direct labor charges, examples of which might be "Pay for time not worked" or "Payroll taxes".

F = the 3-year sum of total payroll with which the above labor additives are associated.

L_e and O_e = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all operation and maintenance expense accounts except Fuel (Accounts 501, 518 and 547) for the entire Company.

L_{a2} and O_{a2} = the 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all operation and General Expense Accounts 920 to 932, inclusive.

The amount of administrative and general expenses to be allocated to Purchasers during a given period shall be the product of the above ratio multiplied

by the total direct operation and maintenance expenses, excluding Account 518, allocated to a Purchaser for that period.

In addition a Purchaser shall pay to the Owner, at times payable by the Owner, amounts determined by multiplying (A) the property taxes and any other taxes except Federal Income Tax, payable by the Owner with respect to the Unit for the periods a Purchaser was involved by, (B) the O(IR) ratio for that period.

BASIC OPERATING AGREEMENT
Sale of Capacity and Energy from Base Load Units to Purchasers
CAPCO Unit No. 3 (Beaver Valley Unit No. 1)

EXHIBIT C

REIMBURSEMENT OF WORKING CAPITAL COSTS

- I. Accumulated Deferred Fuel Expenses - Working Capital Costs Applicable to a Purchaser of Capacity and Energy.
- A. Reimbursement by Monthly Carrying Charge in Lieu of Deposit
The charge for a given month per megawatt of capacity purchased shall be based on the Seller's total dollar balance in deferred expenses for leased nuclear fuel per megawatt of capacity, at the end of the month in which service was rendered, and shall be calculated as follows:
1. Beaver Valley Unit No. 1 The Product of
- (a) (Total Dollars in Deferred Fuel Expense for Beaver Valley Unit No. 1 Nuclear Fuel)
 - (b) (The Ratio of Total Megawatt Capacity Purchased to Total Megawatt Capacity in Service at Beaver Valley Unit No. 1)
 - (c) (One Twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component)
- B. Reimbursement by Deposit of Working Capital
The amount of the deposit shall be an appropriate portion of the dollar balance in accumulated deferred fuel expenses, calculated as the product of the respective factors (a) and (b) above. Such deposits are to be amortized monthly as outlined in Exhibit A, Section IV, principle 8B of this operating agreement.

BASIC OPERATING AGREEMENT
 Sales of Capacity and Energy from Base Load Units to Purchasers
 CAPCO Unit No. 3 (Beaver Valley Unit No. 1)

EXHIBIT D

DISPLACEMENT TRAINING COSTS

Installed Capacity at Beaver Valley No. 1	856,000 kW
<u>Ownership</u>	
Duquesne Light Co.	47.5%
Ohio Edison Co.	35.0%
Pennsylvania Power Co.	17.5%
	100.0%

The owning companies' respective shares of the displacement training costs, based on \$1.00/kW, are:

Duquesne Light Co.	\$406,600
Ohio Edison Co.	\$299,600
Pennsylvania Power Co.	\$149,800

Therefore, under the terms of this agreement, each purchaser will share in these costs, based on its entitlement at the rate of 1/420 of the cost basis, for each billing month beginning with the effective purchase date.

APPENDIX 5 TO SCHEDULE ECharges Applicable to Transactions From Bruce Mansfield Unit No. 2
Pursuant to Schedule E

This Appendix provides for specific charges applicable to transactions made from Bruce Mansfield Unit No. 2 pursuant to Schedule E

Costs will be shared on a basis equivalent to that of the joint owners.

The following are the components of the costs to be included.

A. Fixed Costs of Invested Capital*

1. It is expected that sales out of production units will occur predominantly over a relatively short time period in the early part of the unit's life. However, this Appendix develops a consistent basis which is applicable throughout the life cycle.

2. Amortization and tax calculations are based on the following:

Amortization Period	35 Years (420 Months)
DDB Tax Life	28 Years (336 Months)
Estimated Salvage Rate	-5%
Accounting Treatment	Flow Through

3. DDB tax depreciation is assumed, with switch to straight line method effective the first month in which the straight line remaining life depreciation exceeds DDB depreciation, with

*Studies are underway to review the appropriateness of each of the four components of Fixed Costs, and the conclusions could result in retro-active adjustments.

remaining life stretched out in the straight line calculations to extend to the end of the book amortization period. The switch occurs at the end of the 221st month.

4. All fixed charges are on a month-to-month declining basis. The investment base from which fixed charges are developed shall be the CAPCO investment basis as defined in the Accounting and Procedure Manual under Procedures for Discharging Investment Responsibility.
5. The monthly finance charge rate applicable to all additions from the inservice date through the last month of the calendar year in which the construction job order is closed out shall be one-twelfth the annual rate calculated as the weighted average of the finance charge rates applicable in the calendar years over which construction expenditures are incurred, using as weights the dollars expended in the respective years. All expenditures to the closing of the job order are to be included, using the best estimate available at the inservice date.
6. The finance charge rate for ordinary additions in years subsequent to the calendar year in which the construction job order was closed out shall be the rate defined in the Accounting and Procedure Manual as the rate applicable to expenditures in the year in question. Only in the case of major capital additions mentioned in paragraph 8 will a weighted average finance charge as described in paragraph 5 apply.

7. Amortization and other charges and adjustments shall be billed each month. Each month's additions to plant in service shall constitute a vintage investment. However, in order to simplify the billing process, the monthly vintages of any particular calendar year may be combined into a composite vintage, either on an on-going basis or at the end of the calendar year, providing the same bill results. Since finance charge rates are recalculated each year, vintages of different calendar years will not be composited.
8. The tax plant ratio to amortizable plant (CAPCO investment basis) shall be established from data for the total project as estimated at the inservice date, as described in paragraph 5 above. This ratio will be used in developing fixed charge rates for the initial placements and all subsequent additions; except that in the case of major capital additions, at seller's option and with buyers' concurrence, a completely new vintage may be developed and the fixed charge factor recalculated using the new tax plant ratio and other pertinent data as appropriate.
9. When a production unit, or a major capital addition such as described in paragraph 8, is placed in commercial service the first fixed charge billing shall begin effective with the inservice date. For subsequent month-to-month additions the billing shall begin with the first full calendar month after the addition is made.
10. Where sales are initiated out of an existing production facility to a new buyer, a single-vintage CAPCO investment basis may be calculated, with an appropriate adjustment for depreciation incurred to date. The amortization component of the fixed charge factor will be calculated on the basis of remaining life of the original amortization period, or by mutual agreement.

11. The specific fixed charge rate for Bruce Mansfield Unit No. 2 is developed in Exhibit A.

B. Operating and Maintenance Costs

1. The methods specified in the attached Exhibit B shall be used to allocate all costs, including overheads directly or indirectly applicable to the operation and maintenance of the operating company's ownership in such unit between it and the Purchaser(s).
2. The operating company will prepare, revise from time to time as appropriate and furnish to the Purchaser(s) an annual estimate of the amount to be billed by months (a) for the cost of energy during the term of the purchase from a unit, and (b) any other costs which shall accrue during this period. The Operating Company will furnish any reasonable request for estimates for longer periods if required by the Purchasers.
3. The operating company will maintain the records used in the determination of the Purchaser(s) bill in order that the Purchaser(s) and their independent auditors shall have access at all reasonable times to such records and the operating company will furnish copies of such records as requested. The operating company shall preserve and maintain the originals of such records for at least such periods of time as the Purchaser(s) may request, having in mind the requirements of regulatory authorities having jurisdiction, and the policies and practices of the parties with respect to the retention of records.

4. The cost of preparing, preserving and making copies of such budgets, records and accounts shall be borne by the companies in proportion to their respective capacity entitlements, except that any costs incurred at the special request of the Purchaser(s) shall be borne by them.
5. The operating company shall have special audits conducted with respect to the matters provided for in this Appendix, either internally or by independent auditors, according to such programs and procedures as agreed to be necessary to conform to the auditing requirements of each Company, and shall furnish copies of the reports of such audits to the Purchaser(s). The cost of making such audits, including any participation by the auditors of the Purchaser(s) agreed to be desirable and necessary, shall be shared by the Companies in relation to the current capacity entitlement ratio. The Purchaser(s) may, at their own expense, make such further audits, using their internal or independent auditors or both, as it may be deemed desirable.
6. If requested by the Purchaser(s), the operating company will make such examinations, analyses, or studies as would go to support the reasonableness of the specific costs so allocated, or provide a basis for modification to achieve such reasonableness with respect to either the specific or the indirect cost allocations. Shareable costs which are incurred by the Purchaser(s) shall be accumulated and billed on a direct charge basis from specific records or reasonable estimates, with applicable additives as agreed upon by the Companies.

7. Except as otherwise provided herein, the accounting methods and practices normally in use at the time by each of the Companies in determining and assigning Operating and Maintenance costs, generally, are to be used by such Company for the purposes of this Appendix unless otherwise agreed, provided such methods and practices are consistent with sound accounting practices.
8. The operating company will bill the Purchaser(s) for its share of property, franchise, business or other taxes applicable to their share of the unit, specifically identifying these items on the invoice when such taxes are payable by the operating company. To the extent that such taxes are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.
9. As soon as possible after the close of each calendar month, preferably on or before the 8th working day of the following month, the operating company shall advise the Purchaser(s) of its proportionate share of estimated operating expenses, fixed charges, displacement training costs, and working capital for the preceding month.
10. As soon as possible after the close of each calendar month, preferably on or before the 25th of the following month, the operating company shall prepare and deliver an invoice to the Purchaser for its share of actual costs for the preceding month. The amount billed will be due and payable upon receipt

of invoice and will be subject to a late payment charge if not received within 15 days from date of invoice.

C. Working Capital

It is recognized that the operating company undertakes certain obligations to provide expenditures in advance of compensation by the purchasers of capacity and energy. These purchases include but may not be limited to payroll, fuel and material and supplies purchases; and coal and material and supplies inventories. A reasonable allowance for this investment in working capital funds shall be considered a shareable cost to be compensated for as set out in detail in Exhibit C.

D. Displacement Training Costs

The CAPCO Companies have agreed that the costs which an operating company will incur in training personnel at existing stations in order to be able to transfer experienced personnel to a new CAPCO generating unit should be shared by the joint owners.

Purchasers of Capacity and Energy shall also share in these costs.

1. For the older CAPCO units, the cost basis of \$1/KW of the installed capacity was determined to be a reasonable estimate of the present-day cost which a company will incur within its existing plants as a result of assigning experienced company personnel to a new CAPCO generating unit. Installed capacity for this purpose is defined as the Net Demonstrated Capability of the CAPCO generating unit.

2. It was recognized that these costs will increase as labor costs increased. Therefore, this cost determination factor of \$1/KW is subject to escalation for units planned to be in service after Davis-Besse No. 1 based on an index of the composite labor costs of CAPCO Companies as agreed to by the CAPCO Accounting and Finance Committee using 1972 as the base year equaling 100.0. The index to be applied is that calculated for the period two years prior to the actual inservice date for fossil-fired generating units. As so escalated, the cost factor attributable to Bruce Mansfield Unit No. 2 is \$1.225/KW.
3. The purchasers of Capacity and Energy shall share in these costs for the periods they are involved. An amount of 1/420 of the cost basis for each KW of the purchasing company's capacity entitlement shall be included in the monthly billing.
4. The cost basis provided for herein shall be shown in Exhibit D.

Sales of Capacity and Energy From Base Load Units to Purchasers
Bruce Mansfield Unit No. 2

Exhibit A

Fixed Costs of Invested Capital*

The monthly fixed charge for a vintage addition shall be calculated as the algebraic sum of the following components:

- A. Amortization. 1/ The product of .0025 multiplied by the gross CAPCO investment base exclusive of land.
- B. Finance Charge. 2/ The product of .00842500 (CEI), .00828333 (DUQ), .00845833 (OE), .00844167 (PP), or .00831667 (TE) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- C. Gross Income Tax. 3/ The product of .00451961 (CEI), .00506226 (DUQ), .00453605 (OE), .00516538 (PP), or .00446209 (TE) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- D. Income Tax Adjustment. 4/ The product of (I) the difference obtained by subtracting (a) [.0050069 (CEI), .0051739 (DUQ), .0049150 (OE), .0048997 (PP) or .0049584 (TE)] x .99404762^M (where M is the number of amortization months elapsed prior to the month being billed), if the month being billed is prior to the 222nd month of service, or (b) .001341 (CEI), .001386 (DUQ), .001317 (OE), .001312 (PP), or .001328 (TE), if the month being billed is the 222nd month or later, from (c) .0025, multiplied by (II) .98609732 (Ohio) or 1.12494688 (Pennsylvania), and the result multiplied by (III) the vintage gross CAPCO investment base exclusive of land.

Percentage Ownership CAPCO Companies: CEI-28.6%; DL-8.0%; OE-39.3%; PP-6.8%; TE-17.3%

Note 1/ The monthly amortization rate (depreciable property only) is based on a 420-month amortization period and a negative 5% salvage rate.

$$1.05/420 = .0025$$

Note 2/ The monthly finance charge rate applicable to Mansfield No. 2 facilities placed in service in 1977 is:

CEI	.1011/12	=	.00842500
DUQ	.0994/12	=	.00828333
OE	.1015/12	=	.00845833
PP	.1013/12	=	.00844167
TE	.0998/12	=	.00831667

*Where 10.11, 9.94, 10.15, 10.13 and 9.98 are the respective weighted average of the annual finance charge rates applicable in the calendar years over which the facility was constructed, using the dollars expended in the respective years as weights:

*Studies are underway to review the appropriateness of each of the four components of Fixed Costs, and the conclusions could result in retroactive adjustments.

Note 2/ (Cont'd)

Year	Amount Expended (a)						Total
	CEI	DUQ	OE	PP	TE		
1971	\$ 770,000	\$ 347,000	\$ 1,031,000	\$ 313,000	\$ 759,000	\$ 3,220,000	
1972	3,645,000	1,136,000	4,929,000	903,000	2,847,000	13,510,000	
1973	13,744,000	4,174,000	18,892,000	3,229,000	8,836,000	48,875,000	
1974	28,560,000	8,846,000	39,003,000	6,881,000	19,655,000	102,945,000	
1975	20,162,000	6,793,000	27,680,000	4,806,000	14,465,000	73,906,000	
1976	19,363,000	2,436,000	28,935,000	4,761,000	6,396,000	61,941,000	
1977	14,985,000	3,489,000	22,737,000	3,728,000	9,418,000	54,357,000	
Total	\$101,229,000	\$27,321,000	\$143,207,000	\$24,621,000	\$62,376,000	\$358,754,000	

Year	Percent of Total						Applicable Component Return Rate (b)			
	CEI	DUQ	OE	PP	TE	Total	Bonds	Pref.	Com.	Total
1971	0.761	1.270	0.720	1.271	1.217	0.897	4.90	0.70	4.40	10.00
1972	3.601	4.341	3.442	3.668	4.564	3.766	4.27	0.74	4.24	9.25
1973	13.577	15.278	13.192	13.115	14.165	13.623	4.13	0.90	3.97	9.00
1974	28.213	32.378	27.235	27.948	31.511	28.695	4.19	1.01	4.05	9.25
1975	19.917	24.864	19.329	19.520	23.190	20.601	4.93	1.29	4.28	10.50
1976	19.128	9.099	20.205	19.337	10.254	17.266	5.23	1.50	4.52	11.25
1977	14.803	12.770	15.877	15.141	15.099	15.152	4.73	1.38	4.89	11.00 (c)
Total	100.000	100.000	100.000	100.000	100.000	100.000	4.61	1.19	4.31	10.11 (CEI)
							4.54	1.14	4.26	9.94 (DUQ)
							4.63	1.20	4.32	10.15 (OE)
							4.62	1.19	4.32	10.13 (PP)
							4.55	1.15	4.28	9.98 (TE)

(a) Includes common facilities and land applicable to Mansfield Unit No. 3, and also substation facilities associated with production plant under the joint ownership agreement.

(b) Annual values as derived from preceding calendar year data. Composite values derived using annual expenditures as weights.

(c) For use on a preliminary basis only.

Note 3/ The monthly gross income tax charge rate is the product of 1/12 x .0550 (CEI), .0540 (DUQ), .0552 (OE), .0551 (PP), or .0543 (TE) multiplied by the federal income tax rate* and divided by the component of the income tax rate; where .0550, .0540, .0552, .0551 and .0543 are the respective total equity component of the annual finance charge rate:

$$\begin{aligned}
 \text{CEI } 1/12 \times .0550 \times .4965 / (1 - .4965) &= .00451961 \\
 \text{DUQ } 1/12 \times .0540 \times .5294 / (1 - .5294) &= .00506226 \\
 \text{OE } 1/12 \times .0552 \times .4965 / (1 - .4965) &= .00453605 \\
 \text{PP } 1/12 \times .0551 \times .5294 / (1 - .5294) &= .00516538 \\
 \text{TE } 1/12 \times .0543 \times .4965 / (1 - .4965) &= .00446209
 \end{aligned}$$

Note 3/ (Cont'd)

*The income tax factor $t/(1-t)$ is based on a composite federal and state tax rate "t" derived as follows:

Ohio owner selling from plant located in Pennsylvania:

$$t = .095/3 + .48(1-.095/3) = .4965$$

Pennsylvania owner selling from plant located in Pennsylvania:

$$t = .095 + .48(1-.095) = .5294$$

The above values are derived on the basis of limiting the property effect of the Pennsylvania income tax allocation factor to sales from plants in Pennsylvania. This basis shall be subject to reconsideration in the event of any substantial change in the effective Pennsylvania income tax rate or the structure of the allocation factor.

Other special Pennsylvania taxes, such as the realty tax, the capital stock tax, and the foreign corporation franchise tax, shall be included, as applicable, with the operation and maintenance expense charges.

Note 4/ The income tax adjustment results from the difference between amortization and tax depreciation. DDB depreciation is based on a 336-month tax life. The undepreciated portion of the original CAPCO tax basis (whose ratio to total CAPCO basis in this case are .841165 (CEI), .869221 (DUQ), .825712 (OE), .823157 (PP), and .833015 (TE) under DDB depreciation after a period of M months is the product of the original CAPCO tax basis multiplied by the net tax-base factor:

$$\begin{aligned} \text{CEI } &.841165 \times (1 - 2/336)^M, \text{ where } 1 - 2/336 = .99404762 \\ \text{DUQ } &.869221 \times (1 - 2/336)^M, \text{ where } 1 - 2/336 = .99404762 \\ \text{OE } &.825712 \times (1 - 2/336)^M, \text{ where } 1 - 2/336 = .99404762 \\ \text{PP } &.823157 \times (1 - 2/336)^M, \text{ where } 1 - 2/336 = .99404762 \\ \text{TE } &.833015 \times (1 - 2/336)^M, \text{ where } 1 - 2/336 = .99404762 \end{aligned}$$

The monthly factor for tax depreciation under DDB depreciation is the product of the DDB depreciation rate multiplied by the net (undepreciated) tax basis (as of the beginning of the computation month):

$$\begin{aligned} \text{CEI } &2/336 \times .841165 \times (1 - 2/336)^M = .0050069 \times .99404762^M \\ \text{DUQ } &2/336 \times .869221 \times (1 - 2/336)^M = .0051739 \times .99404762^M \\ \text{OE } &2/336 \times .825712 \times (1 - 2/336)^M = .0049150 \times .99404762^M \\ \text{PP } &2/336 \times .823157 \times (1 - 2/336)^M = .0048997 \times .99404762^M \\ \text{TE } &2/336 \times .833015 \times (1 - 2/336)^M = .0049584 \times .99404762^M \end{aligned}$$

The income tax adjustment factor is the product of the difference between the amortization factor and the DDB depreciation factor, multiplied, by the federal income tax rate and divided by the complement of the income tax rate.

Note 4/ (Cont'd)

CEI	$(.0025 - (.0050069 \times .99404762^M)) \times .4965/.5035$, or	$(.0025 - (.0050069 \times .99404762^M)) \times .98609732$
DUQ	$(.0025 - (.0051739 \times .99404762^M)) \times .5294/.4706$, or	$(.0025 - (.0051739 \times .99404762^M)) \times 1.12494688$
OE	$(.0025 - (.0049150 \times .99404762^M)) \times .4965/.5035$, or	$(.0025 - (.0049150 \times .99404762^M)) \times .98609732$
PP	$(.0025 - (.0048997 \times .99404762^M)) \times .5294/.4706$, or	$(.0025 - (.0048997 \times .99404762^M)) \times 1.12494688$
TE	$(.0025 - (.0049584 \times .99404762^M)) \times .4965/.5035$, or	$(.0025 - (.0049584 \times .99404762^M)) \times .98609732$

Switch to straight line tax depreciation (with stretch-out of straight line tax life to the end of the amortization period occurs after the end of the amortization period occurs after the end of the 221st month (remaining life = 199 months).

After switchover the monthly tax depreciation is the product of the reciprocal of the remaining life at switchover (199 months) multiplied by the algebraic difference between net tax basis and total expected net salvage to be realized:

CEI	$1/199 \times [.841161 \times (1 - 2/336)^{221} - .841161 \times (-.05)] = .001341$
DUQ	$1/199 \times [.869221 \times (1 - 2/336)^{221} - .869221 \times (-.05)] = .001386$
OE	$1/199 \times [.825712 \times (1 - 2/336)^{221} - .825712 \times (-.05)] = .001317$
PP	$1/199 \times [.823157 \times (1 - 2/336)^{221} - .823157 \times (-.05)] = .001312$
TE	$1/199 \times [.833015 \times (1 - 2/336)^{221} - .833015 \times (-.05)] = .001328$

Note 5/ Development of CAPCO Tax Plant Ratio

<u>Adjustment to CAPCO Basis</u>	<u>CEI</u>	<u>DUQ</u>	<u>OE</u>	<u>PP</u>	<u>TE</u>
(1) Total Investment per Books	\$101,229,000	\$27,321,000	\$143,207,000	\$24,616,000	\$62,376,000
(2) Payroll Taxes, Property Taxes, and Other Overheads Capitalized per Books but Expensed for Tax Purposes	943,300*	-	1,209,000*	506,000*	403,700*
(3) 49.65% of Line (2) for Ohio Companies	(468,300)		(600,800)		(201,400)
52.94% of Line (2) for Pennsylvania Companies				(267,900)	
(4) Investment Tax Credit Applicable	<u>(5,525,000)</u>	<u>(1,573,000)</u>	<u>(6,829,000)</u>	<u>(1,337,000)</u>	<u>(3,874,300)</u>
(5) Adjustment to CAPCO Investment Basis	\$ 95,135,700	\$25,748,000	\$135,777,700	\$23,011,100	\$58,300,300

Note 5/ (Cont'd)

<u>Adjustments to CAPCO Income Tax Basis</u>	<u>CEI</u>	<u>DUQ</u>	<u>OE</u>	<u>PP</u>	<u>TE</u>
(6) Land	\$ (883,000)	\$ (247,000)	\$ (1,823,000)	\$ (205,000)	\$ (521,000)
(7) Allowance for Funds Used During Construction	(14,496,000)	(3,335,000)	(22,738,000)	(3,795,000)	(9,444,000)
(8) Balance of Payroll Taxes, Property Taxes, and other Overheads Capitalized per Books but Expensed for Tax Purposes					
50.35% of Line (2) for Ohio Companies	(475,000)		(608,700)		(204,300)
47.06% of Line (2) for Pennsylvania Companies		-		(238,100)	
(9) Adjusted CAPCO Income Tax Basis (Amortizable)	\$79,281,700	\$22,166,000	\$10,608,000	\$18,773,000	\$48,131,000
(10) Adjusted CAPCO Investment Basis Less Land	\$94,252,700	\$25,501,000	\$133,954,700	\$22,806,100	\$57,779,300
1) Ratio of Adjusted CAPCO Income Tax Basis to Adjusted Amortizable Investment Basis	.841161	.869221	.825712	.823157	.833015

*Not Used in Total.

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS TO PURCHASERS
BRUCE MANSFIELD PLANT

EXHIBIT B

Section I - Introduction

This Exhibit pertains to all agreements related to the Sales of Capacity and Energy from the Owners of Bruce Mansfield Units No. 1, 2 and 3 to Purchasers.

In the event a Purchaser from a Unit does not schedule part or any of its energy entitlement as stated in the applicable agreement, the balance of its entitlement shall remain as capacity available to the Purchaser, provided that, if the Unit is operated at minimum load required for safe operation of the Unit, the Purchaser shall be obligated to schedule an amount of energy equal to the Unit's minimum load for the hour multiplied by a fraction of which the numerator is the Purchaser's entitlement under the applicable agreement and the denominator is the applicable Unit's Net Demonstrated Capability.

The amount of energy determined above, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of a Unit, shall constitute a scheduled (billing) MWH value (net) as of the Unit's generator transformer low voltage terminals. An Owner shall schedule for delivery from its system, and a Purchaser shall schedule for receipt into its system, an amount of energy equal to such billing value less the increase, or plus the decrease, in electrical losses as determined by the Planning Committee under terms of the CAPCO Transmission Facilities Agreement, as the case may be, incurred on its system resulting from the transmission of such energy, including losses on the Unit's step-up transformer resulting from the transmission of such energy.

Section II - Accounting Concepts

The basis for allocating the operation and maintenance costs of Bruce Mansfield Units No. 1, 2 and 3 among the joint Owners is set forth in Exhibit A of the Operating Agreement for these Units. This Exhibit prescribes the method of determining the portion of that cost of an Owner which will be billed to a Purchaser.

The costs to be billed to a Purchaser will be segregated as to those that are directly identified with the Purchaser and to those that are allocated either on an investment responsibility or a coal consumed basis. The codes for these segregations are defined at the end of Section III.

In addition to the direct costs for operating and maintaining a Unit, an Owner shall bill a Purchaser for an appropriate portion of indirect overheads and taxes other than income taxes as defined in Section V.

Section III - Allocation of Costs

The operation and maintenance costs identified by FPC account number are assigned to a Purchaser either directly or on the basis of appropriate allocation codes as set forth in the following table:

Section III - Allocation of Costs (Continued)

<u>Number</u>	<u>Description</u>	<u>Direct Basis to Purchaser</u>	<u>Owner's Costs to be Allocated to Purchaser</u>		
			<u>Allocation Codes</u>		
			<u>O(IR)</u>	<u>SY(IR)</u>	<u>S(IR)</u>
<u>OPERATION ACCOUNTS</u>					
500	Supervision & Engineering		X		
501	Fuel				
501.10	Coal	X			
501.11	Oil**		X		X
501.20	Residual Disposal**			X	X
502	Steam Expenses**		X	X	X
505	Electric Expenses		X		
506	Miscellaneous Steam Power Expenses		X		
507	Rents		X		
<u>MAINTENANCE ACCOUNTS</u>					
510	Supervision & Engineering		X		
511	Structures**		X	X	
512	Boiler Plant**		X	X	
513	Electric Plant		X		
514	Miscellaneous Steam Plant		X		
<u>OTHER ACCOUNTS</u>					
562	Operation - Station Expense***		X		
570	Maintenance of Station Equipment***		X		

**See Operating Agreement between Owners Exhibit A for breakdown of these Accounts.

***Step-Up Transformer and connection to switch yard only.

Direct charges will be made to a Purchaser for fuel consumed as determined in accordance with Section IV.

Section III - Allocation of Costs (Continued)

<u>Code</u>	<u>Basis</u>
S(IR)	The portion of an Owner's cost of a Unit to be billed to a Purchaser during the current month shall be (a) the no-load and start-up coal consumed plus the variable portion of coal consumed for net positive generation (as determined in Section IV) for the Purchaser during the current month divided by (b) the total adjusted tons of coal charged to the Owner during the current month. In the event an accounting charge occurs in a month when a Unit did not operate, data will be used from the next preceding month for which data is available.
O(IR)	The portion of an Owner's operation and maintenance expense of a Unit to be billed to a Purchaser during the current month shall be a fraction of which the numerator is the Purchaser's entitlement from the Unit as specified in the applicable agreement and the denominator is the Owner's ownership interest in the Unit rounded to the nearest whole megawatt. An Owner's ownership interest in a Unit shall be the product of the prevailing Net Demonstrated Capability (NDC), of a Unit multiplied by that Owner's percentage ownership in the Unit. If the capacity of a Unit is reduced due to operating problems, the Purchaser will be entitled to his O(IR) ratio multiplied by the Owner's entitlement of the output of the Unit on an hour to hour basis.
SY(IR)	The portion of an Owner's cost of a Unit to be billed to a Purchaser during the current month shall be (a) the total tons of coal allocated to the Purchaser for the preceding twelve-month period divided by (b) the tons of coal charged to the Owner for the same twelve-month period. Prior to the time that this data is available on a twelve-month basis, available data will be used to determine the allocation ratio.

Section IV - Fuel

In determining fuel costs for a Unit a Purchaser shall be treated in the same manner as an Owner. The fuel costs shall be allocated in proportion to the Btu's consumed to produce the kilowatt-hours taken by each of those sharing in the output of the Unit, taking into account the Btu's consumed during start-ups of the Unit. The Owner's share of Btu's used during a start-up (including Btu's which may be supplied by transfers of steam from steam sources other than that Unit's own steam source) and Btu's computed to have been used during periods of synchronized on-line operation of the Unit to maintain zero load on the Unit (the "Y" intercept, or no-load input, of the standard Input/Output equation for the Unit) shall be allocated among those sharing in the Owner's share of the output of the Unit in proportion to their investment responsibilities in the Unit during the month for which allocation is being made. Btu's consumed during periods of synchronized on-line operation in excess of those used to maintain zero load on the Unit (see preceding statement) shall be allocated each hour in proportion to the net kilowatt-hours determined to have been taken from the Unit by each of those sharing in the output of the Unit.

Section V - Other Expenses

For billing of costs to a Purchaser, labor and material additives at current rates prevailing at Pennsylvania Power Company as adjusted from time to time, shall be added to those labor and material components of direct operation and maintenance costs of a Unit to which such rates are applicable and shall be shared by the Purchasers on the same basis on which the primary labor and material costs are shared.

For billing of costs to a Purchaser Administrative and General Expenses shall be allocated to a Unit on the basis of the composite three-year moving average ratio for Pennsylvania Power Company, calculated at the end of each calendar year and to become effective on July 1 of the following year, in accordance with the following formula:

$$\frac{L_{a1} (1 + p/P) + O_{a1}}{(L_e - L_{e2}) (1 + p/P) + (O_e - O_{e2})}$$

In which:

L_{a1} and O_{a1} = the three-year sums of direct labor expenses and direct other-than-labor expense, respectively charged to the following accounts:

1. Account 920 - Administrative and General Salaries
2. Account 921 - Office Supplies and Expenses
3. Account 922 - Administrative Expenses Transferred - Credit

$(1 + p/P)$ = a cost ratio by means of which those expenses directly associated with payroll (labor additives) may be added to direct labor charges.

p = the three-year sum of the following labor additives:

1. Payroll Taxes
 - Federal Old Age Benefits
 - Federal Unemployment Insurance
 - State Unemployment Insurance
2. Workmen's Compensation and/or Injuries and Damages
 - (Payroll Related Costs Only)
3. Employee Pensions and Benefits (Account 926)
4. Pay for Time Not Worked

Exclude any labor additives which are included with the basic labor charges, examples of which might be "Pay for Time Not Worked" or "Payroll Taxes."

p = the three-year sum of the total payroll with which the above labor additives are associated.

Section V - Other Expenses (Continued)

L_e and O_e = the three-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all Operation and Maintenance Expense accounts except Fuel (Accounts 501, 518 and 547) for the entire Company.

L_{a2} and O_{a2} = the three-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all Administrative and General Expense Accounts 920 to 932, inclusive.

The amount of Administrative and General Expenses to be allocated to a Purchaser during a given period shall be the product of the above ratio multiplied by the total operation and maintenance expenses, excluding Account 501 allocated to the Purchaser for that period.

In addition a Purchaser shall pay an Owner, at the times payable by the Owner, amounts determined by multiplying (a) the property taxes and any other taxes except Federal Income Tax, payable by the Owner with respect to the Unit for the periods the Purchaser was involved by (b) the O(IR) ratio for that period involved. Insurance costs shall also be shared on the basis of the O(IR) ratio for the periods a Purchaser is involved.

Sales of Capacity and Energy From Base Load Units to Purchasers
Bruce Mansfield No. 2

Exhibit C

Reimbursements of Working Capital Costs

- I. Fuel Inventory - Working Capital Cost Applicable to a Purchaser of Capacity and Energy.
 - A. Reimbursement by Monthly Carrying Charge in Lieu of Deposit
The charge for a given month per megawatt of capacity purchased shall be based on the Seller's total dollar balance in fuel inventory per megawatt of capacity, at the end of the month in which service was rendered, and shall be calculated as follows:
 1. Mansfield Unit #2 The product of
 - (a) (Total Dollars in Fuel Inventory for the Entire Mansfield Unit No. 2)
 - (b) (The Ratio of Total Megawatt Capacity Purchased to Total Megawatt Capacity of Mansfield Unit No. 2)
 - (c) (One-Twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component)
 - B. Reimbursement by Deposit of Working Capital
The amount of the deposit shall be an appropriate portion of the dollar balance in fuel inventory, calculated as the product of the respective factors (a) and (b) in (1) or (2) above, except that this deposit will be adjusted, not every month, but at six-month intervals and shall be calculated respectively as the average of the first six and the second six calendar months of the year.
- II. Materials and Supplies Inventory - Working Capital Cost Applicable to a Purchaser, or to a Joint Owner if M&S Inventory is not jointly owned.
 - A. Reimbursement by Monthly Carrying Charge in Lieu of Deposit
The charge for a given month per megawatt of capacity purchased (or shared) shall be based on the Seller's total dollar balance in M&S inventory at the end of the month in which service was rendered, and shall be calculated as follows:
 1. Mansfield Unit #2 The product of
 - (a) (Total Dollars in Seller's M&S Inventory at the Entire Plant)
 - (b) (The Ratio of Total Megawatt Capacity Purchased (or Shared) to the Total Megawatts of Seller's Plant Capacity)
 - (c) (One-Twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component)

8. Reimbursement by Deposit of Working Capital

The amount of the deposit shall be an appropriate portion of the dollar balance in M&S inventory, calculated as the product of the respective factors (a) and (b) above: except that the deposit shall be adjusted at six-month intervals and not every month.

III. Monthly Fuel, M&S Purchases, and Payroll Expenses - Working Capital Cost
Applicable to a Purchaser or to a Joint Owner.

The deposit for a given month per megawatt of capacity purchased (or shared) shall be in the amount of \$600.

The monthly charge in lieu of deposit per megawatt of capacity purchased (or shared) shall be calculated as the product of \$600 multiplied by (One-twelfth of the Current Annual CAPCO Composite Capital Cost Rate, Augmented to Include Seller's CAPCO Income Tax Liability on the Equity Component.)

The deposit amount will be reviewed from time to time to determine whether the amount is still appropriate, in particular considering the M&S purchases required for such facilities as the scrubber and waste disposal systems.

Sales of Capacity and Energy From Base Load Units to Purchasers
Bruce Mansfield Unit No. 2

Exhibit D

Displacement Training Costs

Installed Capacity at CAPCO Unit No. 6 - Bruce Mansfield Unit No. 2 825,000 Kw

<u>Ownership</u>	<u>Percent</u>	<u>Kw</u>
Cleveland Electric Illuminating Company	28.6	236,000
Duquesne Light Company	8.0	66,000
Ohio Edison Company	39.3	324,200
Pennsylvania Power Company	6.8	56,100
Toledo Edison Company	17.3	142,700
Total	100.0	825,000

The owning companies respective shares of the displacement training costs, based on \$1.225/Kw, are:

Cleveland Electric Illuminating	\$289,100
Duquesne Light Company	80,850
Ohio Edison Company	397,145
Pennsylvania Power Company	68,723
Toledo Edison Company	174,807

Therefore, under the terms of this agreement, each purchaser, would share in these costs based on its entitlement at the rate of 1/420 of the cost basis, for each billing month beginning with the effective purchase date.

APPENDIX 6 TO SCHEDULE ECharges Applicable to Transactions From Davis-Besse Unit No. 1
Pursuant to Schedule E

This Appendix provides for specific charges applicable to transactions made from Davis-Besse Unit No. 1 pursuant to Schedule E.

Costs will be shared on a basis equivalent to that of the joint owners.

The following are the components of the costs to be included.

A. Fixed Costs of Invested Capital*

1. It is expected that sales out of production units will occur predominantly over a relatively short time period in the early part of the unit's life. However, this Appendix develops a consistent basis which is applicable throughout the life cycle.

2. Amortization and tax calculations are based on the following:

Amortization Period	35 Years (420 Months)
DDB Tax Life	28 Years (336 Months)
Estimated Salvage Rate	-10%
Accounting Treatment	Flow Through

3. DDB tax depreciation is assumed, with switch to straight line method effective the first month in which the straight line remaining life depreciation exceeds DDB depreciation, with

*Studies are underway to review the appropriateness of each of the four components of Fixed Costs, and the conclusions could result in retro-active adjustments.

remaining life stretched out in the straight line calculations to extend to the end of the book amortization period. The switch occurs at the end of the 221st month.

4. All fixed charges are on a month-to-month declining basis. The investment base from which fixed charges are developed shall be the CAPCO investment basis as defined in the Accounting and Procedure Manual under Procedures for Discharging Investment Responsibility.
5. The monthly finance charge rate applicable to all additions from the inservice date through the last month of the calendar year in which the construction job order is closed out shall be one-twelfth the annual rate calculated as the weighted average of the finance charge rates applicable in the calendar years over which construction expenditures are incurred, using as weights the dollars expended in the respective years. All expenditures to the closing of the job order are to be included, using the best estimate available at the inservice date.
6. The finance charge rate for ordinary additions in years subsequent to the calendar year in which the construction job order was closed out shall be the rate defined in the Accounting and Procedure Manual as the rate applicable to expenditures in the year in question. Only in the case of major capital additions mentioned in paragraph 8 will a weighted average finance charge as described in paragraph 5 apply.

7. Amortization and other charges and adjustments shall be billed each month. Each month's additions to plant in service shall constitute a vintage investment. However, in order to simplify the billing process, the monthly vintages of any particular calendar year may be combined into a composite vintage, either on an on-going basis or at the end of the calendar year, providing the same bill results. Since finance charge rates are recalculated each year, vintages of different calendar years will not be composited.
8. The tax plant ratio to amortizable plant (CAPCO investment basis) shall be established from data for the total project as estimated at the inservice date, as described in paragraph 5 above. This ratio will be used in developing fixed charge rates for the initial placements and all subsequent additions; except that in the case of major capital additions, at seller's option and with buyers' concurrence, a completely new vintage may be developed and the fixed charge factor recalculated using the new tax plant ratio and other pertinent data as appropriate.
9. When a production unit, or a major capital addition such as described in paragraph 8, is placed in commercial service the first fixed charge billing shall begin effective with the inservice date. For subsequent month-to-month additions the billing shall begin with the first full calendar month after the addition is made.
10. Where sales are initiated out of an existing production facility to a new buyer, a single-vintage CAPCO investment basis may be calculated, with an appropriate adjustment for depreciation incurred to date. The amortization component of the fixed charge factor will be calculated on the basis of remaining life of the original amortization period, or by mutual agreement.

11. The specific fixed charge rate for Davis-Besse Unit No. 1 is developed in Exhibit A.

B. Operating and Maintenance Costs

1. The methods specified in the attached Exhibit B shall be used to allocate all costs, including overheads directly or indirectly applicable to the operation and maintenance of the operating company's ownership in such unit between it and the Purchaser(s).
2. The operating company will prepare, revise from time to time as appropriate and furnish to the Purchaser(s) an annual estimate of the amount to be billed by months (a) for the cost of energy during the term of the purchase from a unit, and (b) any other costs which shall accrue during this period. The Operating Company will furnish any reasonable request for estimates for longer periods if required by the Purchasers.
3. The operating company will maintain the records used in the determination of the Purchaser(s) bill in order that the Purchaser(s) and their independent auditors shall have access at all reasonable times to such records and the operating company will furnish copies of such records as requested. The operating company shall preserve and maintain the originals of such records for at least such periods of time as the Purchaser(s) may request, having in mind the requirements of regulatory authorities having jurisdiction, and the policies and practices of the parties with respect to the retention of records.

4. The cost of preparing, preserving and making copies of such budgets, records and accounts shall be borne by the companies in proportion to their respective capacity entitlements, except that any costs incurred at the special request of the Purchaser(s) shall be borne by them.
5. The operating company shall have special audits conducted with respect to the matters provided for in this Appendix, either internally or by independent auditors, according to such programs and procedures as agreed to be necessary to conform to the auditing requirements of each Company, and shall furnish copies of the reports of such audits to the Purchaser(s). The cost of making such audits, including any participation by the auditors of the Purchaser(s) agreed to be desirable and necessary, shall be shared by the Companies in relation to the current capacity entitlement ratio. The Purchaser(s) may, at their own expense, make such further audits, using their internal or independent auditors or both, as it may be deemed desirable.
6. If requested by the Purchaser(s), the operating company will make such examinations, analyses, or studies as would go to support the reasonableness of the specific costs so allocated, or provide a basis for modification to achieve such reasonableness with respect to either the specific or the indirect cost allocations. Shareable costs which are incurred by the Purchaser(s) shall be accumulated and billed on a direct charge basis from specific records or reasonable estimates, with applicable additives as agreed upon by the Companies.

7. Except as otherwise provided herein, the accounting methods and practices normally in use at the time by each of the Companies in determining and assigning Operating and Maintenance costs, generally, are to be used by such Company for the purposes of this Appendix unless otherwise agreed, provided such methods and practices are consistent with sound accounting practices.
8. The operating company will bill the Purchaser(s) for its share of property, franchise, business or other taxes applicable to their share of the unit, specifically identifying these items on the invoice when such taxes are payable by the operating company. To the extent that such taxes are charged to the operating expenses of the Unit, because it is impractical or inequitable to segregate them, they will be billed as part of the normal operating expense of the Unit.
9. As soon as possible after the close of each calendar month, preferably on or before the 8th working day of the following month, the operating company shall advise the Purchaser(s) of its proportionate share of estimated operating expenses, fixed charges, displacement training costs, and working capital for the preceding month.
10. As soon as possible after the close of each calendar month, preferably on or before the 25th of the following month, the operating company shall prepare and deliver an invoice to the Purchaser for its share of actual costs for the preceding month. The amount billed will be due and payable upon receipt

of invoice and will be subject to a late payment charge if not received within 15 days from date of invoice.

C. Working Capital

It is recognized that the operating company undertakes certain obligations to provide expenditures in advance of compensation by the purchasers of capacity and energy. These purchases include but may not be limited to payroll, fuel and material and supplies purchases; and coal and material and supplies inventories. A reasonable allowance for this investment in working capital funds shall be considered a shareable cost to be compensated for as set out in detail in Exhibit C.

D. Displacement Training Costs

The CAPCO Companies have agreed that the costs which an operating company will incur in training personnel at existing stations in order to be able to transfer experienced personnel to a new CAPCO generating unit should be shared by the joint owners.

Purchasers of Capacity and Energy shall also share in these costs.

1. For each new CAPCO unit, the cost basis of \$1/KW of the installed capacity is determined to be a reasonable estimate of the present-day cost which a company will incur within its existing plants as a result of assigning experienced company personnel to a new CAPCO generating unit. Installed capacity for this purpose is defined as the Net Demonstrated Capability of the CAPCO generating unit.

2. It is recognized that these costs will increase as labor costs increase. Therefore, this cost determination factor of \$1/KW shall be subject to escalation for units planned to be in service after Davis-Besse No. 1 based on an index of the composite labor costs of CAPCO Companies as agreed to by the CAPCO Accounting and Finance Committee using 1972 as the base year equaling 100.0. The index to be applied is that calculated for the period two years prior to the actual inservice date for fossil-fired generating units and the period three years prior to the actual in-service date for nuclear units.
3. The purchasers of Capacity and Energy shall share in these costs for the periods they are involved. An amount of 1/420 of the cost basis for each KW of the purchasing company's capacity entitlement shall be included in the monthly billing.
4. The cost basis provided for herein shall be shown in Exhibit D.

Sales of Capacity and Energy From Base Load Units to Purchasers
Davis-Besse Unit No. 1*

EXHIBIT A

FIXED COSTS OF INVESTED CAPITAL**

The monthly fixed charge for a vintage addition shall be calculated as the algebraic sum of the following components:

- A. Amortization. 1/ The product of .00261905 multiplied by the adjusted CAPCO investment base exclusive of land. (Line #10 of Note 5/)
- B. Finance Charge. 2/ The product of .00850833 (CEI) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- C. Gross Income Tax. 3/ The product of .00426154 (CEI) multiplied by the net unamortized CAPCO investment base as of the beginning of the month being billed.
- D. Income Tax Adjustment. 4/ The product of (I) the difference obtained by subtracting (a) .00462326 (CEI) \times .99404762^M (where M is the number of amortization months elapsed prior to the month being billed), if the month being billed is prior to the 222nd month of service, or (b) .00143357 (CEI), if the month being billed is the 222nd month or later, from (c) .00261905 multiplied by (II) .92307692, and the result multiplied by (III) the vintage gross CAPCO investment base exclusive of land.

**Studies are underway to review the appropriateness of each of the four components of Fixed Costs, and the conclusions could result in retroactive adjustments.

PERCENTAGE OWNERSHIP OF CAPCO COMPANIES: CEI-51.36%; TE-48.64%

Note 1/ The monthly amortization rate (depreciable property only) is based on a 420-month amortization period and a negative 10% salvage rate.

$$1.10/420 = .00261905$$

*Data for CEI sales only, since CEI is only Seller.

2/ The monthly finance charge rate applicable to Davis Besse No. 1 facilities placed in service in 1977 is:

$$\text{CEI} \quad .1021/12 \quad = \quad .00850833$$

Where .1021 is the weighted average of the annual finance charge rates applicable in the calendar years over which the facility was constructed, using the dollars expended in the respective years as weights:

<u>Year</u>	<u>Amount Expended</u>	<u>Percent of Total</u>
	<u>\$2,000,000^(a)</u>	
	<u>CEI</u>	<u>CEI</u>
1969 & Prior	\$ 729	.222%
1970	7,164	2.177
1971	18,164	5.520
1972	34,054	10.348
1973	52,258	15.880
1974	39,834	12.105
1975	40,748	12.383
1976	81,275	24.698
1977	54,846	16.667
Total	\$ 329,072	100.000%

	<u>Applicable Component</u>			
	<u>Return Rate (b)</u>			
	<u>Bonds</u>	<u>Pref.</u>	<u>Com.</u>	<u>Total</u>
1969 & Prior	3.22	0.58	5.20	9.00
1970	4.07	0.69	4.74	9.50
1971	4.90	0.70	4.40	10.00
1972	4.27	0.74	4.24	9.25
1973	4.13	0.90	3.97	9.00
1974	4.19	1.01	4.05	9.25
1975	4.93	1.29	4.28	10.50
1976	5.23	1.50	4.52	11.25
1977	4.73	1.38	4.89	11.00(c)
Total	4.67	1.16	4.38	10.21 (CEI)

(1) Includes common facilities and land applicable to Davis Besse No. 1, and also substation facilities associated with production plant under the joint ownership agreement.

(2) Annual values as derived from preceding calendar year data. Composite values derived using annual expenditures as weights,

For use on a preliminary basis only.

Note 3/ The monthly gross income tax charge rate is the product of $1/12 \times .0554$ (CEI) multiplied by the federal income tax rate and divided by the complement of the income tax rate; where .0554 is the total equity component of the annual finance charge rate:

$$\text{CEI } 1/12 \times .0554 \times .48 / (1 - .48) = .00426154.$$

Note 4/ The income tax adjustment results from the difference between amortization and tax depreciation. DDB depreciation is based on a 336-month tax life. The undepreciated portion of the original CAPCO tax basis (whose ratio to total CAPCO basis in this case is .776708 (CEI) under DDB depreciation after a period of M months is the product of the original CAPCO tax basis multiplied by the net tax-base factor:

$$\text{CEI } .776708 \times (1 - 2/336)^M, \text{ Where } 1 - 2/336 = .99404762.$$

The monthly factor for tax depreciation under DDB depreciation is the product of the DDB depreciation rate multiplied by the net (undepreciated) tax basis (as of the beginning of the computation month):

$$\text{CEI } 2/336 \times .776708 \times (1 - 2/336)^M = .00462326 \times .99404762.$$

The income tax adjustment factor is the product of the difference between the amortization factor and the DDB depreciation factor, multiplied by the federal income tax rate and divided by the complement of the income tax rate:

$$\text{CEI } (.00261905 - (.00462326 \times .99404762^M)) \times .48 / .52, \text{ or} \\ (.00261905 - (.00462326 \times .99404762^M)) \times .92307692.$$

Switch to straight line tax depreciation (with stretch-out of straight line tax life to the end of the amortization period occurs after the end of the 221st month (remaining life = 199 months).

After switchover the monthly tax depreciation is the product of the reciprocal of the remaining life at switchover (199 months) multiplied by the algebraic difference between net tax basis and total expected net salvage to be realized:

$$\text{CEI } 1/199 \times (.776708 \times (1 - 2/336)^{221} - .776708 \times (-.10)) = .00143357.$$

Note 5/ Development of CAPCO Tax Plant Ratio

<u>Adjustment to CAPCO Basis</u>	<u>CEI</u>
(1) Total Investment per Books	\$329,071,806
(2) Payroll Taxes, Property Taxes, and Other Overheads Capitalized per Books but Expensed for Tax Purposes Total = \$1,195,076	---
(3) 48% of Line (2) for Ohio owners	(573,636)
(4) Investment Tax Credit Applicable	<u>(16,470,117)</u>
(5) Adjusted to CAPCO Investment Basis	\$312,028,053
 <u>Adjustments to CAPCO Income Tax Basis</u>	
(6) Land	\$ (399,394)
(7) Allowance for Funds Used During Construction	(68,962,787)
(8) Balance of Payroll Taxes, Property Taxes, and Other Overheads Capit- alized per Books but Expensed for Tax Purposes 52% of Line (2) for Ohio owners	<u>(621,440)</u>
(9) Adjusted CAPCO Income Tax Basis (Amortizable)	\$242,044,432
(10) Adjusted CAPCO Investment Basis Less Land	\$311,628,559
(11) Ratio of Adjusted CAPCO Income Tax Basis to Adjusted Amortizable Investment Basis	.776708

SALES OF CAPACITY AND ENERGY FROM BASE LOAD UNITS
TO PURCHASERS: DAVIS-BESSE STATION - UNITS NOS. 1, 2 AND 3

Exhibit B

Section I - Introduction

This Exhibit pertains to all agreements related to the Sales of Capacity and Energy from the Owners of Davis-Besse Units Nos. 1, 2 and 3 to Purchasers.

In the event any Purchaser does not schedule part or any of its energy entitlement as stated in the applicable agreement, the balance of its entitlement shall remain as capacity available to the Purchaser, provided that, if the Unit is operated at minimum load required for safe operation of that Unit, the Purchaser shall be obligated to schedule an amount of energy equal to that Unit's minimum load for the hour, multiplied by a fraction of which the numerator is the Purchaser's entitlement under the applicable agreement and the denominator is the applicable Unit's Net Demonstrated Capability. The amount of energy determined above, subject to adjustment for proportionate use of all plant auxiliary power assignable to the operation of each Unit, shall constitute a scheduled (billing) MWH value (net) as of each Unit's generator transformer high voltage terminals. Each Owner shall schedule for delivery from the Units, and each Purchaser shall schedule for receipt into its system, an amount of energy equal to such billing value less the increase, or plus the decrease, as the case may be, in electrical losses incurred on its system resulting from the transmission of such energy as determined by the Planning Committee under terms of the CAPCO Transmission Facilities Agreement.

Section II - Accounting Concepts

The basis for allocating the operation and maintenance costs of Davis-Besse Units Nos. 1, 2 and 3 between the joint owners is set forth in Exhibit A of the Operating Agreement for these units. This Exhibit prescribes the method of determining the portion of that cost of an Owner which will be billed to a Purchaser.

The costs to be billed to a Purchaser will be segregated as to those that are directly identified with a Purchaser and to those that are allocated either on an investment responsibility or a fuel consumed basis. The codes for these segregations are defined at the end of Section III.

In addition to the direct costs for operating and maintaining a Unit, an Owner shall bill a Purchaser for an appropriate portion of indirect overheads and taxes other than income taxes as defined in Section V.

Section III - Allocation of Costs

The operation and maintenance costs identified by FPC account number are assigned to a Purchaser either directly or on the basis of appropriate allocation codes as set forth in the following table.

<u>Account Number</u>	<u>Direct Basis To Purchaser</u>	<u>Owners Costs to be Allocated to the Purchaser Allocation Codes</u>	
		<u>O(IR)</u>	<u>HY(IR)</u>
<u>OPERATION ACCOUNTS</u>			
517 Supervision and Engineering		X	
518 Nuclear Fuel Expense	X		
519 Coolants and Water*		X	
519 Coolants and Water*			X
520 Steam Expenses*		X	
520 Steam Expenses*			X
523 Electric Expenses		X	
524 Misc. Nuclear Power Expenses		X	
525 Rents		X	
<u>MAINTENANCE ACCOUNTS</u>			
528 Supervision and Engineering		X	
529 Structures		X	
530 Reactor Plant and Equipment*			X
530 Reactor Plant and Equipment*		X	
531 Electric Plant		X	
532 Misc. Nuclear Plant		X	
<u>OTHER ACCOUNTS</u>			
562 Operation - Station Expenses		X	
570 Maintenance of Station Equipment		X	

* See Exhibit A of the Davis-Besse Station Operating Agreement for breakdown of these accounts.

Direct charges will be made to a Purchaser for fuel consumed as determined in accordance with Section IV.

<u>Code</u>	<u>Basis</u>
O(IR)	The portion of an Owner's operation and maintenance costs for a Unit to be billed to a Purchaser for the current month shall be a fraction of which the numerator is a Purchaser's entitlement from the Unit as specified in the applicable agreement and the denominator is an Owner's ownership interest in that Unit, both figures rounded to the nearest whole megawatt. An Owner's ownership interest in a Unit shall be the product of the prevailing Net Demonstrated Capability (NDC) of a Unit multiplied by that Owner's percentage ownership in the Unit.

If the capacity of a Unit is reduced by operating problems, a Purchaser will be entitled to his O (IR) ratio multiplied by the Owner's entitlement of the output of the Unit on an hour to hour basis.

HY(IR)

The portion of an Owner's cost for a Unit to be billed to a Purchaser for the current month shall be a fraction of which the numerator is the portion of the BTU input to the main unit turbine used to produce the kilowatt hours of energy taken from the Unit by the Purchaser during the preceding 12-month period and the denominator is the portion of the BTU input to the main turbine used to produce the kilowatt hours of energy taken from the Unit by the Owner during that same preceding 12-month period. Prior to the time that this data is available on a 12-month basis, available data will be used to determine the allocation ratio.

Section IV - Fuel

In determining fuel costs a Purchaser shall be treated in the same manner as an Owner.

The following basic principles shall govern the calculation of depletion (amortization) of fuel assemblies installed in the reactor for heat production and the billing of fuel costs to Purchasers unless The Public Utilities Commission of Ohio determines that other calculation methods and/or formulae should be used. In such event, this Section IV will be revised to reflect these P.U.C.O. requirements.

1. Nuclear fuel assemblies shall be considered to be producing heat only during periods of zero or positive net generation.
2. During periods of negative net generation, it will be considered that installed nuclear fuel assemblies are not producing heat and are not thus consumed. During periods of negative net generation, records of station service electric energy supplied by the system shall be maintained and the participants in the Unit shall be invoiced for such electric energy in proportion to their investment responsibilities in the Unit at the operating owner's system average production cost (including net purchased power costs) during the current calendar month adjusted to exclude the output and cost during the current calendar month of the Unit to which such station service energy was supplied.
3. During periods of zero or positive net generation, the components of consumption of heat from nuclear fuel assemblies shall be considered to consist of a fixed heat consumption component and a variable heat consumption component. The components of heat consumption are illustrated by the current Input/Output curve for each Unit as agreed to by the Owners. The fixed portion of heat consumption consists of the heat produced by the reactor required to supply station service electric energy plus heat losses in the plant.

4. During periods of zero or positive net generation, the fixed and variable portions of the total unit heat consumption shall be calculated on an hour by hour basis. The fixed portion of the unit heat consumption shall be the product of service hours accumulated during periods of zero or positive net generation times the fixed unit heat consumption as indicated on the current Input/Output curve for each Unit as agreed to by the Owners. The variable portion of the unit heat consumption shall be the total net main unit generation in Mw hr/hr converted to BTU/hr excluding the fixed unit heat consumption utilizing the relationship between Mw hr/hr versus BTU/hr as represented on the current Input/Output curve for each Unit as agreed to by the Owners. The total unit heat consumption shall be the sum of fixed and variable portions of the unit heat consumption. The portion of the cost of nuclear fuel consumed to be considered to be attributable to fixed unit heat consumption shall be the total cost of nuclear fuel consumed times a fraction the numerator of which is the monthly fixed unit heat consumption and the denominator of which is the total monthly unit heat consumption. The portion of the cost of nuclear fuel consumed to be attributable to variable heat consumption shall be the total cost of nuclear fuel consumed minus the portion of the cost of nuclear fuel consumed attributable to fixed unit heat consumption.
5. In calculations using amortization in proportion to main unit heat consumption for determining the cost of nuclear fuel consumed, Toledo Edison shall take into account the original acquisition cost of the materials and services required to provide the fuel as originally installed, the predicted total heat output of the assemblies and the estimated net value of salvage materials. TE shall calculate such cost of nuclear fuel consumed using methods and/or computer codes generally considered acceptable by the CAPCO Companies for this purpose.
6. Fixed nuclear fuel expense shall be allocated among participants in a Unit in proportion to their investment responsibilities in the Unit during the month for which the allocation is being made. Variable nuclear fuel expense shall be allocated among those sharing in the output of a unit in proportion to the BTU consumed to produce the kilowatt hours of energy taken from the Unit by each participant during the month.
7. For owned nuclear fuel, the total monthly fixed and variable nuclear fuel expense for a unit shall be determined by the formula

$$FC_c = \frac{E_c}{E_f} (A_c - S_f)$$

where:

FC_c = Nuclear fuel expense during the current accounting month.

- E_c = The energy, in BTU, produced during the current accounting month.
- E_f = The energy, in BTU, expected to be produced from the beginning of the current accounting month until the estimated end of life of the fuel.
- A_c = The unamortized value of the fuel as reflected by the difference between the balances in Accounts 120.3 (Nuclear fuel assemblies in reactor) and 120.5 (Accumulated provision for amortization of nuclear fuel assemblies) at the beginning of the current accounting month.
- S_f = Anticipated salvage value of the fuel with related deductions including but not limited to shipping, reprocessing and waste disposal costs.

Such cost will be separated into fixed and variable components as described in 3 above.

8. The total monthly fixed and variable nuclear fuel expense for leased nuclear fuel consumed is composed of A) a burnup expense related to energy resource consumption B) amortization of accumulated deferred expenses not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel and C) monthly payments not related to burnup made by the Owners to the Lessor pertaining to the period after the beginning of commercial operation of the leased nuclear fuel. A, B, and C will each be separated into fixed and variable components as described in 3 above.

- A. The monthly burnup expense shall be calculated as follows:

$$B_c = \frac{E_c}{E_f} (C_c - S_f)$$

where:

- B_c = Burnup expense for the current accounting month.
- E_c = The energy, in BTU, produced during the current accounting month.
- E_f = The energy, in BTU, expected to be produced from the beginning of the current accounting month to the end of life of the fuel.
- C_c = The Lessor's net investment (acquisition cost as defined in the lease agreement less burnup expenses prior to the current accounting month) at the beginning of the current accounting month.

S_f = Anticipated salvage value of the fuel with related deductions including but not limited to shipping, reprocessing and waste disposal costs. -

B. The amortization of accumulated deferred expenses not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel shall be calculated as follows:

$$PDA_c = \frac{E_c}{E_f} (D_p)$$

where:

PDA_c = The current month amortization of deferred expenses not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel.

E_c = The energy, in BTU, produced during the current accounting month.

E_f = The energy, in BTU, expected to be produced from the beginning of the current accounting month to the end of life of the fuel.

D_p = The unamortized portion at the beginning of the current accounting month of the deferred expense not related to burnup pertaining to the period prior to the beginning of commercial operation of the leased nuclear fuel.

C. Monthly payments not related to burnup made by Owners to the Lessor pertaining to the period after the beginning of commercial operation of the leased nuclear fuel shall be calculated as follows:

$$MPL_c = R_c (C_c)$$

where:

MPL_c = The current payments not related to burnup made by the Owners to the Lessor.

R_c = The current lease rate as defined in the lease agreement expressed as the decimal equivalent of percent per month.

C_c = The Lessor's net investment (acquisition cost as defined in the lease agreement less burnup expenses prior to the current accounting month) at the beginning of the current accounting month.

Section V - Other Expenses

For billing costs to the Purchaser, labor and material additive costs at current rates prevailing at The Toledo Edison Company as adjusted from time to time shall be added to the labor and material components of direct operation and maintenance costs of Davis-Besse Units Nos. 1, 2 and 3 to which such rates are applicable and shall be shared by Purchasers on the same basis on which the primary labor and material costs are shared.

In addition, an allocation will be made of Account 556, System Control and Load Dispatching costs related to production, and Account 557, Other Production Expenses. These costs would be allocated to Davis-Besse Units Nos. 1, 2 and 3 on a direct basis where a direct relationship exists, or on a net generating capability ratio when a direct relationship does not exist. Account 556 will include only those load dispatching costs incurred by TE that are attributable to Davis-Besse Units Nos. 1, 2 and 3. Included in Account 557, Other Production Expenses, are such items as insurance premiums and recoveries and other production expenses not directly assignable to the other production accounts. These costs included in Account 557 may be charged directly where a direct relationship exists or, if not, they may be allocated on a net generating capability basis. The invoice will identify amounts billed that were included in Account 557.

For billing costs to Purchasers, administrative and general expenses shall be allocated to Davis-Besse Units Nos. 1, 2 and 3 on the basis of the three-year moving average ratio for The Toledo Edison Company calculated at the end of each calendar year to become effective on July 1 of the following year in accordance with the following formula.

$$\frac{L_{a1} (1 + p/P) + O_{a1}}{(L_e - L_{a2}) (1 + p/P) + (O_e - O_{a2})}$$

In which:

L_{a1} and O_{a1} = The 3-year sums of direct labor expense and direct other-than-labor expense, respectively charged to the following accounts:

- 1) Account 920, Administrative and general salaries
- 2) Account 921, Office supplies and expenses
- 3) Account 922, Administrative expenses transferred - Credit

$(1 + p/P)$ = A cost ratio by means of which those expenses directly associated with the payroll (labor additives) may be added to direct labor charges.

- P = The 3-year sum of the following labor additives:
- 1) Payroll Taxes
 - Federal Old-age Benefits
 - Federal Unemployment Insurance
 - State Unemployment Insurance
 - 2) Workmen's Compensation and/or Injuries and Damages (Payroll related costs only)
 - 3) Employee Pensions and Benefits (Account 926)
 - 4) Pay for Time Not Worked

Exclude any labor additives which are included with the basic direct labor charges, examples of which might be "Pay for time not worked" or "Payroll taxes".

- P = The 3-year sum of total payroll with which the above labor additives are associated.
- L_e and O_e = The 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all operation and maintenance expense accounts except Fuel (Accounts 501, 518 and 547) for the entire Company.
- L_{a2} and O_{a2} = The 3-year sums of direct labor expense and direct other-than-labor expense, respectively, charged to all operation and General Expense Accounts 920 to 932, inclusive.

The amount of administrative and general expenses to be allocated to Purchasers during a given period shall be the product of the above ratio multiplied by the total direct operation and maintenance expenses, excluding Account 518, allocated to a Purchaser for that period.

In addition, a Purchaser shall pay to the Owner at times payable by the Owner amounts determined by multiplying (A) the property taxes and any other taxes, except Federal Income Tax, payable by the Owner with respect to the Unit for the periods a Purchaser was involved by, (B) the O(IR) ratio for that period.

Sales of Capacity and Energy From Base Load Units to Purchasers
Davis-Besse Unit No. 1

EXHIBIT D

DISPLACEMENT TRAINING COSTS

Installed Capacity at Davis Besse No. 1	906,000 kW
<u>Ownership</u>	
Cleveland Electric Illuminating Co.	51.38%
Toledo Edison Co.	<u>48.62%</u>
	100.0%

The owning companies' respective shares of the displacement training costs, based on \$1.00/kW, are:

Cleveland Electric Illuminating Co.	\$465,500
Toledo Edison Co.	\$440,500

Therefore, under the terms of this agreement, each purchaser will share in these costs, based on its entitlement at the rate of 1/420 of the cost basis, for each billing month beginning with the effective purchase date.

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE F

OUT-OF-POCKET COST

Where referred to in this Agreement, the Out-Of-Pocket Cost of supplying power in each hour shall be the cost incurred in the supply of the highest cost power available on the supplying Party's system during that hour, including power purchased from non-CAPCO party systems as well as power generated by a Party's own generation resources, after all sales with a lower pricing priority (higher cost) have been accounted for. The components of Out-Of-Pocket Costs shall include but shall not be limited to the following:

Operating Capacity Costs

Start-up and shut-down costs (boiler and turbine)

No load cost (boiler and turbine)

Maintenance cost (boiler and turbine)

Charge (or credit) for increased (or decreased) cost of energy generated by the Party associated with the transaction

Incremental labor costs

Applicable incremental taxes

Miscellaneous incremental operating costs

Energy Costs

Incremental fuel cost

Incremental transmission losses

Incremental labor cost

Incremental maintenance cost

Applicable incremental taxes

Miscellaneous incremental operating costs

Purchased Power

All costs, excluding demand charges, paid to a non-CAPCO party system
for power purchased.

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE G

EMERGENCY POWER

Section 1 - Services to be Rendered

1.1 In the event of a breakdown or other emergency in or on the system of any Party involving either sources of power or transmission facilities, or both, impairing or jeopardizing the ability of a Party to meet the Load of its system, each Party shall deliver to such Party Emergency Power that it is requested to deliver. Such Emergency Power shall be provided (1) from unloaded generating facilities, either on or off line, to the fullest extent necessary from each supplying Party's system, or (2) from non-CAPCO party systems to which the supplying Parties are interconnected. No Party is obligated to terminate any delivery of power (excluding economy transactions) to any other system in order to provide Emergency Power, but a Party is obligated to terminate economy transactions and supply any excess power from its own system and to purchase power, if available, from any other system with which it is interconnected in order to provide Emergency Power. A supplying Party shall not be obligated to deliver such Emergency Power which, in its sole judgment, it cannot deliver without interposing a hazard to its operations or without impairing or jeopardizing its Load. Emergency Power shall not be requested or supplied in lieu of CAPCO Back-Up Power.

1.2 If at any time the record over a reasonable prior period shows clearly that any Party has failed to deliver Emergency Power, or has regularly requested delivery of Emergency Power, any Party, by written notice given to the other

Parties, may call for a joint study by the Parties to determine the burden, if any, that such Party may be placing upon any other. If it should be found that such Party is placing an unreasonable burden upon the others, the Party causing the burden shall take such measures as are necessary to remove the burden, or the Parties shall enter into such arrangements as shall provide for equitable compensation to the Party(s) being burdened.

Section 2 - Compensation

2.1 Emergency Power shall be compensated for by return-in-kind or at the option of the supplying Party by the payment of the Out-Of-Pocket cost of providing operating capacity or operating capacity and energy, plus any demand charge paid to a non-CAPCO party system for power delivered hereunder; plus

10% of the Out-Of-Pocket Cost for Emergency Power provided from the supplying Party's system; plus

\$1.00 per mW-hr for Emergency Power purchased from a Party or a non-CAPCO party system.

JULY 31, 1981 LETTER TO THE FEDERAL ENERGY
REGULATORY COMMISSION TRANSMITTING AMENDMENT NO. 1
TO THE CAPCO BASIC OPERATING AGREEMENT
AS AMENDED SEPTEMBER 1, 1980

Attachment D

ORIGINAL



THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

P.O. BOX 5000 - CLEVELAND, OHIO 44101 - TELEPHONE (216) 622-9800 - ILLUMINATING BLDG. - 55 PUBLIC SQUARE

Serving The Best Location in the Nation

July 31, 1981

Federal Energy Regulatory Commission
825 Capitol Street, NE
Washington, DC 20426

Attention Kenneth F. Plumb
Secretary

Gentlemen:

On behalf of each of the following listed Companies, we hereby transmit for filing twelve (12) copies of Amendment No. 1, dated August 1, 1981, to the CAPCO Basic Operating Agreement, as amended September 1, 1980 (the "Agreement"), which is on file with the Commission and is identified by the Rate Schedule numbers shown for each listed Company. Please return one (1) time-stamped copy of the filing documents to each of the undersigned.

<u>Company</u>	<u>FERC Rate Schedule Number</u>
The Cleveland Electric Illuminating Company	15
Duquesne Light Company	15
Ohio Edison Company	144
Pennsylvania Power Company	35
The Toledo Edison Company	27

The documents accompanying this letter include:

1. Amendment No. 1 to the Agreement.
2. Three (3) copies of a form of Notice suitable for publication in the Federal Register, in accordance with Section 35.8 of the Commission's Regulations.
3. A check covering the required filing fee.

The signed copies of Amendment No. 1 to the Agreement evidence the agreement of the Parties. All of the Parties to the Agreement have approved this filing.

July 31, 1981

Amendment No. 1 amends the Agreement to add a new class of service in new Schedule "H" for the reservation and delivery of Non-CAPCO Power.

No facilities are required to be installed or modified in order to provide the service covered by Amendment No. 1. Facilities over which services will be provided have been provided pursuant to the provisions of the CAPCO Transmission Facilities Agreement among the Parties, dated as of September 14, 1967.⁽¹⁾

Compensation for service supplied under Schedule "H" involves the sharing of any associated capacity and energy charge payments for transmission service upon the transmission systems of the CAPCO Parties with two-thirds of such payments allocated equally between the supplying Party and receiving Party and one-third of such payments allocated equally between the other two Parties. The allocation of the greater percentages of the payments to the supplying and receiving Parties is justified by the fact that in any such Non-CAPCO Power transaction such Parties will bear the burdens of negotiating and administering the transaction and of having their independently owned interconnection transmission facilities used.

It is respectfully requested that the Commission waive any requirements not already complied with under the Commission's Regulations and permit Amendment No. 1 to become effective on August 3, 1981.

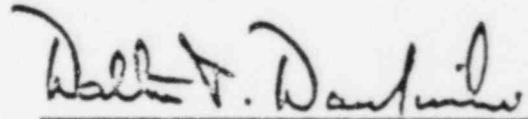
A check in the amount of \$500 is enclosed to cover the filing fee of \$100 for each of the Parties pursuant to Section 36.2(e) of the Commission's Regulations.

Correspondence with respect to this filing should be addressed to each of the undersigned.

Very truly yours,



William J. Kerner, Esq.
Senior Corporate Counsel
The Cleveland Electric Illuminating
Company
P.O. Box 5000
Cleveland, OH 44101



Walter T. Wardzinski, Esq.
General Attorney
Duquesne Light Company
435 Sixth Avenue
Pittsburgh, PA 15219

(1) The Cleveland Electric Illuminating Company - FERC No. 8B
Duquesne Light Company - FERC No. 12B
Ohio Edison Company - FERC No. 96B
Pennsylvania Power Company - FERC No. 22B
The Toledo Edison Company - FERC No. 21B

July 31, 1981

Russell J. Spetrino
Russell J. Spetrino, Esq.
Vice President and General Counsel
Ohio Edison Company
76 South Main Street
Akron, OH 44308

James R. Edgerly
James R. Edgerly, Esq.
Vice President and General Counsel
Pennsylvania Power Company
One East Washington Street
New Castle, PA 16103

Paul M. Smart
Paul M. Smart, Esq.
General Counsel
The Toledo Edison Company
Fuller & Henry
1200 Edison Plaza
P.O. Box 2083
Toledo, OH 43603

AMENDMENT NO. 1

TO

CAPCO BASIC OPERATING AGREEMENT

AS AMENDED SEPTEMBER 1, 1980

THIS AGREEMENT entered into as of the 1st day of August 1981, by and among The Cleveland Electric Illuminating Company, an Ohio corporation ("CEI"); Duquesne Light Company, a Pennsylvania corporation ("DL"); Ohio Edison Company, an Ohio corporation; Pennsylvania Power Company, a Pennsylvania corporation and a wholly-owned subsidiary of Ohio Edison Company which company and its said subsidiary, except as otherwise provided herein, are considered as a single Party for the purposes of this Agreement and referred to as ("OE"); and The Toledo Edison Company, an Ohio corporation ("TE"), collectively referred to as the Parties.

W I T N E S S E T H:

WHEREAS, the Parties entered into the CAPCO Basic Operating Agreement, as amended September 1, 1980 (said CAPCO Basic Operating Agreement, as so amended, being herein called the "Agreement"); and

WHEREAS, the Parties desire to further amend the Agreement to provide a schedule for the reservation and delivery of non-CAPCO Power;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Parties agree as follows:

Section 1. Section 8.01 of the Agreement is hereby amended by inserting as the fourteenth line of the Section: "Schedule H - Transmission of Non-CAPCO Power."

Section 2. Schedule H - Transmission of Non-CAPCO Power, attached hereto as Exhibit "A," is hereby incorporated into the Agreement.

Section 3. Except as hereinabove amended, all the terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 1 to be executed by their duly authorized officers.

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

By *Robert M. Jones*
Title President

PENNSYLVANIA POWER COMPANY

By *J. Morgan*
Title CHAIRMAN OF THE BOARD

DUQUESNE LIGHT COMPANY

By *John M. Lathrop*
Title Chairman

THE TOLEDO EDISON COMPANY

By *Lowell E. Rose*
Title _____

OHIO EDISON COMPANY

By *J. Morgan*
Title PRESIDENT

CAPCO BASIC OPERATING AGREEMENT

SCHEDULE H

TRANSMISSION OF NON-CAPCO POWER

Section 1 - Services to be Rendered

1.1 Any Party ("supplying Party") may arrange to reserve Non-CAPCO Power for periods of one week or more from or through an interconnected non-CAPCO party system to be delivered to another Party ("receiving Party") for delivery to or through another interconnected non-CAPCO party system. As used herein the term "week" shall mean any seven consecutive days. All Parties shall be advised of such transactions in advance.

Section 2 - Compensation

2.1 For such transactions the associated capacity and energy charge payments for transmission service upon the transmission systems of the CAPCO Parties (i.e., the difference between the amounts paid to the receiving Party and by the supplying Party) shall be shared among all Parties with 2/3 of such payments allocated equally between the supplying Party and the receiving Party and 1/3 of such payments allocated equally between the other two Parties.

SEPTEMBER 1, 1982 LETTER TO THE FEDERAL ENERGY
REGULATORY COMMISSION TRANSMITTING AMENDMENT NO. 2
TO THE CAPCO BASIC OPERATING AGREEMENT
AS AMENDED SEPTEMBER 1, 1980

Attachment E

ORIGINAL



September 1, 1982

Federal Energy Regulatory
Commission
825 Capitol Street, NE
Washington, DC 20426

Attention Kenneth F. Plumb
Secretary

Gentlemen:

On behalf of each of the following listed Companies, we hereby transmit for filing twelve (12) copies of Amendment No. 2, entered into as of September 1, 1982, to the CAPCO Basic Operating Agreement, as amended September 1, 1980 (the "Agreement"), which is on file with the Commission and is identified by the Rate Schedule numbers shown for each listed Company. Please return one (1) time-stamped copy of the filing documents to each of the undersigned.

<u>Company</u>	<u>FERC Rate Schedule Number</u>
The Cleveland Electric Illuminating Company	15
Duquesne Light Company	15
Ohio Edison Company	144
Pennsylvania Power Company	35
The Toledo Edison Company	27

The documents accompanying this letter include:

1. Amendment No. 2 to the Agreement.
2. Three (3) copies of a form of Notice of Amendment to Interconnection Agreement suitable for publication in the Federal Register in accordance with Section 35.8 of the Commission's Regulations.
3. A check covering the required filing fee.

The signed copies of Amendment No. 2 to the Agreement evidence the agreement of the Parties. All of the Parties to the Agreement have approved this filing.

September 1, 1982

No facilities are required to be installed or modified in order to provide the service covered by Amendment No. 2. Facilities over which services will be provided have been provided pursuant to the provisions of the CAPCO Transmission Facilities Agreement among the Parties, dated as of September 14, 1967.⁽¹⁾

Amendment No. 2 amends Schedule G - Emergency Power of the Agreement to broaden the companies' rights and obligations relating to the delivery of emergency power by requiring each company to deliver emergency power to a requesting company for a period not exceeding 48 consecutive hours in amounts up to 100 megawatt hours per hour. This entitlement under the emergency schedule is in lieu of the 100 megawatt entitlement to CAPCO System Back-Up Power which is provided for in Article 6 of the Agreement and which terminates on August 31, 1982 pursuant to Section 2.1 of Schedule A of the Agreement.

It is respectfully requested that the Commission waive any requirements not already complied with under the Commission's Regulations and permit Amendment No. 2 to become effective on September 1, 1982 in order to permit the Parties to have promptly available the broadened emergency power services that will result from these changes.

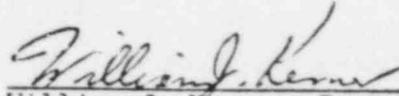
A check in the amount of \$500 is enclosed to cover the filing fee of \$100 for each of the Parties pursuant to Section 36.2(e) of the Commission's Regulations.

(1) The Cleveland Electric Illuminating Company - FERC No. 8B
Duquesne Light Company - FERC No. 12B
Ohio Edison Company - FERC No. 96B
Pennsylvania Power Company - FERC No. 22B
The Toledo Edison Company - FERC No. 21B

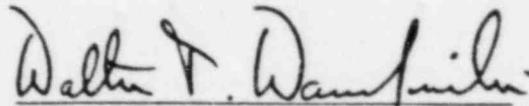
September 1, 1982

Correspondence with respect to this filing should be addressed to each of the undersigned.

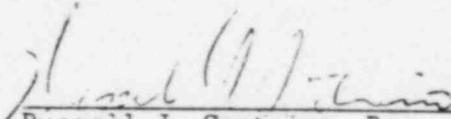
Very truly yours,



William J. Kerner, Esq.
Senior Corporate Counsel
The Cleveland Electric
Illuminating Company
P.O. Box 5000
Cleveland, OH 44101



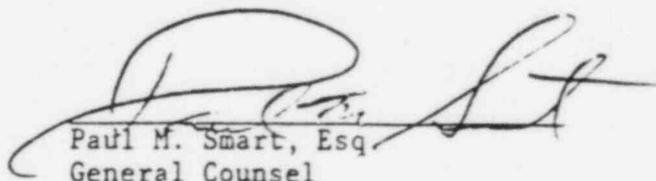
Walter T. Wardzinski, Esq.
General Attorney
Duquesne Light Company
435 Sixth Avenue
Pittsburgh, PA 15219



Russell J. Spretino, Esq.
Vice President and General
Counsel
Ohio Edison Company
76 South Main Street
Akron, OH 44308



James R. Edgerly, Esq.
Vice President and General
Counsel
Pennsylvania Power Company
One East Washington Street
New Castle, PA 16103



Paul M. Smart, Esq.
General Counsel
The Toledo Edison Company
Fuller & Henry
1200 Edison Plaza
P.O. Box 2088
Toledo, OH 43603

AMENDMENT NO. 2

TO

CAPCO BASIC OPERATING AGREEMENT

AS AMENDED SEPTEMBER 1, 1980

THIS AGREEMENT entered into as of the 1st day of September 1982, by and among The Cleveland Electric Illuminating Company, an Ohio corporation ("CEI"); Duquesne Light Company, a Pennsylvania corporation ("DL"); Ohio Edison Company, an Ohio corporation; Pennsylvania Power Company, a Pennsylvania corporation and a wholly-owned subsidiary of Ohio Edison Company which company and its said subsidiary, except as otherwise provided herein, are considered as a single Party for the purposes of this Agreement and referred to as ("OE"); and The Toledo Edison Company, an Ohio corporation ("TE"), collectively referred to as the Parties.

W I T N E S S E T H

WHEREAS, the Parties entered into the CAPCO Basic Operating Agreement, as amended September 1, 1980 and as further amended by Amendment No. 1 thereto dated August 1, 1981 (said CAPCO Basic Operating Agreement, as so amended, being herein called the "Agreement"); and

WHEREAS, Article 6, Section 6.02 of the Agreement provides that each Party shall have an entitlement to receive or an obligation to provide operating capacity or operating capacity and associated energy in the form of CAPCO Back-Up Power, which consists of CAPCO Unit Back-Up Power and CAPCO System Back-Up Power, in accordance with the terms of Schedule A of the Agreement; and

WHEREAS, Schedule A provides that the provisions of Schedule A relating to CAPCO System Back-Up Power shall terminate on August 31, 1982 unless extended pursuant to the Agreement of the Parties; and

WHEREAS, the Parties have determined not to extend the provisions of Schedule A relating to CAPCO System Back-Up Power beyond August 31, 1982 and have agreed in lieu thereof, to amend the Agreement to provide for a broadening of the rights and obligations of the Parties relating to the delivery of Emergency Power under Schedule G of the Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Parties agree as follows:

Section 1. Section 1.1 of Schedule G - Emergency Power of the Agreement is hereby amended to read as follows:

1.1 In the event of a breakdown or other emergency in or on the system of any Party involving either sources of power or transmission facilities, or both, impairing or jeopardizing the ability of a Party to meet the Load of its system, upon request, each Party shall deliver to such Party Emergency Power, during a period not exceeding 48 consecutive hours, in amounts up to 100 mW-hr per hour and such additional amounts as in its sole judgment it can deliver without interposing a hazard to its operations or without impairing or jeopardizing its Load. Such Emergency Power shall be provided (1) from unloaded generating facilities, either on or off line, to the fullest extent necessary from each supplying Party's system, or (2) from non-CAPCO party systems to which the supplying Parties are

interconnected. No Party is obligated to terminate any delivery of power (excluding economy transactions) to any other system in order to provide Emergency Power, but a Party is obligated to terminate economy transactions and supply any excess power from its own system and to purchase power, if available, from any other system with which it is interconnected in order to provide Emergency Power. Every request hereunder shall identify the emergency that gave rise to it. Emergency Power shall not be requested or supplied in lieu of CAPCO Back-Up Power.

Section 2. Except as hereinabove amended, all of the terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 2 to be executed by their duly authorized officers.

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

By *Alfred W. Jones*
Title President

PENNSYLVANIA POWER COMPANY

By *P. Wayne Cole*
Title Pres.

DUQUESNE LIGHT COMPANY

By *John M. Arthur*
Title CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

THE TOLEDO EDISON COMPANY

By *Lowell E. Roe*
Title VICE PRESIDENT, ENERGY SUPPLY

OHIO EDISON COMPANY

By *W. J. Zimmerman*
Title SENIOR VICE PRESIDENT

8/31/82

AGREEMENT FOR THE TERMINATION OR CONSTRUCTION
OF CERTAIN AGREEMENTS BY AND AMONG THE
CLEVELAND ELECTRIC ILLUMINATING COMPANY,
DUQUESNE LIGHT COMPANY, OHIO EDISON
COMPANY, PENNSYLVANIA POWER COMPANY AND
THE TOLEDO EDISON COMPANY

Attachment F

ORIGINAL

AGREEMENT FOR THE TERMINATION OR CONSTRUCTION
OF CERTAIN AGREEMENTS BY AND AMONG
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY,
DUQUESNE LIGHT COMPANY, OHIO EDISON COMPANY,
PENNSYLVANIA POWER COMPANY AND THE TOLEDO EDISON COMPANY

THIS AGREEMENT, effective as of the 1st day of September, 1980, by and among The Cleveland Electric Illuminating Company, an Ohio corporation; Duquesne Light Company, a Pennsylvania corporation; Ohio Edison Company, an Ohio corporation, and its wholly-owned subsidiary, Pennsylvania Power Company, a Pennsylvania corporation, which two companies are considered as a single party for purposes of this Agreement; and The Toledo Edison Company, an Ohio corporation, all of which are referred to collectively as the Parties or the CAPCO Group.

WITNESSETH:

WHEREAS, each of the Parties is desirous of terminating or construing, effective as of September 1, 1980, certain agreements by and among the Parties.

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Parties agree as follows:

1. The CAPCO Memorandum of Understanding dated September 14, 1967, the Agreement of Chief Executives dated July 6, 1973, and the Memorandum of Agreement with an effective date of March 1, 1977, and captioned "Purchase and Sale Agreements Under Schedules E and H of the CAPCO Basic Operating Agreement for the period March 1, 1977 through December 31, 1977 and for 1978, and Tentative Purchase and Sale Agreements for 1979 and Beyond" are terminated and have no further force or effect.

2. The CAPCO Transmission Facilities Agreement with an effective date of September 14, 1967 (hereinafter referred to as the "Transmission Facilities Agreement") is to be construed so as to allow all of the services and transactions contemplated by the CAPCO Basic Operating Agreement as amended September 1, 1980 (hereinafter referred to as the "Basic Operating Agreement") to be performed, accomplished or effected, as the case may be, under said Transmission Facilities Agreement.

3. This Agreement and the Basic Operating Agreement supersede any and all other agreements by and among the Parties involving the CAPCO Group which are not terminated in paragraph 1, above, to the extent such other agreements

conflict or are inconsistent therewith. All such conflicts or inconsistencies shall be removed by appropriate written amendments to these other agreements or by other appropriate action.

4. The Parties hereby reaffirm and agree to implement the pool restructuring principles heretofore described in the minutes of the meetings of the CAPCO Executive Committee on and after November 1, 1979, and shall use their best efforts to prepare and execute as soon as reasonably possible any and all written amendments to agreements by and among the Parties involving the CAPCO Group and to take other appropriate action required by this Agreement, the Basic Operating Agreement, and the aforesaid minutes of the Executive Committee.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

By: *Robert W. Jones*

Title: *President*

DUQUESNE LIGHT COMPANY

By: *John M. ...*

Title: CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

OHIO EDISON COMPANY

By: *D. W. Jacobson*

Title: EXECUTIVE VICE PRESIDENT

PENNSYLVANIA POWER COMPANY

By: *Ray Zimmer*

Title: _____

THE TOLEDO EDISON COMPANY

By: *J. H. Williams*

Title: Chairman of the Board
and Chief Executive Officer

FERC ELECTRIC TARIFF
ORIGINAL VOLUME NO. 1
OF
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
FILED WITH
FEDERAL ENERGY REGULATORY COMMISSION

Attachment G

ORIGINAL

TRANSMISSION SERVICE TARIFF

A. Service Provided

The service provided hereunder (Transmission Service) shall be the ~~transmission~~ of electric power between delivery (interconnection) points of The Cleveland Electric Illuminating Company (CEI) to, from, between, ~~or~~ among rural electric cooperatives or municipalities located within the Combined CAPCO (Central Area Power Coordination Group) Company Territories (COCT) (Customer). The service will be 60 Hertz, alternating current and three phase.

It is understood that the obligation of CEI to transmit power for Customer's account shall be subject to CEI's ability to transmit and deliver stated power consistent with the operation of its system under normal and emergency conditions for its own purposes. The availability of Transmission Service hereunder shall be determined by CEI, and the obligation of CEI shall be further limited to times during which power is actually received by CEI for delivery to Customer. Nothing herein shall be construed as requiring CEI to enlarge its facilities to transmit such power. When CEI determines that Transmission Service is unavailable, it shall promptly orally notify the requesting party to that effect and the reason(s) therefor. This shall be confirmed in writing as soon as practicable but not later than three (3) days following the oral notification. The written confirmation shall be in sufficient detail to explain clearly the capacity constraints upon the system which make wheeling service unavailable. If, after having agreed to transmit power on any particular occasion, CEI is prevented from making or continuing such delivery, it shall use all due diligence to remove the cause of disability and shall resume delivery as promptly as possible.

CEI shall provide Transmission Service within the limits of the capacity of its bulk transmission facilities, and related facilities, without undue interference with service to those interconnected systems the operations of which are conducted, in whole or in part, pursuant to the provisions of an agreement with CEI, except as stated below to other members of the CAPCO group, and to the extent that such Transmission Service does not impose a burden upon the system of CEI.

In the event that CEI must reduce wheeling services to other entities under this Service Schedule due to CEI's lack of capacity, such reduction shall not be effected until reductions of at least 5% have been made in CEI's transmission allocations to other CAPCO members, and thereafter shall be made in proportion to reductions imposed upon other CAPCO members.

The customer by commencing to take Transmission Service from CEI agrees to take and pay for, and CEI by commencing to furnish such Service agrees to furnish the Service, subject to the terms and conditions of this Service Tariff as they may be in effect from time to time subject to action by the governmental bodies having regulatory jurisdiction over services rendered hereunder.

Transmission Service shall be provided by CEI from time to time, upon (i) written request by a Customer for the reservation of transmission capacity (Transmission Reservation) for a period of one week or longer, (ii) concurrence in such request by CEI in writing, (iii) when necessary, any request or concurrence relating to the availability of transmission service may be made orally and shall be confirmed in writing as soon as practicable but not later than the third day following the day such oral request or concurrence is given, (iv) the execution and delivery of a Service Agreement as embodied in the Form of Service Agreement attached to this Tariff, (v) filing of such Service Agreement with the Federal Energy Regulatory Commission (FERC) or any superseding regulatory authority having jurisdiction and (vi) concurrence by CEI from time to time in the maximum amount reserved and the duration (one week or longer for any single transmission service) of the service so requested to be reserved.

When CEI plans its future transmission capability, it will make reasonable provision for disclosed future transmission requirements or entities using wheeling services. 1/

B. Duration

This Service Tariff shall become effective 30 days after filing with the FERC and shall continue in effect for one year, and thereafter for similar periods unless changed, modified, or superseded. CEI reserves the right to make a filing with the FERC for termination of service under this tariff.

C. Changes in Charges and Terms and Conditions of Service

This Service Tariff, the services to be rendered, compensation and the terms, conditions, and rates included herein are subject to being superseded changed, or modified either in whole or in part, made from time to time by a legally effective filing of CEI with or by order of the FERC or any superseding regulatory authority having jurisdiction and both CEI and Customer shall have the right at any time to seek unilaterally superseding services, compensation, terms, conditions, and rates from such regulatory authority.

1/ The term "disclosed" is defined as the giving of reasonable advance notification of future requirements by entities utilizing wheeling services to be made available by CEI.

D. Compensation

Customer shall, with respect to transmission services which shall be reserved during any period of one week or longer (the Reserved Period) under this Service Tariff, pay to CEI monthly, an amount calculated separately for each Transmission Reservation equal to the product of (i) the prorated monthly rate, \$1.69 and (ii) the maximum amount of kilowatts which shall have been reserved (the Reserved Quantity) for transmission from or to such interconnection point during the Reserved Period; provided, however, that if at any time during said Reserved Period the amount of power and energy actually delivered at the delivery point, adjusted for losses thereon from or to the interconnection point for which such transmission service shall be so reserved, shall exceed the actual amount of power and energy received at the receiving point, the excess shall be deemed to be and shall be paid for by Customer as an unscheduled inadvertent power delivery. Any such excess delivery shall be settled for either by the return of equivalent power and energy or payment of the out-of-pocket cost incurred by CEI, plus 10% of such cost. Out-of-pocket cost shall compensate CEI for costs incurred that would otherwise not have been incurred and shall be as of the delivery point specified in the appropriate Service Agreement. If equivalent energy is returned, it shall be returned at times when the load conditions of CEI are equivalent to the load conditions of CEI at the time the energy for which it is returned was delivered or, if CEI elects to have equivalent energy returned under different conditions, it shall be returned in such amount, to be agreed upon by CEI and the Customer, as will compensate for the difference in conditions. There shall be added to any amount calculated pursuant to any of the foregoing provisions of this Section an amount in dollars sufficient to reimburse CEI for any amounts paid or payable by it as sales, excise or similar taxes (other than taxes based upon or measured by net income).

E. Arrangements With Other Systems

If the requested Transmission Service involves transmission directly or indirectly on the facilities of a third utility system, Customer will make arrangements for use of those facilities directly with that third system, and CEI shall not be obliged to commence transmission service until such arrangements have been made. CEI shall be furnished promptly with copies of all agreements relating thereto and any arrangements or supplements thereto. Customer expressly agrees to indemnify and save harmless and defend CEI against all claims, demands, costs, or expenses arising out of providing the Transmission Service, including, without limitation, claims or demands asserted by any supplying utility or any third party in connection with the delivery of power to CEI for Customer's account.

F. Losses

Subject to the provisions of Section I and J hereof, CEI will, in each hour that power is delivered to it for transmission for Customer's account, transmit and deliver ninety-eight percent (98%) of such power (adjusted to the nearest whole MW) to delivery point of Customer, it being agreed that 2% of such power fairly reflects losses on the CEI system.

G. Billing and Payment

Bills for Transmission Service shall be rendered monthly by CEI and paid monthly by Customer. All such bills shall be due and payable within forty-five days from the receipt of the bill. Any amount due and unpaid after the due date shall be termed delinquent and there shall be added interest of one percent (1.0%). For each succeeding thirty day period an additional one percent (1.0%) of the then unpaid amount shall be added until the amount is paid in full.

In order that bills may be rendered promptly after the end of each month, it may be necessary from time to time to estimate certain factors involved in calculating the monthly billing. Adjustments for errors in such estimates shall be included in the bill for the month following the time when information becomes available to make such corrections or adjustments in the billing for the preceding month or months.

H. Interruptions of Transmission Service

It is understood and agreed that the Transmission Service, if and when available, will be furnished except (1) for interruptions or reductions due to forces described in Section I of this Service Tariff; (2) for interruptions or reductions due to action instituted by automatic or manual control which results in disconnection for the purpose of maintaining overall reliability and continuity of CEI's transmission system or for the purpose of protecting its generation or transmission facilities; or (3) for temporary interruptions or reductions, which, in the opinion of CEI, are necessary or desirable for the purpose of maintenance, repairs, replacements, or installation of equipment, or investigation and inspection. CEI does not guarantee that the Transmission Service delivered hereunder will be free from interruption or impairment and CEI shall not be liable to Customer for damages resulting therefrom. CEI, except in case of emergency as determined by CEI, will give Customer reasonable advance notice of any scheduled temporary interruptions or impairment of Transmission Service. Customer will notify CEI's dispatchers of any unscheduled interruption or impairment of Transmission Service by telephone and confirm such notice in writing on the same date such notice was given. CEI will use due diligence to remove all causes of such interrupted or impaired service.

I. Force Majeure

In case either CEI or Customer should be delayed in or prevented from performing or carrying out any of the agreements, covenants, and obligations made by and imposed upon said parties by this Service Tariff by reason of or through strike, stoppage in labor, failure of contractors or suppliers of materials, riot, fire, flood, ice, invasion, civil war, commotion, insurrections, military or usurped power, order of any Court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either de facto or de jure, explosion, act of God or the public enemies, or any cause reasonably beyond its control and not attributable to its neglect; then, and in such case or cases, such party shall not be liable to the other party for or on account of any loss, damage, injury or expense resulting from or arising out of such delay or prevention; provided, however, that the party suffering such delay or prevention shall use due and, in its judgment, practicable diligence to remove the cause or causes thereof; and provided, further, that neither party shall be required by the foregoing provisions to settle a strike except when, according to its own best judgment, such settlement seems advisable.

J. Customer's and CEI's Responsibilities

Customer and CEI will exercise diligence to use and provide the electric service furnished under this Service Tariff with a view to securing efficiency of Customer's and CEI's apparatus and systems in keeping with generally accepted good operating standards, will maintain a power factor as near unity as practicable consistent with good engineering practice, will coordinate their respective systems relaying and fusing so as to preclude unnecessary interruptions, will maintain their respective lines at all times in a safe operating condition, will operate their respective lines in such manner as not to interfere with the service to customers of either party and will coordinate maintenance which may adversely affect the operation of their respective facilities. Customer will use electric service equally from three phases as nearly as possible. If CEI shall deem it necessary that voltage regulating equipment, including but not limited to the structures and devices associated with such equipment, is required, such equipment shall be provided, owned and maintained by Customer.

Customer assumes all responsibility for electricity beyond the point of delivery and CEI shall not be liable for damages to the person or property of Customer or its employees or any other persons resulting from the use or presence of electricity beyond the point of delivery.

K. Metering

Metering equipment will be supplied, installed, wired, owned and maintained, calibrated and sealed by CEI. Such meters shall be of a type selected by CEI.

When metering is at a point other than the delivery point, the metering equipment shall be compensated to registered values, which would have been recorded if the equipment had been located at the delivery point.

The accuracy of the metering equipment shall be verified by proper test at any time upon reasonable notice given by either CEI or Customer to the other, and each party shall be entitled to have a representative present at such verification.

The work of testing and adjusting any meter for accuracy shall be performed by and at the expense of CEI, provided that such test is not called for by Customer more often than once in twelve months. If either party shall require more than one verification of any meter in any twelve month period, and the meter proves to be accurate within two (2) percent plus or minus, the additional verification shall be at the expense of the party requesting it.

If such equipment is found to be inaccurate by more than two (2) percent plus or minus, the equipment shall be made accurate and the meter readings for the period of inaccuracy shall be adjusted to correct such inaccuracies as far as the same can be reasonably ascertained. If the period of inaccuracy cannot be reasonably ascertained, the period of inaccuracy will be deemed to have encompassed one-half of the time period since the last test of the meter.

In the event that CEI's meters fail to register properly during any billing period, the demand and energy quantities will be estimated by CEI from the best available data.

Customer agrees to supply, free of cost, a suitable location for the installation of CEI's metering equipment and such other facilities as are required by CEI in its judgment in providing the requested service. Such location shall be in accordance with specifications as supplied by CEI.

Customer gives all necessary permission to enable the agents of CEI to carry out the terms and conditions of this rate schedule and construct and maintain its lines and circuits in and at all places required by CEI and owned, leased or controlled by Customer. Customer gives to CEI the right for its duly authorized agents and employees to enter the premises of Customer at all reasonable times for the purpose of reading meters, keeping in repair or removing its property or inspecting its work incident to rendering service under this Service Tariff.

Other arrangements for ownership, testing, installing calibrations may be used as may be mutually agreed to by CEI and Customer.

L. No Dedication of Facilities

Any undertaking by one party to the other under any provision of this Service Tariff shall not constitute the dedication of the system or any portion thereof of any party to the public or to the other party, and it is understood and agreed that any such undertaking by any party shall cease upon termination of this Service Tariff.

AGREEMENT FOR THE PURCHASE AND SALE
OF ONTARIO HYDRO KEITH POWER
AGREEMENT FOR THE PURCHASE AND SALE
OF ST. JOE SHORT-TERM POWER
AGREEMENT FOR THE PURCHASE AND SALE
OF DETROIT EDISON SPECIFIC CAPACITY
POWER AND SYSTEM ENERGY

Attachment H

ORIGINAL

AGREEMENT
FOR THE PURCHASE AND SALE
OF ONTARIO HYDRO KEITH POWER

This Agreement, entered into as of the 1st day of August, 1981, by and among The Cleveland Electric Illuminating Company, an Ohio corporation ("CEI"); Duquesne Light Company, a Pennsylvania corporation ("DL"); Ohio Edison Company, an Ohio corporation; Pennsylvania Power Company, a Pennsylvania corporation and a wholly-owned subsidiary of Ohio Edison Company which company and its said subsidiary, except as otherwise provided herein, are considered as a single Party for the purposes of this Agreement and referred to as ("OE"); and The Toledo Edison Company, an Ohio corporation ("TE"), collectively referred to as the Parties,

W I T N E S S E T H:

WHEREAS, the Parties have entered into the CAPCO Basic Operating Agreement, as amended, which provides for the coordinated operation of the systems of the Parties, so as to provide among other things for the utilization by each of the Parties of the facilities heretofore provided for by the Parties, and

WHEREAS, Article 20 of the CAPCO Basic Operating Agreement, as amended, permits the Parties to enter into with other Parties or with other systems any new agreements which do not impair obligations under said Agreement or the ability of a Party to perform its obligations under said Agreement, and

WHEREAS, Schedule B of the CAPCO Basic Operating Agreement, as amended, permits a Party to reserve short-term power for periods of one or more weeks from another Party, and

WHEREAS, Schedule H of the CAPCO Basic Operating Agreement, as amended, permits a Party to reserve non-CAPCO power for periods of one week or more from or through an interconnected non-CAPCO party system to be delivered to another Party for delivery to or through another interconnected non-CAPCO party system, and

WHEREAS, the Parties have entered into the CAPCO Transmission Facilities Agreement, dated as of September 14, 1967, which provides, among other things, for the installation on the systems of the Parties thereto of an adequate transmission network, and the operation and maintenance thereof, to provide a means for more effective coordination with other systems, power pools and coordination groups, and

WHEREAS, CEI is a Party to the Interconnection Agreement between CEI and the PJM Group, dated September 30, 1965, under which CEI during the past year has been providing short-term power to Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, collectively known as the General Public Utilities Companies ("GPU") of the PJM Group, and

WHEREAS, as a consequence of the nuclear incident which occurred at GPU's Three Mile Island Unit No. 2 on March 28, 1979, GPU has suffered and continues to suffer a severe shortage of electric generation which has caused

and continues to cause emergency needs for the supply of electric service to GPU's customers, and

WHEREAS, to help satisfy such emergency needs, CEI proposes to purchase from TE pursuant to this Agreement for transmission upon the transmission systems of the Parties and for immediate resale to GPU power being generated and made available to TE at the Canada-US border by Ontario Hydro of Ontario, Canada ("Ontario Hydro"), and being transmitted to TE by Consumers Power Company and The Detroit Edison Company (the "Michigan Companies"),

NOW THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, it is agreed as follows:

ARTICLE I

SERVICES TO BE RENDERED

1.1 During the period this Agreement is effective, CEI reserves from TE, the power and associated energy available for ultimate sale to GPU from the four 63.5 MW coal-fired units of Ontario Hydro's J. C. Keith Thermal Generating Station ("Ontario Hydro Keith Power"), in such amounts up to 254 MW as shall be determined from time to time by TE. As used herein, the term "week" shall mean any seven consecutive days.

1.2 During the period of the reservation of Ontario Hydro Keith Power, the number of megawatts of power to be delivered shall be scheduled as prearranged weekly by CEI and TE with the concurrence of GPU. Such scheduling shall be confirmed in writing with appropriate notice to the other Parties. If

during such period conditions arise that could not have been reasonably foreseen at the time of scheduling and cause the delivery to be burdensome to any Party, such Party may by oral or written notice to the other Parties require a reduction in the number of megawatts to be delivered by such amount and for such times as such Party shall specify in such notice.

ARTICLE II

COMPENSATION AND BILLING

2.1 For any period that Ontario Hydro Keith Power is reserved, CEI shall pay to TE the following:

2.11 for Ontario Hydro Keith Power reserved by TE from, and for associated transmission services provided by, another system not a Party to this Agreement:

- (a) the amount paid therefor by TE; plus
- (b) \$1.00 per megawatt hour for any energy related to the Ontario Hydro Keith Power supplied by TE in accordance with Schedule B of the CAPCO Basic Operating Agreement.

2.2 For any period that Ontario Hydro Keith Power is reserved hereunder for resale to GPU under the Interconnection Agreement between CEI and the PJM Group,

2.21 CEI and TE shall share with DI and OE in accordance with Schedule H of the CAPCO Basic Operating Agreement the portion of CEI's Short-Term Power compensation for transmission service under such Interconnection

Agreement for Ontario Hydro Keith Power reserved by TE from another system not a Party to this Agreement and the portion of TE's Short-Term Power compensation under Schedule B of the CAPCO Basic Operating Agreement (described in 2.11(b) above) for transmission service as follows:

- (a) one-third to CEI,
- (b) one-third to TE,
- (c) one-sixth to DL, and
- (d) one-sixth to OE.

2.3 Billing and Payment

2.31 As promptly as practicable after the end of each calendar month, TE shall prepare and furnish to CEI a billing statement showing power transactions and amounts owed under the terms of this Agreement. Such billing statement shall be due and payable by CEI on the first banking day common to the Parties hereto following the nineteenth day of the month in which such statement is rendered. Notwithstanding the foregoing, such billing statement shall not be due and payable to the extent that GPU fails to compensate CEI for amounts owed hereunder in which event CEI shall exercise its best efforts to collect such compensation from GPU, and will not compromise or settle any claim for such compensation without the prior consent of TE.

To the extent that GPU compensates CEI in an amount less than the amount GPU owes CEI under CEI's billing statement for power and associated energy supplied hereunder, CEI shall pay TE so much of such amount as will first compensate Ontario Hydro for Ontario Hydro's out-of-pocket costs

associated with its energy and reservation charges, and shall pay DL, OE and TE so much of the balance as will then result in a sharing of the remainder among CEI, DL, OE, TE, the Michigan Companies, and Ontario Hydro in proportion to the amounts owed to such Parties and non-CAPCO party systems for their respective unpaid charges.

ARTICLE III

TERMS OF AGREEMENT

3.1 This Agreement shall become effective on August 3, 1981 and shall continue to be effective through December 31, 1983, unless extended by mutual agreement of the Parties, or unless the Agreement between Ontario Hydro and TE is cancelled earlier according to its terms in which event this Agreement shall terminate at the same time.

3.2 Notwithstanding the foregoing, the effectiveness of this Agreement shall be subject to the obtaining and maintaining of any requisite orders, approvals, permits, certificates or licenses from any governmental authorities having jurisdiction.

ARTICLE IV

REFERENCE TO OTHER AGREEMENTS

4.1 The terms of the CAPCO Basic Operating Agreement, as amended, and the CAPCO Transmission Facilities Agreement, as amended, shall apply to all transactions under this Agreement to the extent applicable.

4.2 The terms of this Agreement shall hereby supersede and terminate the Agreement between The Cleveland Electric Illuminating Company and The Toledo Edison Company for the purchase and sale of Ontario Hydro Keith Power, which was entered into as of the 1st day of May, 1981, between CEI and TE.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

By: s/ Robert M. Ginn

Title: President

DUQUESNE LIGHT COMPANY

By: s/ John M. Arthur

Title: Chairman

OHIO EDISON COMPANY

By: s/ Justin T. Rogers Jr.

Title: President

PENNSYLVANIA POWER COMPANY

By: s/ Justin T. Rogers Jr.

Title: Chairman of the Board

THE TOLEDO EDISON COMPANY

By: s/ Lowell E. Roe

Title: Vice President, Energy Supply

AGREEMENT
FOR THE PURCHASE AND SALE
OF ST. JOE SHORT-TERM POWER

This Agreement, entered into as of the 25th day of January 1982, by and among The Cleveland Electric Illuminating Company, an Ohio corporation ("CEI"); Duquesne Light Company, a Pennsylvania corporation ("DL"); Ohio Edison Company, an Ohio corporation; Pennsylvania Power Company, a Pennsylvania corporation and a wholly-owned subsidiary of Ohio Edison Company which company and its said subsidiary, except as otherwise provided herein, are considered as a single Party for the purposes of this Agreement and referred to as ("OE"); and The Toledo Edison Company, an Ohio corporation ("TE"), collectively referred to as the Parties,

W I T N E S S E T H:

WHEREAS, the Parties have entered into the CAPCO Basic Operating Agreement, as amended, which provides for the coordinated operation of the systems of the Parties, so as to provide among other things for the utilization by each of the Parties of the facilities heretofore provided for by the Parties, and

WHEREAS, Article 20 of the CAPCO Basic Operating Agreement, as amended, permits the Parties to enter into with other Parties or with other systems any new agreements which do not impair obligations under said Agreement or the ability of a Party to perform its obligations under said Agreement, and

WHEREAS, Schedule B of the CAPCO Basic Operating Agreement, as amended, permits a Party to reserve short-term power for periods of one or more weeks from another Party, and

WHEREAS, Schedule H of the CAPCO Basic Operating Agreement, as amended, permits a Party to reserve non-CAPCO power for periods of one week or more from or through an interconnected non-CAPCO party system to be delivered to another Party for delivery to or through another interconnected non-CAPCO party system, and

WHEREAS, the Parties have entered into the CAPCO Transmission Facilities Agreement, dated as of September 14, 1967, which provides, among other things, for the installation on the systems of the Parties thereto of an adequate transmission network, and the operation and maintenance thereof, to provide a means for more effective coordination with other systems, power pools and coordination groups, and

WHEREAS, CEI is a Party to the Interconnection Agreement between CEI and the PJM Group, dated September 30, 1965, under which CEI has been providing short-term power to Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, collectively known as the General Public Utilities Companies ("GPU") of the PJM Group, and

WHEREAS, as a consequence of the nuclear incident which occurred at GPU's Three Mile Island Unit No. 2 on March 28, 1979, GPU has suffered and continues to suffer a severe shortage of electric generation which has caused

and continues to cause emergency needs for the supply of electric service to GPU's customers, and

WHEREAS, to help satisfy such emergency needs, CEI proposes to purchase from DL pursuant to this Agreement for transmission upon the transmission systems of the Parties and for immediate resale to GPU power being generated by St. Joe Resources Company ("St. Joe") of Monaco, Pennsylvania, and sold to DL as short-term power ("St. Joe Short-Term Power") for resale to CEI.

NOW THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, it is agreed as follows:

ARTICLE I

SERVICES TO BE RENDERED

1.1 During the period this Agreement is effective, CEI reserves from DL, St. Joe Short-Term Power for ultimate sale to GPU from St. Joe subject to the limitations and restrictions contained in the Agreement between St. Joe and DL dated January 21, 1982. As used herein, the term "week" shall mean any seven consecutive days.

1.2 During the period of the reservation of St. Joe Short-Term Power, the number of megawatts of power to be delivered shall be scheduled as prearranged weekly by CEI and DL with the concurrence of GPU and St. Joe. Such scheduling shall be confirmed in writing with appropriate notice to the other Parties. If during such period conditions arise that could not have

been reasonably foreseen at the time of scheduling and cause the delivery to be burdensome to any Party, such Party may by oral or written notice to the other Parties require a reduction in the number of megawatts to be delivered by such amount and for such times as such Party shall specify in such notice.

ARTICLE II

COMPENSATION AND BILLING

2.1 For any period that St. Joe Short-Term Power is reserved, CEI shall pay to DL the following:

2.11 For St. Joe Short-Term Power reserved by DL,

- (a) the amount paid therefor by DL; plus
- (b) \$1.00 per megawatt hour for any energy related to the St. Joe Short-Term Power DL is purchasing for resale to CEI in accordance with Schedule B of the CAPCO Basic Operating Agreement.

2.2 For any period that St. Joe Short-Term Power is reserved hereunder for resale to GPU under the Interconnection Agreement between CEI and the PJM Group,

2.21 CEI and DL shall share with TE and OE in accordance with Schedule H of the CAPCO Basic Operating Agreement the portion of CEI's short-term power compensation for transmission service under such Interconnection Agreement for St. Joe Short-Term Power reserved by DL from another system not

a Party to this Agreement and the portion of DL's short-term power compensation under Schedule B of the CAPCO Basic Operating Agreement (described in 2.11(b) above) for transmission service as follows:

- (a) one-third to CEI,
- (b) one-third to DL,
- (c) one-sixth to TE, and
- (d) one-sixth to OE.

2.3 Billing and Payment

2.31 As promptly as practicable after the end of each calendar month, DL shall prepare and furnish to CEI a billing statement showing power transactions and amounts owed under the terms of this Agreement. Such billing statement shall be due and payable by CEI on the first banking day common to the Parties hereto following the nineteenth day of the month in which such statement is rendered. Notwithstanding the foregoing, such billing statement shall not be due and payable to the extent that GPU fails to compensate CEI for amounts owed hereunder in which event CEI shall exercise its best efforts to collect such compensation from GPU, and will not compromise or settle any claim for such compensation without the prior consent of DL.

To the extent that GPU compensates CEI in an amount less than the amount GPU owes CEI under CEI's billing statement for power and associated energy supplied hereunder, CEI shall pay DL so much of such amount as will first compensate St. Joe for St. Joe's out-of-pocket costs associated with its energy and demand charges, and shall pay DL, OE and TE so much of the

balance as will then result in a sharing of the remainder among CEI, DL, OE, TE and St. Joe in proportion to the amounts owed to such Parties and non-CAPCO party system for their respective unpaid charges.

ARTICLE III

TERM OF AGREEMENT

3.1 This Agreement shall become effective on January 25, 1982 and shall continue to be effective through December 31, 1986, unless the Agreement between St. Joe and DL is extended or is terminated earlier according to its terms in which event this Agreement shall be extended or terminated at the same time.

3.2 Notwithstanding the foregoing, the effectiveness of this Agreement shall be subject to the obtaining and maintaining of any requisite orders, approvals, permits, certificates or licenses from any governmental authorities having jurisdiction.

ARTICLE IV

REFERENCE TO OTHER AGREEMENTS

4.1 The terms of the CAPCO Basic Operating Agreement, as amended, and the CAPCO Transmission Facilities Agreement, as amended, shall apply to all transactions under this Agreement to the extent applicable.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

By: *Harold Williams*

Title: EXECUTIVE VICE PRESIDENT

DUQUESNE LIGHT COMPANY

By: *C. J. Quinn*

Title: VICE PRESIDENT

OHIO EDISON COMPANY

By: *R. J. McCarty* ^{at}

Title: SENIOR VICE PRESIDENT

PENNSYLVANIA POWER COMPANY

By: *W. Keck*

Title: VICE PRESIDENT

THE TOLEDO EDISON COMPANY

By: *Lowell E. Hall*

Title: VICE PRESIDENT, ENERGY SUPPLY

AGREEMENT
FOR THE PURCHASE AND SALE
OF DETROIT EDISON SPECIFIC CAPACITY POWER AND SYSTEM ENERGY

This Agreement, entered into as of the 1st day of June 1982, by and among The Cleveland Electric Illuminating Company, an Ohio corporation (CEI); Duquesne Light Company, a Pennsylvania corporation (DL); Ohio Edison Company, an Ohio corporation; Pennsylvania Power Company, a Pennsylvania corporation and a wholly-owned subsidiary of Ohio Edison Company which company and its said subsidiary, except as otherwise provided herein, are considered as a single Party for the purposes of this Agreement and referred to as (OE); and The Toledo Edison Company, an Ohio corporation (TE), individually referred to as a Party and collectively referred to as the Parties,

W I T N E S S E T H:

WHEREAS, the Parties have entered into the CAPCO Basic Operating Agreement, as amended, to provide among other things for the utilization by each of the Parties of the facilities heretofore provided for by the Parties, and

WHEREAS, Article 20 of the CAPCO Basic Operating Agreement, as amended, permits one or more of the Parties to enter into with other Parties or with other systems any new agreements which do not impair obligations under said Agreement or the ability of a Party to perform its obligations under said Agreement, and

WHEREAS, Schedule B of the CAPCO Basic Operating Agreement, as amended, permits a Party to reserve short-term power for periods of one or more weeks from another Party, and

WHEREAS, Schedule H of the CAPCO Basic Operating Agreement, as amended, permits a Party to reserve non-CAPCO power for periods of one week or more from or through an interconnected non-CAPCO party system to be delivered to another Party for delivery to or through another interconnected non-CAPCO party system, and

WHEREAS, the Parties have entered into the CAPCO Transmission Facilities Agreement, dated as of September 14, 1967, which provides, among other things, for the installation on the systems of the Parties thereto of an adequate transmission network, and the operation and maintenance thereof, and

WHEREAS, Consumers Power Company (CP), The Detroit Edison Company (DE) and TE entered into an Operating Agreement dated March 1, 1966, as amended, for and with respect to the carrying out of various interconnection services and transactions, and

WHEREAS, CEI is a party to the Interconnection Agreement between CEI and the PJM Group, dated September 30, 1965, under which CEI has been providing short-term power to Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, collectively known as the General Public Utilities Companies (GPU) of the PJM Group, and

WHEREAS, as a consequence of the nuclear incident which occurred at GPU's Three Mile Island Unit No. 2 on March 28, 1979, GPU has suffered and continues to suffer a severe shortage of electric generation which has caused and continues to cause emergency needs for the supply of electric service to GPU's customers, and

WHEREAS, to help satisfy such emergency needs, TE proposes to purchase Specific Capacity Power and System Energy from DE pursuant to Service Schedule G of its Operating Agreement with CP and DE for immediate resale to CEI, and CEI proposes to purchase such Specific Capacity Power and System Energy in accordance with Schedule B of the CAPCO Basic Operating Agreement, as amended, from TE for transmission pursuant to this Agreement upon the transmission systems of the Parties and for immediate resale to GPU.

NOW THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, it is agreed as follows:

ARTICLE I

SERVICES TO BE RENDERED

1.1 During the period this Agreement is effective, CEI reserves from TE for ultimate resale to GPU the Specific Capacity Power and associated energy and System Energy which is purchased by TE under Service Schedule G of its Operating Agreement with CP and DE in such amounts up to 650 MW as shall be determined by TE from time to time under said Service Schedule G. As used herein, the term "week" shall mean any seven consecutive days.

1.2 During the period of the reservation of Specific Capacity Power and System Energy the number of megawatts of power to be delivered shall be scheduled as prearranged weekly by CEI and TE with the concurrence of GPU and DE. Such scheduling shall be confirmed in writing with appropriate notice to the other Parties. If during such period conditions arise that could not have been reasonably foreseen at the time of scheduling and cause the delivery to be burdensome to any Party, such Party may by oral or written notice to the other Parties require a reduction in the number of megawatts to be delivered by such amount and for such times as such Party shall specify in such notice.

1.3 In the event DE makes a request for System Energy from GPU, the express written consent of TE required in Paragraph 2.3 of Service Schedule G of the Operating Agreement among CP, DE and TE shall not be given unless CEI, OE and DL have been notified by TE as to the amount and duration of the proposed transaction, and the Parties have consented thereto on terms to be mutually agreed to among the Parties.

ARTICLE II
COMPENSATION AND BILLING

2.1 For any period that Specific Capacity Power and System Energy from DE is reserved by TE for ultimate sale to GPU, CEI shall pay to TE the following:

2.11 For Specific Capacity Power and System Energy reserved by TE,

- (a) the amount paid therefor by TE; plus
- (b) \$1.00 per megawatt hour for any energy related to the Specific Capacity Power and System Energy TE is purchasing for resale to CEI in accordance with Schedule B, as it may be amended from time to time, of the CAPCO Basic Operating Agreement.

2.2 For any period that Specific Capacity Power and System Energy is reserved hereunder for ultimate sale to GPU under the Interconnection Agreement between CEI and the PJM Group, CEI and TE shall share with DL and OE in accordance with Schedule H of the CAPCO Basic Operating Agreement the portion of CEI's short-term power compensation for transmission service under such Interconnection Agreement for Specific Capacity Power and System Energy reserved by TE from DE and the portion of TE's short-term power compensation under Schedule B, as it may be amended from time to time, of the CAPCO Basic Operating Agreement (described in 2.11(b) above) for transmission service as follows:

- (a) one-third to CEI,
- (b) one-third to TE,
- (c) one-sixth to DL, and
- (d) one-sixth to OE.

2.3 Billing and Payment

2.31 As promptly as practicable after the end of each calendar month, TE shall prepare and furnish to CEI a billing statement showing power transactions and amounts owed for such month under the terms of this Agreement. Such billing statement shall be due and payable by CEI by wire transfer

to a date designated by TE on the first banking day common to CEI and TE following the nineteenth day of the month in which such statement is rendered. Notwithstanding the foregoing, such billing statement shall not be due and payable to the extent that GPU fails to compensate CEI for amounts owed hereunder in which event CEI shall exercise its best efforts to collect such compensation from GPU, and will not compromise or settle any claim for such compensation without the prior consent of TE.

To the extent that GPU compensates CEI in an amount less than the amount GPU owes CEI under CEI's billing statement for power and associated energy supplied hereunder, CEI shall pay TE so much of such amount as will first compensate DE for DE's out-of-pocket costs associated with its energy charges, and shall pay DL, OE and TE so much of the balance as will then result in a sharing of the remainder among CEI, DL, OE, TE and DE in proportion to the amounts owed to such Parties and non-CAPCO party system for their respective unpaid charges.

ARTICLE III

TERM OF AGREEMENT

3.1 This Agreement shall become effective on June 1, 1982 and shall continue to be effective through December 31, 1990, unless Service Schedule G of the Operating Agreement among CP, DE and TE is extended and the Parties hereto agree to provide service hereunder for such extended period, or is terminated earlier according to its terms in which event this Agreement shall be terminated accordingly.

3.2 Notwithstanding the foregoing, the effectiveness of this Agreement shall be subject to the obtaining and maintaining of any requisite orders, approvals, permits, certificates or licenses from any governmental authorities having jurisdiction.

ARTICLE IV

REFERENCE TO OTHER AGREEMENTS

4.1 The terms of the CAPCO Basic Operating Agreement, as amended or as it may be subsequently amended, and the CAPCO Transmission Facilities Agreement, as amended or as it may be subsequently amended, shall apply to all transactions under this Agreement to the extent applicable.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

By: Harold L. Williams

Title: Executive Vice President

DUQUESNE LIGHT COMPANY

By: John M. Arthur

Title: CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

OHIO EDISON COMPANY

By: Robert J. McWhorter

Title: SENIOR VICE PRESIDENT

PENNSYLVANIA POWER COMPANY

By: A. Wayne Cole

Title: PRESIDENT

THE TOLEDO EDISON COMPANY

By: Lowell E. Roe

Title: VICE PRESIDENT, ENERGY SUPPLY

Acknowledged and consented to: General Public Utilities Service Corporation on behalf of Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company.

GENERAL PUBLIC UTILITIES SERVICE
CORPORATION

By: P. M. Smith

Title: VICE PRESIDENT

THE DETROIT EDISON COMPANY

By: D. Daniel DeTribola

Title: Vice President-Operations

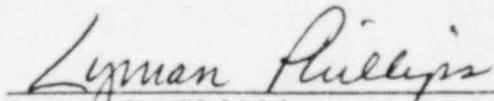
Application for
Operating License for
Beaver Valley Nuclear Power Station, Unit No. 2

INFORMATION REQUESTED BY THE NUCLEAR REGULATORY
COMMISSION IN CONNECTION WITH ITS ANTITRUST REVIEW
ANSWERS OF THE TOLEDO EDISON COMPANY

A F F I D A V I T

State of Ohio)
) SS:
County of Lucas)

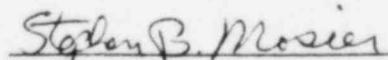
On December 3, 1982, before me, a Notary Public in and for
the State and County aforesaid, personally appeared Lyman C.
Phillips, who, after being duly sworn according to law, deposed
and said that he is Vice President, Corporate Planning and
Development of THE TOLEDO EDISON COMPANY, a corporation; that
in such capacity he is authorized to make this Affidavit; and
that the within Answers of THE TOLEDO EDISON COMPANY to the
Information Requested by the Nuclear Regulatory Commission in
connection with its Antitrust Review are true and correct to
the best of his knowledge, information and belief.



Lyman C. Phillips

Sworn to and subscribed before me the day and year aforesaid.

STEPHEN B. MOSIER
ATTORNEY AT LAW
Notary Public, State of Ohio
My commission has no expiration date
Section 147.03 R.C.



Notary Public

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Question 1a:

Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed, or otherwise utilized or how the shortage will be obtained.

Answer:

The Toledo Edison Company's (Toledo Edison) current forecast of installed generating capability, shown below in Table I, results in reserve margins deemed adequate to maintain acceptable system reliability under normal operating conditions. Reserve margins increase after the addition of new generating units, however, these margins decline in the respective subsequent years as a consequence of normal load growth. Also, while these units are expected to be declared commercial in the respective years indicated in Table I, for planning purposes Toledo Edison does not anticipate that these units will be fully available at all times during the first year of commercial operation due to start-up testing requirements and the normal initial start-up difficulties associated with new nuclear units.

Since the construction permit stage, Toledo Edison's forecast of system peak loads has been substantially reduced. This reduced forecast is occasioned by the dramatically different social, economic and energy outlook today than was foreseen at the time the original projections were made during the construction permit period for the unit. Higher energy costs which have tended to suppress load growth, generally lower economic growth prospects, and a new energy conservation ethic have all contributed to this lower forecast. In response thereto, the scheduled start-up date for Beaver Valley Unit No. 2 has been delayed from April, 1977 to May, 1986. Similarly, the start-up dates for Perry Unit No. 1 and Perry Unit No. 2 have been delayed from the original dates of April 1979 and April 1980, respectively, to May 1984 and May 1988, respectively. Additionally, four nuclear units have been canceled (Erie Unit Nos. 1 and 2 and Davis-Besse Unit Nos. 2 and 3).

Adequate generating capacity reserves are imperative in order to maintain economical electric service to our customers without unnecessary dependence on capacity from other sources. Reserves are required so that generating equipment can be taken out of service to perform scheduled maintenance and, in the case of nuclear units, for refueling

THE TOLEDO EDISON COMPANY
Response to
NRC Regulatory Guide 9.3

Answer:
(1a cont.)

operations. Reserves are also required for unplanned outages due to equipment failures, fuel shortages, unforeseeable extreme weather conditions, and unit derating as a result of regulations affecting the construction and operation of generating facilities.

Toledo Edison believes that the generating capacity shown in Table I will be adequate to meet presently expected load growth. However, future capacity requirements and plans are subject to ongoing review and may be modified.

TABLE I

Toledo Edison's Projected Net Seasonal Capability
At Time of Annual Peak (in MW)

<u>Current Forecast</u>	<u>System Peak Load(1)</u>	<u>Net Seasonal Capability(2)</u>	<u>Projected Reserves(3)</u>	<u>Reserve Margin(%)</u>
1983	1390	1768	378	27.2
1984	1450	1768	318	21.9
1985	1500	2008	508	33.9
1986	1550	2008	458	29.5
1987	1590	2171	581	36.5
1988	1630	2158	528	32.4
1989	1680	2384	704	41.9
1990	1720	2384	664	38.6
1991	1770	2384	614	34.7
1992	1810	2384	574	31.7

Committed Capacity Additions

<u>Unit</u>	<u>Scheduled In-Service</u>	<u>Toledo Edison Share-NCD MW</u>
Perry Unit No. 1 (1205 MW)	5/1/84	240
Beaver Valley Unit No. 2 (833 MW)	5/1/86	166
Perry Unit No. 2 (1205 MW)	5/1/88	240

- (1) Excluding interruptibles and rural electric cooperatives (RECs).
- (2) Including planned purchases from Ohio Valley Electric Company (OVEC)
- (3) Before maintenance.

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Question 1b:

New power pools or coordinating groups or changes in structure, activities, policies, practices, or membership of power pools or coordinating groups in which the licensee was, is, or will be a participant.

Answer:

The CAPCO Group in late 1979 completed studies re-evaluating the CAPCO construction program and the CAPCO pool structure.

For a complete explanation of the agreements reached as a result of these joint studies, please consult answer of Duquesne Light Company and The Cleveland Electric Illuminating Company to Question 1b.

Question 1c:

Changes in transmission with respect to (1) the nuclear plant, (2) interconnections, or (3) connections to wholesale customers.

Answer:

(1) No changes to Toledo Edison's System

(2) Toledo Edison has added one 345 KV transmission interconnection:

Allen-Junction (Toledo Edison) - Lulu (Detroit Edison) on December 31, 1974.

(3) On February 21, 1978, Toledo Edison placed into service a 12.47 KV delivery point near Lyons, Ohio, establishing service to a portion of Southeastern Michigan REC's load within the State of Michigan. This load is supplied by power from Toledo Edison as requested by the Southeastern Michigan REC.

On May 28, 1982, the City of Bryan, Ohio, discontinued its 69 KV connection with Toledo Edison and began receiving its entire power requirements from Ohio Power Company's 138 KV Lockwood Substation.

Question 1d:

Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Answer: There has been no change in Toledo Edison's ownership allocation of Beaver Valley Unit No. 2.

Question 1e: Changes in design, provisions, or conditions of rate schedules and reasons for such changes. Rate increases or decreases are not necessary.

Answer: In general, Toledo Edison has moved toward a simplification of its rate schedules. This has included the initiation of a separately identified customer charge in most rate schedules and a reduction in the number of rate blocks. Likewise, there has been a flattening of the rate structures through a reduction in the pricing differential between the rate blocks. Several special purpose rates have also been established. These included a demand metered rate for residential electric heating customers, an interruptible rate for large industrial customers and an experimental residential energy storage rate.

It is believed that these changes are in accord with current rate making trends in that they establish a better correlation between the rate structure and the cost incurred in providing service.

Attached hereto as Exhibit 1 are copies of Toledo Edison's current rate schedules.

Question 1f: List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or mergers.

- Answer:
- (1) None.
 - (2) No transfers from one rate schedule to another.
(See Item 1h)
 - (3) None.
 - (4) None.

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Question 1g: List of those generating capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

Answer: Toledo Edison has a 19.91% ownership share of the committed Perry Unit No. 2.

Question 1h: Summary of requests or indications of interests by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

- Answer:
- (1) On May 2, 1978, Robert W. Sorgenfrei, the Director of Utilities of the City of Bowling Green, Ohio, wrote to Toledo Edison on behalf of the cities of Bowling Green, Montpelier and Napoleon, Ohio expressing a tentative interest in participating with Toledo Edison in joint generation projects, including those involving nuclear units. Through various meetings and correspondence, Toledo Edison indicated its interest in this tentative proposal, although it was recognized by all parties concerned that the formation of such a joint venture among Toledo Edison and the municipalities would require changes in Ohio law. Discussions on this matter were very tentative, and in view of other alternatives set forth in 1h(2), below, were not pursued by the municipalities.
 - (2) By letters dated December 29, 1978 and March 26, 1979, attorneys Robert A. Jablon and David R. Strauss, on behalf of four Toledo Edison municipal wholesale customers (Bowling Green, Montpelier, Napoleon and Bryan, Ohio) and twenty-one Ohio Edison municipal wholesale customers, requested from the CAPCO companies access to Davis-Besse Unit Nos. 1, 2 and 3 and Perry Unit Nos. 1 and 2, nuclear generating units operated or then scheduled to be operated by the CAPCO utilities. In the latter letter, a discussion of wheeling was also requested, as well as an exchange of views regarding possible membership in CAPCO by an individual or group of municipalities. On June 1, 1979, a

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Answer:
(1h cont.)

meeting was held in Cleveland, Ohio at which representatives of the municipalities, Toledo Edison, Ohio Edison and Cleveland Electric Illuminating Company, inter alia, discussed the municipalities' tentative proposal, and its possible implementation through the establishment of an Ohio Municipal Electric Authority to be set up as a financing tool for certain municipalities. An amendment to the Ohio Constitution was required for the establishment of such a financing authority, however, and the required constitutional amendment was defeated by Ohio voters in a statewide election held on June 3, 1980. Subsequently, no significant additional action has been undertaken by the parties to implement the proposal.

- (3) Commencing in April of 1979, the City of Bryan, Ohio and Toledo Edison on numerous occasions held meetings and exchanged correspondence concerning Bryan's various alternatives for securing its power supply after the termination of its wholesale power supply contract with Toledo Edison on June 1, 1982. Among the various alternatives (with certain variations) which were discussed between Toledo Edison and Bryan were the following:
- (i) Toledo Edison continuing to supply Bryan's full requirement of power;
 - (ii) Toledo Edison supplying Bryan's power for three months of the year, and wheeling power the balance of the year for Northwest Cooperative so that Bryan could purchase its power therefrom;
 - (iii) The same proposal as in number (ii), above, except during the aforementioned nine month period the power wheeled by Toledo Edison would be purchased by Bryan directly from Buckeye Power, Inc. instead of from Northwest Cooperative;

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Answer:
(1h cont.)

- (iv) The purchase by Bryan of one-half mile of transmission line owned by Toledo Edison connecting the latter to Ohio Power's system, with Bryan then purchasing its power requirement from Ohio Power;
- (v) The purchase by Bryan of its entire wholesale power requirement from Ohio Power, which power would be wheeled by Toledo Edison over its transmission facilities.

In April of 1980, Toledo Edison submitted a bid at Bryan's request for the provision of Bryan's entire wholesale requirement of power. That bid was rejected, and Toledo Edison was notified that on June 1, 1982, Bryan would cease purchasing its entire wholesale power requirement from Toledo Edison. Bryan's request that Toledo Edison sell one-half mile of its transmission line connecting Toledo Edison with Ohio Power was rejected. However, in Docket No. ER80-571 before the Federal Energy Regulatory Commission, an application by Toledo Edison for a wholesale rate increase, a settlement agreement was reached under which, inter alia, Toledo Edison would upon request wheel power from Buckeye Power, Inc. or any other wholesale power supplier to various wholesale customers in Toledo Edison's service territory, including the City of Bryan.

In June of 1981, The Ohio Power Siting Commission granted a certificate to the City of Bryan to construct a 10.6 mile transmission line and associated substations along an abandoned railroad acquired by the City that ran between Bryan and an Ohio Power Company line coming out of Indiana. The line, known as The Marquis Corridor, was completed on May 28, 1982. On March 31, 1982, Toledo Edison filed a Notice of Cancellation of its service to Bryan with

THE TOLEDO EDISON COMPANY

Response To
NRC Regulatory Guide 9.3

Answer:
(1h cont.)

- the Federal Energy Regulatory Commission. On April 26, 1982, Ohio Power Company filed with the Federal Energy Regulatory Commission, an electric service agreement executed by Ohio Power Company and the City of Bryan, Ohio, which replaced the service agreement between Toledo Edison and the City of Bryan. On June 1, 1982, service to Bryan by Toledo Edison was terminated.
- (4) On June 6, 1979, attorney Robert a Jablon, on behalf of the Cities of Bowling Green, Bryan, Montpelier and Napoleon, Ohio, wrote to Toledo Edison and requested Toledo Edison to wheel power from Buckeye Power, Inc. to the respective municipalities pursuant to, and on the terms and conditions specified in a contract to which Toledo Edison and Buckeye Power, Inc., inter alia, are signatories (hereinafter Buckeye Power Delivery Agreement). Subsequently, in various meetings and correspondence between Toledo Edison and attorneys for the municipalities, Toledo Edison has acknowledged its obligation in accordance with and under the circumstances specified in the Federal Energy Act and the NRC licensing conditions to wheel power upon request to municipalities within its service territory; however, in connection with the specific request by the municipalities, Toledo Edison expressed its opinion that the Buckeye Power Delivery Agreement was not intended to be applicable under the circumstances presented in the municipalities' request, and thus that contract does not specify the terms and conditions on which Toledo Edison is obligated to furnish services of any type to the municipalities. Nevertheless, in Docket No. ER 80-571 before the Federal Energy Regulatory Commission, an application by Toledo Edison for a wholesale rate increase, a settlement agreement was reached under which, inter alia, Toledo Edison would upon request wheel power from Buckeye Power, Inc. or any other wholesale power supplier to various wholesale customers in Toledo Edison's service territory, including the cities of Bowling Green, Bryan,

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Answer:
(1h cont.)

Montpelier and Napoleon, Ohio. The settlement agreement further provides that the terms and conditions for the provision of such wheeling services by Toledo Edison from Buckeye Power, Inc. are to be negotiated in good faith by the parties on a cost basis, but if the Federal Energy Regulatory Commission in Buckeye Power, Inc. v. Cincinnati Gas & Electric Co., FERC Docket No. EL 79-20 should find that the Buckeye Power Delivery Agreement is applicable under the circumstances there presented, then Toledo Edison would furnish wheeling services from Buckeye Power, Inc. to the municipalities in accordance with and on the terms and conditions specified in the Buckeye Power Delivery Agreement, subject to judicial review of the aforementioned decision. On January 25, 1982, the FERC issued an order which required Cincinnati Gas and Electric Company to wheel Buckeye power in accordance with the terms of the Buckeye Power Delivery Agreement. On March 25, 1982, the FERC denied a rehearing application by Cincinnati Gas and Electric Co. On May 24, 1982, Cincinnati Gas and Electric Co. petitioned the United States Court of Appeals for the Sixth District for review of the orders issued January 25, 1982, and March 25, 1982, by the FERC.

- (5) On January 29, 1981, in response to a request from the Village of Tontogany, Toledo Edison supplied fuel adjustment factors and an estimation of costs for the provision of wholesale power for the month of December, 1980 in order for the Village to compare costs with its current supplier. No additional correspondence has taken place.
- (6) On April 1, 1981, American Municipal Power-Ohio, Inc. (AMP-Ohio) commenced an off-peak seasonal sale of power to the communities of Bowling Green, Edgerton, Montpelier and Napoleon. AMP-Ohio is an Ohio corporation organized to furnish technical service on a cooperative, non-profit basis for the benefit of its patrons which are electric systems

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Answer:
(1h cont.)

owned and operated by municipal corporations in the State of Ohio.

AMP-Ohio purchases power from Buckeye Member Cooperative which in turn transmits electricity through Toledo Edison lines where it is sold to the various municipalities. On June 4, 1981, Toledo Edison tendered for filing in Docket No. ER 81-518 a Seasonal Transmission Tariff. Following a pre-hearing conference, all parties agreed in principal to a settlement. On November 5, 1981, Toledo Edison filed a Motion for Approval of Settlement Agreement with the FERC concerning rates under its Seasonal Transmission Service Tariff. The Settlement Agreement was approved with an effective date of April 1, 1981.

AMP-Ohio supplied off-peak seasonal power at 100% load factor during the months of April through October to the municipalities of Bowling Green, Bryan, Edgerton, Montpelier and Napoleon in 1981. In 1982, Bryan ceased its purchase of off-peak seasonal power from AMP-Ohio. However, the municipalities of Elmore, Genoa, Oak Harbor, Pemberville, Pioneer and Woodville contracted with AMP-OHIO for off-peak seasonal power in 1982 and power has been wheeled by Toledo under a modification of the seasonal agreement to accommodate the lower voltage deliveries.

Question 2:

Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

Answer:

There are no antitrust license conditions attached to BVPS-Unit 2 Construction Permit. Such conditions are attached to David-Besse Unit No. 1 and Perry Nuclear Power Plants No. 1 and 2. With respect to these conditions it is the policy of Toledo Edison to comply with all of the License Conditions.

Actions or policies implemented subsequent to and in accordance with the License Conditions are listed below:

THE TOLEDO EDISON COMPANY
Response To
NRC Regulatory Guide 9.3

Answer:
(2 cont.)

License Condition 3

An agreement between Toledo Edison and its wholesale customers has been reached under which Toledo Edison has agreed to wheel power, upon request, from Buckeye Power, Inc. or any other wholesale power supplier to wholesale customers within Toledo Edison's service territory (see Item 1h).

License Condition 9

Requests were received from attorneys Jablon and Strass, on behalf of 25 wholesale customers of the CAPCO companies, for preliminary discussions concerning access to Davis-Besse Unit Nos. 1, 2 and 3 and Perry Unit Nos. 1 and 2. (See Item 1h).

License Condition 10

Toledo Edison Sells wholesale power to all requesting entities within its service territory.

RESIDENTIAL RATE "R-01"

APPLICABILITY:

This rate is applicable to a single family residence, a single occupancy apartment, a mobile housing unit or any other single family residential unit.

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate general service rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

MONTHLY RATE:

	SUMMER	WINTER
(1) Customer Charge		
Single-Phase Service	\$4.00	\$4.00
Three-Phase Service	\$8.00	\$8.00
(2) Energy Charge		
First 1000 KWH, per KWH	6.74¢	6.26¢
All Additional KWH, per KWH	5.98¢	4.80¢

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date. The late payment service charge will be assessed only when there is more than one late payment in a twelve month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$6.00.

TYPE OF SERVICE:

The type of service available includes alternating current, 60 hertz, single phase at the Company's secondary voltages, overhead or underground as available at the specific customer location. The customer may elect three-phase service where this can be made available without additional construction cost.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982, and the Entry dated July 7, 1982.

Continued on Sheet No. 4A

RESIDENTIAL RATE "R-01"

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.

This sheet filed pursuant to the Order in Case No. 81-820-EL AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

RESIDENTIAL HOT WATER RATE "R-04"

APPLICABILITY:

This rate is available only to those customers being served under the rate as of August 1, 1975, or who have contracted for the purchase or installation of electric water heating prior to that date. This rate is available on an optional basis to a single family residence utilizing electricity as the primary source of energy for water heating, and applies also to a single occupancy apartment, a mobile housing unit or any other single family residential unit meeting the utilization requirements.

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate general service rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

MONTHLY RATE:

	SUMMER	WINTER
(1) Customer Charge		
Single-Phase Service	\$4.00	\$4.00
Three-Phase Service	\$8.00	\$8.00
(2) Energy Charge-		
First 1000 KWH, per KWH	6.202	5.892
All Additional KWH, per KWH	5.632	4.632

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date. The late payment service charge will be assessed only when there is more than one late payment in a twelve month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of the fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

TYPE OF SERVICE:

The type of service available includes alternating current, 60 hertz, single phase at the Company's secondary voltages, overhead or underground as available to the specific customer location. The customer may elect three-phase service where this can be made available without additional construction cost.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 8, 1982, and the Entry dated July 7, 1982.

Continued on Sheet No. 6

RESIDENTIAL HOT WATER RATE R-04

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the General Service Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) Customer must have permanently installed, and in operation, electric water heating equipment, approved by the Company, supplying the entire requirement for domestic hot water. The maximum electric water heating element rating shall be 5500 watts. Two element water heaters with noninterlocked elements have a permissible total element wattage of 7000 watts. In order to assure satisfactory hot water service, the Company recommends that the water heating equipment in residences have minimum total tank capacity of 40 gallons.
- (3) Continued applicability of this rate to a customer is contingent upon their participation in a positive load control program involving the installation of load controls on electric water heating and central air conditioning should the Company so request.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

RESIDENTIAL OPTIONAL HEATING RATE "R-06"

APPLICABILITY:

This rate is available on an optional basis to a high usage single family residence utilizing a permanently installed electric space heating system as a substantial source of the space heating requirements, and applying also to a single occupancy apartment, a mobile housing unit or any other single family residential unit meeting the utilization requirements. Not less than 75 percent of the customer's connected load must be within the dwelling unit.

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate general service rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

MONTHLY RATE:

	SUMMER	WINTER
(1) Customer Charge		
Single-Phase Service	\$6.00	\$6.00
Three-Phase Service	\$10.00	\$10.00
(2) Energy Charge		
First 125 KWH per KW Demand		
First 1000 KWH, per KWH	6.54¢	6.06¢
All Additional KWH, per KWH	5.98¢	4.80¢
All Energy in Excess of		
125 KWH per KW Demand, per KWH	2.62¢	1.92¢

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The minimum bill shall be the monthly customer charge. The minimum demand shall be 8 kilowatts.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date. The late payment service charge will be assessed only when there is more than one late payment in a twelve month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982, and the Entry dated July 7, 1982.

Continued on Sheet No. 8

RESIDENTIAL OPTIONAL HEATING RATE "R-08"

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$6.00.

TYPE OF SERVICE:

The type of service available includes alternating current, 60 hertz, single phase at the Company's secondary voltages, overhead or underground as available at the specific customer location. The customer may elect three-phase service where this can be made available without additional construction cost.

DEMAND DETERMINATION:

The Monthly Billing Demand will be the highest recorded demand during the billing month, but not less than 8 KW. Demand readings will be determined to the nearest whole KW. The demand meter provided will be an indicating meter with a fifteen-minute integrating interval or, at the option of the Company, a suitable thermal-type demand meter.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) Customer must be a high usage customer and must have permanently installed, and in operation, electric space heating equipment supplying a substantial portion of the heating requirements of the residence, as determined by the Company.
- (3) The term of contract shall be for one year from the start of service under this rate and thereafter until terminated by notice by the Customer, except as otherwise provided in the Company's rules and regulations. Termination by the customer during the first year shall only be by mutual agreement of the Company.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

RESIDENTIAL HEATING RATE "R-07"

APPLICABILITY:

This rate is available only to those customers being served under the rate as of August 1, 1975, or who have contracted for electric space heating prior to that date. This rate is available on an optional basis to a single family residence utilizing electricity as the primary source of energy for space heating and water heating, and applying also to a single occupancy apartment, a mobile housing unit or any other single family residential unit meeting the utilization requirements.

This rate does not apply to commercial or industrial service. If a residential unit is used for both residential and commercial purposes, the appropriate general service rate shall apply unless the wiring is so arranged that the residential usage can be metered separately. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

MONTHLY RATE:

	SUMMER	WINTER
(1) Customer Charge		
Single-Phase Service	\$4.00	\$4.00
Three-Phase Service	\$8.00	\$8.00
(2) Energy Charge		
First 1000 KWH, per KWH	6.20¢	5.35¢
All Additional KWH, per KWH	5.63¢	3.84¢

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date. The late payment service charge will be assessed only when there is more than one late payment in a twelve month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

TYPE OF SERVICE:

The type of service available includes alternating current, 60 hertz, single phase at the Company's secondary voltages, overhead or underground as available at the specific customer location. The customer may elect three-phase service where this can be made available without additional construction cost.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 10

RESIDENTIAL HEATING RATE "R-07"

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) Customer must have permanently installed and in operation, electric space heating equipment supplying the total heating requirements of his residence.
- (3) Customer must have permanently installed and in operation, electric water heating equipment, approved by the Company, supplying the entire requirement for domestic hot water. The maximum electric water heating element rating shall be 5500 watts. Two element water heaters with noninterlocked elements have a permissible total element wattage of 7000 watts. In order to assure satisfactory hot water service, the Company recommends that the water heating equipment in residences have minimum total tank capacity of 40 gallons.
- (4) Continued applicability of this rate to a customer is contingent upon their participation in a positive load control program involving the installation of load controls on electric water heating and central air conditioning should the Company so request.

This sheet filed pursuant to the Order in Case No. 81-620-EL AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

EXPERIMENTAL RESIDENTIAL ENERGY STORAGE RATE "R-08"

APPLICABILITY:

This rate is available to residential customers on an experimental basis to provide off-peak energy for space conditioning and water heating through the use of customer-owned, permanently wired energy storage devices. This rate shall be available to no more than fifty customers who obtain their other electrical service through one of the Company's standard residential rates. Eligibility for this rate will be determined by the Company with consideration of the unique nature of the energy storage devices, the economic viability of the energy storage system, and determination that the operation of the customer's system will have no detrimental affect upon the operation of Company distribution facilities, nor require additional capital investment for such facilities.

CHARACTER OF SERVICE:

The purpose of this rate is to encourage research and development of energy storage systems in order to make possible efficiency improvements in the utilization of the Company's electrical system. Electrical service for energy storage purposes will be available only during off-peak hours through separately metered circuits supplied with the same electrical characteristics as the customer's other service. For this rate, the off-peak hours will be from 10:00 p.m. to 8:00 a.m. Eastern Standard Time each day. Although these hours are subject to change from time to time at the Company's option, energy will be provided for a minimum of 10 hours each day. The Company will provide a time clock or other device to control the energy storage circuits through Company-approved customer-owned disconnect switches.

MONTHLY RATE:

(1)	Customer Charge	
	Single-Phase Service	\$8.00
	Three-Phase Service	\$10.00
(2)	Demand Charge, per KW	\$1.67
(3)	Energy Charge, per KW	1.27¢

MINIMUM:

The minimum bill shall be the monthly customer charge plus the applicable demand charge.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date. The late payment service charge will be assessed only when there is more than one late payment in a twelve month period.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 12

EXPERIMENTAL RESIDENTIAL ENERGY STORAGE RATE "R-08"

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$6.00.

DEMAND DETERMINATION:

The Monthly Billing Demand will be the highest recorded demand during the billing month. Demand readings will be determined to the nearest whole KW. The demand meter provided will be an indicating meter with a fifteen-minute integrating interval or, at the option of the Company, a suitable thermal-type demand meter.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) In order to obtain the maximum benefit from this experimental offering and to determine that there is no detrimental effect upon distribution facilities, the Company reserves the right to inspect the customers equipment at reasonable times and to use metering and test equipment deemed proper.
- (3) Service under this rate will initially be limited to single phase, 3 wire, 120/240 Volt or three phase, 4 wire, 120/208 Volt. Maximum load to be served will be limited to a 200 Ampere capacity.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

LARGE GENERAL SERVICE RATE "GS-12"

APPLICABILITY:

Available to any customer on the lines of the Company applying for permanent service for commercial or industrial uses who will guarantee a Monthly Billing Demand of at least one hundred fifty (150) kilovolt-amperes.

MONTHLY NET RATE (Three Parts):

	SUMMER	WINTER
(1) Demand Charge:		
First 200 KVA or Less of Monthly Billing Demand, per KVA	\$8.70	\$7.91
All Additional KVA Over 200 KVA of Monthly Billing Demand, per KVA	\$8.24	\$7.43
(2) Energy Charge:		
First 300 KWH per KVA of Monthly Billing Demand, per KWH	3.17¢	2.77¢
All Additional KWH, per KWH	1.24¢	1.24¢
(3) Customer Charge:		
The Monthly Customer Charge Shall Be	\$125.00	\$125.00

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The net minimum charge per month shall be the customer charge plus the applicable demand charge applied to the monthly billing demand, including applicable adjustment charges or credits.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent (5%) will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ORDER OF BILLING:

All charges and discounts shall be billed in the order in which they are presented in this tariff.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

MONTHLY BILLING DEMAND:

The customer's monthly demand shall be the highest fifteen (15) minute kilovolt-ampere demand determined by dividing the highest kilowatt demand attained during the month by the average monthly power factor. Any leading power factor shall be considered as unity.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 15

LARGE GENERAL SERVICE RATE "GS-12"

MONTHLY BILLING DEMAND (Continued):

(1) Off-Peak Option:

A customer may request the installation of appropriate metering and time-based recording equipment so that the Monthly Billing Demand may be determined under this optional provision. Such customer shall pay the added cost of the new metering and recording system in excess of the cost of a standard metering system for a similar customer of this rate class. There shall also be an additional Customer Charge of \$25.00 per month. Election of this option shall be for a minimum term of one year.

Under this option the maximum monthly demand shall be subject to redetermination as follows:

If the customer's actual maximum monthly demand occurs during off-peak hours, the customer's maximum monthly demand for billing purposes will be the actual maximum monthly demand less one-half (1/2) of the difference between the actual maximum monthly demand and the highest demand attained during the on-peak hours of the same month. For purposes of this calculation, off-peak hours are all hours in each day, except the hours between 0800 hours (8:00 a.m.) and 2200 hours (10:00 p.m.), Monday thru Friday, excluding legal holidays specified as exempt by the Company. These holidays are New Years Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, and Mondays which are legally designated as a day of observance in lieu of the above holidays when they occur on weekend days.

(2) Minimum Billing Demands:

The Minimum Monthly Billing Demand shall be the monthly demand but not less than:

- (a) Fifty percent (50%) of the highest monthly demand experienced within the six months period ending with the month under consideration; or
 - (b) One hundred fifty (150) kilovolt-amperes; or
 - (c) Forty-five (45) KVA or one hundred fifteen (115) KVA for those customers having demands less than one hundred fifty (150) KVA and who are receiving service at 4000 volts and higher on the effective date of this rate; corresponding to 40 KW and 100 KW as was in effect for them at the time of the signing of their contract on this rate's predecessors.
- (3) In the event the characteristics of the customer's load are highly fluctuating as in the case of elevators, hoists, cranes and similar equipment, the Monthly Billing Demand in kilovolt-amperes shall be sixty percent (60%) of the horsepower nameplate rating of the equipment.
 - (4) The Company may, at its option, determine the demand and/or power factor continuously, monthly or at other regular intervals.
 - (5) In the event the Company, in order to prevent voltage fluctuations or disturbances on its system, requires the customer to install a separate transformer or transformers to provide service for X-ray machines, welders, and other equipment having similar characteristics, such service shall be metered and billed separately from the customer's other service. The Monthly Billing Demand in kilovolt-amperes for such separate service shall be seventy percent (70%) of the kilovolt-ampere nameplate rating of the Company's standard size transformers required.

TRANSFORMER DISCOUNT:

A discount on the demand charge of thirty-five cents (35 cents) per month per kilovolt-ampere of Monthly Billing Demand will be made to any customer taking service at 4000 volts or higher who furnishes all transformer equipment. Any customer whether served at secondary or primary voltage and receiving a discount as of the effective date of this rate for having installed his own transformers will continue receiving this discount.

PRIMARY SERVICE DISCOUNT:

A discount on the net bill, excluding fuel charges, of three and one-half percent (3 1/2%) will be made to any customer receiving primary service and owning the substation, in compliance with the Terms and Conditions section of this rate.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 16

LARGE GENERAL SERVICE RATE "GS-12"

NON-STANDARD FREQUENCY CHARGE:

The total bill shall be increased by 25% for the remaining customer being served at 25 Hertz.

DELIVERY VOLTAGE:

(1) Secondary Service:

This service covers the supply of three phase, 60 Hertz alternating current, at the Company's standard secondary voltages, and those who, as of the effective date of this rate, are served at 4000 volts or higher primary but are not supplying their own substations.

(2) Primary Service:

This service covers the supply of three phase, 60 Hertz alternating current at no less than 4000 volts for customers owning the substation. Customer receiving service at 25 Hertz will continue to be serviced as long as such supply is available but no additional 25 Hertz service will be provided. No additional installations at 4160 volts in the Company's present underground district or any extension thereof, will be served at this rate.

All current on this service will be measured at the service voltage of 4000 volts or higher. The Company shall have the option of metering at secondary voltage and adjusting to a primary metering basis by the use of compensating meters or by estimates based on the rated transformer losses.

TERMS AND CONDITIONS:

(1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.

(2) The Company will construct the primary voltage line to the customer's property line and will furnish and install the first span of conductors on the customer's property to the customer's structure.

In the event that more than one span of primary voltage circuit is required on the customer's property, the customer will furnish, install, own and maintain the necessary structures, conductors, and related primary voltage line equipment.

The design and construction of all such facilities shall be subject to the Company's approval.

(3) Substation facilities necessary for utilization of power as delivered to the customer's premises shall be the responsibility of the customer. Such facilities shall include (but shall not be limited to) protective fences, supporting structures, line voltage bus, transformers, switchgear, protective devices, voltage regulators, etc. required to receive, transform and deliver service to the customer's utilization equipment.

The design and construction of the substation and the rating and specifications of the electrical equipment shall be subject to approval by the Company.

When, in the judgment of the Company, circuit breakers are required in the customer's substation for assuring the continuity of service to the customer or for the protection of service to other customers, the customer shall furnish, install, own and maintain such circuit breakers with rating as specified by the Company.

(4) The customer shall provide, without charge to the Company, the necessary space, structure and foundations for the Company's metering equipment and instruments and shall permit the Company to have access to the premises at all times.

(5) The Company shall have access to the premises at all times. All equipment furnished by the Company shall be and remain the property of the Company.

(6) The customer shall provide all equipment necessary to regulate his operations so that the Company's primary voltage shall not be subject to excessive variation.

This sheet filed pursuant to the Order in Case No. 81-620-EL AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 17

LARGE GENERAL SERVICE RATE "GS-12"

TERMS AND CONDITIONS (Continued):

- (7) For the protection of the Company's facilities, the customer may be required to furnish, install, and maintain a load limiting device approved by and under the sole control of the Company.
- (8) Where the customer desires lighting service incidental to his power requirements such service may be purchased under this rate provided the customer furnishes the additional transformers and all other equipment necessary. All such incidental lighting shall be metered through the power meter.
- (9) The customer shall use extraordinary care in so designing his circuits that the loads on the individual phases shall be practically balanced at all times.

TERMS OF SERVICE & CONTRACT:

Service shall be supplied at the legal rates in effect at the time service is rendered for the following terms with a self-renewal provision for successive periods of one year each until either party shall give at least ninety days written notice to the other of its intention to discontinue at the end of any period.

Contract Capacity		Term of Contract
Up to	150 kilovolt-amperes	1 Year
150 to	1000 kilovolt-amperes	2 Years
Over	1000 kilovolt-amperes	3 Years

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

OUTDOOR NIGHT LIGHTING RATE "GS-13"

APPLICABILITY:

Available to any customer on the lines of the Company applying for outdoor night lighting service only, for race tracks and athletic fields of all kinds who shall contract for a definite quantity of electrical capacity in kilowatts, subject to the specific conditions set forth herein.

MONTHLY NET RATE (Two Parts):

(1) Customer Charge	\$10.00
(2) Energy Charge Per Kilowatt-Hour	4.82¢

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$6.00.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) Service shall be supplied only where sufficient capacity is available without added Company expense and only between the hours of 6 P.M. to 6 A.M. except that the time restriction shall be waived on Saturdays, Sundays, and Holidays.
- (3) The Company shall provide service at primary voltages (approximately 4000 volts or higher) except in small installations where the Company may elect to provide service at secondary voltages.
- (4) When in the opinion of the Company it is necessary to provide three phase service, the customer shall use extraordinary care in so designing his circuits that the loads on the individual phases shall be practically balanced at all times. No monthly minimum bill for such three phase service shall be less than \$15.00.
- (5) The Company shall have the right to meter all service used at either primary or secondary voltages, or to estimate the kilowatt hours used by metering a part of the service and multiplying the metered record of that part by a factor determined by dividing the total connected load by the connected load of the part that has been metered. In the event that total or partial metering is at secondary voltage five (5%) percent shall be added to the kilowatt-hours to compensate for additional transformer and line losses.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982, and the Entry dated July 7, 1982.

Continued on Sheet No. 19

OUTDOOR NIGHT LIGHTING RATE "GS-13"

TERMS AND CONDITIONS (Continued):

- (6) The customer shall own, operate, and maintain all pole lines and all other equipment on private right-of-way, together with all transformers, oil circuit breakers, and all lighting and incidental equipment necessary to render the service. The customer shall maintain a power factor of not less than ninety (90%) percent.
- (7) The term of contract shall be for a period of not less than two consecutive months (60 days) from date of application and thereafter until terminated by the customer, except as otherwise provided in the Company's rules and regulations.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

PARTIAL SERVICE RATE "GS-15"

APPLICABILITY:

Available to any customer on the lines of the Company applying for service for only a portion of his requirements of electrical energy including service for auxiliary, standby, breakdown and for excitation purposes who shall guarantee at least one hundred fifty (150) kilowatts of Contract Demand.

MONTHLY NET RATE (Three Parts):

(1) Capacity charge:		
Per KW of Contract Demand, Per Year		\$58.80
(Payable in equal monthly installments)		
(2) Energy charge:		
First 300 KWH per KW of Contract Demand, per KWH		4.85¢
All Additional KWH, per KWH		3.36¢
(3) Customer charge:		
The Monthly Customer Charge shall be		\$125.00

MINIMUM:

The net minimum charge per month shall be the customer charge plus \$4.90 per month for each KW of Contract Demand (one twelfth of the annual capacity charge) but not less than \$860.00 per month or any fraction of a month.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

DETERMINATION OF CONTRACT DEMAND:

The Contract Demand shall be the total connected load in kilowatts of the largest motor or piece of electrical equipment connected, plus seventy-five percent (75%) of all other connected load served through one meter, and such Contract Demand when determined shall, unless additional equipment is connected by the customer, continue for the succeeding twelve months and subsequent twelve-month periods. In the event the customer should connect additional equipment, a new Contract Demand will be determined by the same method as hereinabove provided, and such new Contract Demand shall continue for the twelve succeeding months. The customer, thirty days prior to the expiration of any twelve-month periods of use of Contract Demand, shall have the right to notify the Company of his intention to discontinue or increase any connected load for a new contract period. Unless such notice is received, the contract shall be continued and self-renewing for additional periods of twelve months. In no event shall the Contract Demand be less than one hundred and fifty (150) kilowatts.

The Company, at its option, may furnish, maintain and operate the necessary equipment whereby the customer's actual demand can be limited to the Contract Demand.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 21

PARTIAL SERVICE RATE "GS-15"

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio. Special attention is directed to Sections 18, 19, and 20 of the "Rules and Regulations Regarding Customers' Wiring and Installation".
- (2) The voltage, cycle and phase of energy furnished shall be entirely at the option of the Company.
- (3) Where primary service (4160 volts and over) is available, it shall be supplied to any customer.
 - (a) In the event a customer is served directly from the lines of the Company at 4000 volts or higher and said customer furnishes all of his transforming and substation equipment, a discount will be made of \$3.00 per kilowatt of Contract Demand per year (payable in equal monthly installments).
 - (b) Customers using primary service (4160 volts or higher) shall be entitled to a discount amounting to ten percent (10%) of their total monthly bill.
- (4) The Company reserves the right to refuse to install transformers, substation equipment, etc., in which case the customer will install his own equipment and transformers and be entitled to the special discount set forth under (a) of rule 3 above.
- (5) The Company shall not be required to provide service to any customer having a power factor of less than eighty percent (80%) as determined by the Company's test at any time.
- (6) The term of contract shall be for one (1) year from date of application and thereafter shall be governed by the provisions set forth herein under "Determination of Contract Demand", except as otherwise provided in the Company's rules and regulations.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

SMALL GENERAL SERVICE RATE "GS-16"

APPLICABILITY:

Available to any customer on the lines of this Company for service for commercial, industrial, or other general use that does not specifically qualify for another rate.

MONTHLY NET RATE:

SUMMER

WINTER

WITH DEMAND METER INSTALLED:

(1) Demand Charge:

First 50 KW of Monthly Billing Demand, per KW

\$6.35

\$5.71

All Additional KW of Monthly Billing Demand, per KW

\$5.74

\$5.10

(2) Energy Charge:

First 150 KWH per KW of Monthly Billing Demand, per KWH

6.00¢

5.47¢

Next 150 KWH per KW of Monthly Billing Demand, per KWH

4.40¢

3.25¢

All Additional KWH, per KWH

3.90¢

2.95¢

(3) Customer Charge:

Customer charge per month

\$5.00

\$5.00

WITHOUT DEMAND METER INSTALLED:

(1) Demand Charge:

For All KWH, per KWH

4.20¢

3.65¢

(2) Energy Charge:

For All KWH, per KWH

6.00¢

5.47¢

(3) Customer Charge

Customer charge per month

\$5.00

\$5.00

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The net minimum charge per month shall be the customer charge plus the applicable demand charge applied to the monthly billing demand but under no circumstances shall it be less than \$15.00 for three phase service.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component on Sheet 43A of this tariff.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 28

SMALL GENERAL SERVICE RATE "GS-16"

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

ACCOUNT ACTIVATION:

The initial bill for a new customer or a customer at a new location shall include an account activation charge of \$6.00.

DETERMINATION OF MONTHLY BILLING DEMAND:

When the customer's monthly usage exceeds 3,000 KWH for three consecutive months, or the customer's load requires transformer capacity in excess of 30 KVA, or upon request by the customer, the Company will install a demand meter to determine the maximum integrated fifteen minute demand attained at any time during the month. The Monthly Demand thus established, but not less than fifty percent of the maximum Monthly Demand within the four month period ending with the month under consideration, shall be taken as the Monthly Billing Demand for that month, provided that said demand shall not be less than 5 kilowatts. Once a demand meter has been installed it shall continue to be utilized unless its removal is requested by the customer and the maximum Monthly Demand has been below 10 kilowatts for twelve consecutive months.

In the event the characteristics of the customer's load are highly fluctuating as in the case of elevators, hoists, cranes and similar equipment, the Monthly Billing Demand in kilowatts shall be sixty percent of the horsepower nameplate rating of the equipment, less fifteen kilowatts.

In the event the Company, in order to prevent voltage fluctuations or disturbances on its system, requires the customer to install a separate transformer or transformers to provide service for X-ray machines, welders, and other equipment having similar characteristics, such service shall be metered and billed separately from the customer's other service. The Monthly Billing Demand in kilowatts for such separate service shall be seventy percent of the kilovolt-amperes nameplate rating of the Company's standard size transformers required, less fifteen kilowatts.

The Company may, at its option, test or meter the power factor of the customer's load. A lagging power factor of less than eight tenths (0.8) shall be adjusted by multiplying the demand by the ratio that 0.8 bears to the actual power factor of the load. No adjustment will be made where the power factor is found to be greater than 0.8 lagging, or for a leading power factor.

Monthly Billing Demand shall be computed to the closest kilowatt.

TEMPORARY SERVICE:

Service for less than one year will be supplied under this provision of this rate with each monthly bill for the first three months increased by 30%, provided the Company has sufficient capacity available and such service will not be detrimental to the Company's service to other customers.

In applying for temporary service, the customer shall pay the Company for the cost of meter setting and removal, service connections, line construction and other special costs incurred by the Company to supply him.

UNMETERED SERVICE:

Unmetered service is available to customers for commercial purposes consisting of continuous fixed electric loads not exceeding 15 kilowatts which can be served by a standard service drop from the Company's existing secondary distribution system.

Kilowatt-hours shall be determined for each month by taking the product of 730 times the rated or measured load in kilowatts.

Each separate point of delivery of service shall be considered as one customer and billed separately.

The customer shall notify the Company in advance of every change in connected load, and the Company reserves the right to inspect the customer's equipment at any time to verify or measure the actual load. In the event the customer fails to notify the Company of an increase in load, the Company shall be entitled to render an adjusted bill on the basis of the increased load for the full period such load was connected and further reserves the right to refuse to provide unmetered service at the delivery point thereafter.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 28A

SMALL GENERAL SERVICE RATE "GS-16"

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) Service under this rate shall be alternating current, 60 Hertz, single and three phase at the Company's standard voltages.
- (3) Customers who desire combined light and power service on this rate, as such service becomes available, shall make such changes in their wiring and/or equipment as may be necessary to receive all service from the Company's four wire secondary system.
- (4) The term of contract shall be for one year from date of application and thereafter until terminated by ten days written notice from the customer to the Company, except as otherwise provided in the temporary service clause of this rate or in the Company's rules and regulations.

This sheet filed pursuant to the Order in Case No. 81-620-EL AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

GENERAL SERVICE HEATING RATE "GS-17"

APPLICABILITY:

THIS RATE IS AVAILABLE ONLY TO THOSE CUSTOMERS RECEIVING SERVICE HEREUNDER AS OF AUGUST 1, 1975 AND THOSE POTENTIAL CUSTOMERS WHO CAN DEMONSTRATE TO THE COMPANY THAT THEY HAD CONTRACTED FOR THE PURCHASE OR INSTALLATION OF ELECTRIC SPACE HEATING PRIOR TO AUGUST 1, 1975.

Available as an optional rate to any commercial customer on the lines of the Company applying for permanent service for commercial uses including lighting, space heating, uncontrolled water heating and incidental uses.

MONTHLY NET RATE: SUMMER WINTER

WITH DEMAND METER INSTALLED:

(1) Demand Charge:		
First 50 KW of Monthly Billing Demand, per KW	\$8.35	\$5.71
All Additional KW of Monthly Billing Demand, per KW	\$5.74	\$5.10
(2) Energy Charge:		
First 150 KWH per KW of Monthly Billing Demand, per KWH	6.00¢	4.75¢
Next 150 KWH per KW of Monthly Billing Demand, per KWH	4.40¢	2.95¢
All Additional KWH, per KWH	3.90¢	2.95¢
(3) Customer Charge:		
Customer charge per month	\$5.00	\$5.00

WITHOUT DEMAND METER INSTALLED:

(1) Demand Charge:		
For All KWH, per KWH	4.20¢	3.65¢
(2) Energy Charge:		
For all KWH, per KWH	6.00¢	4.75¢
(3) Customer Charge:		
Customer charge per month	\$5.00	\$5.00

SEASONAL PERIODS:

The Summer period shall be the billing months of May through September and the Winter period shall be the billing months of October through April.

MINIMUM:

The net minimum charge per month shall be the customer charge plus the applicable demand charge applied to the monthly billing demand but under no circumstances shall it be less than \$15.00 for three phase service.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 31

GENERAL SERVICE HEATING RATE "GS-17"

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

TRANSFORMER DISCOUNT:

A discount on the demand charge of twenty-five cents (\$.25) per month per kilowatt of Monthly Billing Demand will be made to any customer meeting the primary service qualifications as stated in Terms and Conditions (Rule number 7).

POWER FACTOR ADJUSTMENT:

The above rate is based on the maintenance by the Company of a power factor of not less than eighty-five percent (85%). For any month when the lagging power factor is less than eighty-five percent (85%) the Company shall make an additional charge of one percent (1%) of the total bill for each five percent (5%) difference between the lagging power factor and eighty-five percent (85%). The Company may, at its option, test the power factor continuously, monthly or at intervals.

DETERMINATION OF MONTHLY BILLING DEMAND:

When the customer's monthly usage exceeds 3,000 KWH for three consecutive months, or the customer's load requires transformer capacity in excess of 30 KVA, or upon request by the customer, the Company will install a demand meter to determine the maximum integrated fifteen minute demand attained at any time during the month. The Monthly Demand thus established, shall be taken as the Monthly Billing Demand for that month, provided that said demand shall not be less than 5 kilowatts. Once a demand meter has been installed it shall continue to be utilized unless removal is requested by the customer and the maximum Monthly Demand has been below 10 kilowatts for twelve consecutive months.

Service under this rate is available to public schools, parochial schools, or churches which qualify. The Monthly Demand Charge for schools shall be reduced by 50%. The Monthly Demand Charge shall not apply to churches.

The Company may, at its option, test or meter the power factor of the customer's load. A lagging power factor of less than eight tenths (0.8) shall be adjusted by multiplying the demand by the ratio that 0.8 bears to the actual power factor of the load. No adjustment will be made where the power factor is found to be greater than 0.8 lagging, or for a leading power factor.

Monthly Billing Demands shall be computed to the closest kilowatt.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) In order to qualify for this rate the customer must meet the following conditions:
 - (a) Electricity shall be the sole source of energy for space heating, water heating, air conditioning, lighting, and power applications.
 - (b) At least 50% of the connected load shall be located inside of buildings that are electrically heated.
 - (c) Size and electrical characteristics of water heating equipment to be used must be approved by the Company.
- (3) Service under this rate shall be alternating current, 60 cycles, single and three phase at the Company's standard voltages. Direct current or 25 cycle service shall not be supplied at this rate.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 31A

GENERAL SERVICE HEATING RATE "GS-17"

TERMS AND CONDITIONS (Continued):

- (4) Electricity for incidental power applications may be supplied under this rate.
- (5) For connected loads of less than 300 kilowatts, the term of contract shall be for one year from date of application and thereafter until terminated by ten (10) days written notice from the customer to the Company, except as otherwise provided in the Company's rules and regulations.
- (6) For connected loads of more than 300 kilowatts, the term of the contract shall be for three years from date of application and thereafter until terminated by sixty (60) days written notice from the customer to the Company, except as otherwise provided in the Company's rules and regulations.
- (7) The Company reserves the right to refuse to install transformers, substation equipment, etc., for installations of over 300 kilowatts in which case the Company will supply primary service and the customer will install his own transformers, substation equipment etc. When a customer supplies his own transformers, substation equipment, etc., and is served at 4160 volts or higher, he shall be entitled to the Transformer Discount.
- (8) When service is supplied at primary voltage the Company may, at its option, meter at the primary voltage; or, at secondary voltage with compensation to a primary basis.
- (9) The customer shall use extraordinary care in so designing his circuits that the load on the individual phases shall be practically balanced at all times.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

OUTDOOR SECURITY LIGHTING RATE "GS-18"

APPLICABILITY:

Available to any customer on the lines of the Company receiving service for general uses at secondary voltages applying for all-night outdoor lighting service on private property.

Complete lighting service will be furnished by the Company using vapor lighting units connected to available supply circuits. The Company will supply the electrical energy for operation of the light and will furnish, install and maintain the lighting fixture, bracket, control unit, lamps, wiring and all other necessary materials and equipment.

NET RATE (Per Month):

- | | | |
|-----|--|---------|
| (1) | Service consisting of a standard 175 watt mercury lighting unit on a standard wood pole with overhead wiring: | |
| | For installations prior to January 1, 1974 on existing pole with secondary voltage supply available, per light | \$5.85 |
| | For installations after January 1, 1974 on existing pole with secondary voltage supply available, per light | \$7.10 |
| (2) | Service consisting of a 400 watt mercury or a 200 watt sodium floodlighting unit on a standard wood pole with overhead wiring: | |
| | For installation on existing pole with secondary voltage supply available, per light | \$12.35 |
| (3) | Service consisting of a 400 watt sodium floodlighting unit on a standard wood pole with overhead wiring: | |
| | For installation on existing pole with secondary voltage supply available, per light | \$16.90 |
| (4) | No new services for 1000 watt mercury floodlighting units on standard wood poles with overhead wiring will be installed: | |
| | For existing installations on existing pole with secondary voltage supply available, per light | \$23.75 |
| (5) | For installations prior to January 1, 1974 requiring an additional pole and span of overhead circuit, an additional charge per pole | \$2.15 |
| | For installations after January 1, 1974 requiring an additional pole and span of overhead circuit, an additional charge per pole | \$4.20 |
| (6) | For installations on existing poles but requiring an extension of the secondary supply circuit, an additional charge per overhead span | \$.95 |
| (7) | Service consisting of a standard 175 watt mercury lighting unit on a standard wood pole with underground wiring: | |
| | For installation on a wood pole within fifty feet of existing secondary voltage supply, per light | \$13.15 |
| | For installation of underground wiring in excess of fifty feet, per twenty-five foot increment | \$.65 |
| (8) | Service consisting of a 175 watt decorative post-top mercury lighting unit with underground wiring: | |
| | For installation on a decorative pole within fifty feet of existing secondary voltage supply, per light | \$10.75 |
| | For installation of underground wiring in excess of fifty feet, per twenty-five foot increment | \$.65 |

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 34

OUTDOOR SECURITY LIGHTING RATE "GS-18"

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

Billing for service under this rate is to be made part of the bill for other electric service furnished the customer.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) All facilities necessary for lighting service shall be and remain the property of the Company. Materials used and equipment styles shall be as determined by the Company.
- (3) When units with underground wiring are to be installed, the customer shall be responsible for paying the cost of any conduit required as well as any excess costs of trenching resulting from rock or other adverse soil conditions.
- (4) Lights provided under this rate shall operate from dusk to dawn every night, operating approximately 4200 hours annually.
- (5) All service, re-lamping and maintenance will be performed only during the regular scheduled working hours. Re-lamping and maintenance will normally be completed within 48 hours after notification by the customer.
- (6) Terms of contract for service under this rate shall be two (2) years and thereafter for units with overhead wiring, and five (5) years and thereafter for units with underground wiring until terminated by ten (10) days written notice from the customer to the Company, except as otherwise provided in the Company's rules and regulations.
- (7) The service supplied under this rate is offered for lighting of private property and is not available for public thoroughfare lighting by municipalities or other political subdivisions.
- (8) Upon the request of a customer for the installation of eight or more lights to be served from a single source, the Company will extend an existing primary voltage supply circuit and install appropriate transformer equipment. In such cases the customer will pay to the Company in advance a contribution in aid of construction equal to the total cost of the installation of the primary voltage supply circuit including poles, conductor, transformers and associated equipment.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

CONTROLLED WATER HEATING RATE "GS-19"

APPLICABILITY:

Available to any customer on the lines of the Company, receiving service at secondary voltages, applying for permanent electric service for water heating, in electric water heaters or as a supplemental source for solar water heating systems.

MONTHLY NET RATES (Two Parts):

(1) Customer Charge	\$2.00
(2) Energy Charge Per Kilowatt-Hour	2.28¢

MINIMUM:

The minimum bill shall be the monthly customer charge.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) The service supplying electric energy for water heating under this rate shall be controlled by the Company and the hours during which service shall be supplied may be changed from time to time, consistent with changes in the Company's load conditions. Service shall be supplied hereunder for a period of not less than twelve (12) hours in each twenty-four (24) hours.
- (3) The Company reserves the right to refuse service to water heating equipment which it considers unable to render satisfactory service when operated in accordance with the requirements of this schedule. The Company does not warrant satisfactory service, operation or installation of non-Company supplied equipment.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

LARGE POWER RATE "PV-44"

APPLICABILITY:

Available to any customer on the lines of the Company applying for permanent service who shall contract for not less than six hundred fifty (650) KVA of capacity at a nominal voltage level of four thousand one hundred sixty (4160) volts or more.

MONTHLY NET RATE (Three Parts):

	Nominal service voltage-kilovolts		
	(Primary) 4.16-12.47	(Sub-Trans.) 23-34.5-69	138
(1) Demand Charge:	Per KVA of Monthly Billing Demand		
First 1000 KVA	\$10.11	\$9.59	\$9.26
Next 29000 KVA	\$9.97	\$9.42	\$9.18
Additional KVA	\$8.25	\$8.76	\$8.50
(2) Energy Charge:	Per KWH		
First 300 KWH per KVA of Monthly Billing Demand	1.856¢	1.738¢	1.634¢
Additional KWH	.856¢	.760¢	.713¢
(3) Customer Charge:	Per Month		
	\$200.00	\$1,500.00	\$2,500.00

MINIMUM:

The net minimum charge per month shall be the customer charge plus the applicable demand charge applied to the monthly billing demand, including applicable adjustment charges or credits.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent (5%) will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ORDER OF BILLING:

All charges and discounts shall be billed in the order in which they are presented in this tariff.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

POWER FACTOR ADJUSTMENT:

The above Rate is based on the maintenance by the customer at all times during the month of a power factor not less than the power factor at the time of maximum monthly demand. For any month when the average lagging power factor is less than eighty-five (85%), the Company shall make an additional charge of one percent (1.0%) of the total bill for each five percent (5%) difference between the average lagging power factor and eighty-five percent (85%). The average lagging power factor shall be determined from the kilowatt-hours and the lagging reactive kilovolt-ampere-hours supplied to the customer during the month.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 38

LARGE POWER RATE "PV-44"

MONTHLY BILLING DEMAND:

The customer's monthly demand shall be the highest thirty (30) minute integrated kilovolt-ampere demand attained during the month. Any leading power factor shall be considered as unity.

(1) Off-Peak Use:

If the customer's monthly demand occurs during off-peak hours, the customer's Monthly Billing Demand will be the monthly demand less two-thirds (2/3) of the difference between the monthly demand and the highest demand attained during the on-peak hours of the same month.

For purposes of this calculation, off-peak hours are all hours in each day, except the hours between 0800 hours (8:00 a.m.) and 2200 hours (10:00 p.m.), Monday thru Friday, excluding legal holidays specified as exempt by the Company. These holidays are New Years Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, and Mondays which are legally designated as a day of observance in lieu of the above holidays when they occur on weekend days.

(2) Minimum Billing Demands:

The Monthly Billing Demand shall be the monthly demand but not less than:

- (a) Sixty-five percent (65%) of the highest monthly demand experienced during on-peak hours within the most recent October, November, December, January, February, March or April; or
- (b) Seventy-five percent (75%) of the highest monthly demand experienced during on-peak hours within the most recent May, June, July, August or September; or
- (c) Six hundred fifty (650) kilovolt-amperes.

TRANSFORMER CHARGE:

In the past, the Company has agreed to provide standard primary transformers and protective equipment to the customer on an optional basis for an additional charge of thirty-five cents (35¢) per month per KVA of billing demand. This provision continues to be available for all customers receiving such service on the effective date of this rate but such provision will not be available to any additional customers.

SUBSTATION CHARGE:

The Company is willing to furnish the substation electrical equipment sufficient to supply the customer's contract capacity. The said substation equipment shall be of the Company's standard rating and specifications to make one voltage transformation. The Company will own and maintain the substation equipment for the customer for a monthly charge computed at 1.50% of the Company's total investment in the installation.

If the customer elects to have the Company furnish such facilities, the customer shall provide the necessary site and furnish, install and maintain the foundations, structures and fences. The customer shall reimburse the Company for costs of installation of electrical equipment furnished by the Company.

The monthly charges as provided for herein shall commence with the completion of equipment installation by the Company.

In the event that the amount of the Company's investment in such substation electrical facilities is increased or decreased due to change in amount of capacity provided or to other causes, the monthly charges shall be adjusted to reflect such change in the amount of the Company's investment.

If the customer shall subsequently desire to purchase such substation electrical equipment, the Company will sell the equipment at the depreciated market value at such time.

DELIVERY VOLTAGE:

Delivery voltage will be specified by the Company predicated upon the availability of lines in the vicinity of the customer's premises and commensurate with the size of the customer's load. Customers with demands in excess of twenty-five hundred (2,500) KVA will generally be served at twenty-three thousand (23,000) volts or higher, while customers with demands in excess of thirty thousand (30,000) KVA will generally be served at sixty-nine thousand (69,000) volts or higher.

This sheet filed pursuant to the Order in Case No. 81-620 P.U.C.D. of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 39

LARGE POWER RATE "PV-44"

If changing conditions on the Company's electrical system make continuation of established voltage to the customer impractical, the Company will offer the customer the alternatives of constructing his own facilities so as to continue receiving service at the previous voltage, so long as it does not adversely affect the integrity of the Company's system, or, accept service at the new voltage.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.

- (2) This rate covers the supply of three phase, 60 Hertz alternating current at not less than four thousand (4,000) volts.

All energy at this rate will be measured at the service voltage of four thousand (4,000) volts or higher except in such cases where the Company elects to measure at secondary voltage. If energy is measured at a secondary voltage, the Company may, at its option, adjust the reading to a primary metering basis by the use of compensating meters or by an estimate based on the rated transformer losses.

- (3) The Company will construct the transmission or distribution line to the customer's property line and will furnish and install the first span of conductors on the customer's property to the customer's structure.

In the event that more than one span of line is required on the customer's property, the customer will furnish, install, own and maintain the necessary structures, conductors and related line equipment.

The design and construction of all such facilities shall be subject to the Company's approval.

- (4) Substation facilities necessary for utilization of power as delivered to the customer's premises shall be the responsibility of the customer. Such facilities shall include (but shall not be limited to) protective fences, supporting structures, line voltage bus, transformers, switchgear, protective devices, voltage regulators, etc. required to receive, transform and deliver service to the customer's utilization equipment.

The design and construction of the substation and the rating and specifications of the electrical equipment shall be subject to approval by the Company.

When, in the judgment of the Company, circuit breakers are required in the customer's substation for assuring the continuity of service to the customer or for the protection of service to other customers, the customer shall furnish, install, own and maintain such circuit breakers with rating as specified by the Company.

In order to provide for the orderly upgrading and improving of the Company's transmission system as additional loads dictate, the Company may require the customer to design and construct the substation so as to facilitate conversion to higher delivery voltages designated by the Company.

- (5) The customer is responsible for cleaning and maintaining substation equipment according to reasonable standards commensurate with safe operation, and the Company may refuse to deliver service to the customer's facilities if this is not done.
- (6) The customer shall provide, without charge to the Company, the necessary space, structure and foundations for the Company's metering equipment and instruments and shall permit the Company to have access to the premises at all times.
- (7) The Company shall have access to the premises at all times. All equipment furnished by the Company shall be and remain the property of the Company.
- (8) The customer shall provide all equipment necessary to regulate his operations so that the Company's primary voltage shall not be subject to excessive variation.
- (9) For the protection of the Company's facilities, the customer may be required to furnish, install, and maintain a load limiting device approved by and under the sole control of the Company.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 40

LARGE POWER RATE "PV-44"

- (10) Where the customer desires lighting service incidental to his power requirements such service may be purchased under this rate, provided the customer furnishes the additional transformers and all other equipment necessary. All such incidental lighting shall be metered through the power meter.
- (11) The customer shall use extraordinary care in so designing his circuits that the loads on the individual phases shall be practically balanced at all times.

TERMS OF SERVICE AND CONTRACT:

Service and contract under this schedule shall be for a period of four years with a self-renewal provision for successive periods of one year each unless written notice of termination is given ninety days before expiration of the four year period, or any one year renewal period.

The customer shall contract for capacity equal to the estimated maximum demand of his load. The Company will supply capacity in excess of that contracted for when such capacity is available, but reserves the right to refuse to supply such additional capacity when in the judgment of the Company to do so would jeopardize the quality or continuity of service to other customers.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

INTERRUPTIBLE POWER RATE "PV-46"

APPLICABILITY:

Available to any industrial customer located adjacent to the Company's transmission lines and applying for permanent service, who shall contract for not less than four thousand (4,000) Kilovolt-amperes, of Billing Demand. The Company will be the sole judge of the capacity which may be made available to customers under this rate schedule, and service under this rate schedule will be provided only to those customers who will agree to the conditions of service specified herein, and only when, in the judgment of the Company, such service will not jeopardize the quality or continuity of service to other customers.

MONTHLY NET RATE (Three Parts):

(1) Demand Charge:		
Per KVA of Monthly Billing Demand		\$5.70
(2) Energy Charge:		
First 300 KWH per KVA of Monthly Billing Demand, per KWH		1.300¢
All Additional KWH, per KWH		.740¢
(3) Customer Charge:		
The Monthly Customer Charge Shall Be		\$1,500.00

MINIMUM:

The net minimum charge per month shall be the customer charge plus the applicable demand charge applied to the monthly billing demand, including applicable adjustment charges or credits.

TERMS OF PAYMENT:

The net amount of the bill is due within fourteen days as shown on the bill. If not paid within that time, a late payment service charge of five percent (5%) will also be due. Such late payment service charge will not be assessed prior to one full day following the due date.

ORDER OF BILLING:

All charges and discounts shall be billed in the order in which they are presented in this tariff.

ADJUSTMENT OF DEMAND CHARGE:

If the Company is unable during any month to make available to the Customer capacity equal to the Monthly Billing Demand for at least 550 hours, the demand charge above will be reduced .75 cents/KVA of Monthly Billing Demand for each hour of such deficiency below 550 hours.

ELECTRIC FUEL COMPONENT:

The energy charge shall be adjusted to include the current cost of fuel consumed to produce electric energy in compliance with Rule 4901:1-11 of the Ohio Administrative Code, as reflected in the Electric Fuel Component Rider on Sheet 43A of this tariff.

EXCISE TAX SURCHARGE ADJUSTMENT:

Monthly charges under this schedule shall be adjusted in accordance with the surcharge for recovery of increased Ohio Gross Receipts Excise Tax as set forth in Rider No. 2 of this tariff.

POWER FACTOR ADJUSTMENT:

The above Rate is based on the maintenance by the customer at all times during the month of a power factor not less than the power factor at the time of maximum monthly demand. For any month when the average lagging power factor is less than eighty-five percent (85%) the Company shall make an additional charge of one percent (1.0%) of the total bill for each five percent (5%) difference between the average lagging power factor and eighty-five percent (85%). The average lagging power factor shall be determined from the kilowatt-hours and the lagging reactive kilovolt-ampere-hour supplied to the customer during the month.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982 and the Entry dated July 7, 1982.

Continued on Sheet No. 42

INTERRUPTIBLE POWER RATE "PV-46"

MONTHLY BILLING DEMAND:

The customer's monthly demand shall be the highest thirty (30) minute integrated kilovolt-ampere demand attained during the month. Any leading power factor shall be considered as unity.

The Monthly Billing Demand shall be the monthly demand but not less than:

- (a) Sixty-five percent (65%) of the highest monthly demand experienced during the most recent October, November, December, January, February, March or April; or
- (b) Seventy-five percent (75%) of the highest monthly demand experienced during the most recent May, June, July, August, or September; or
- (c) Four thousand (4,000) kilovolt-amperes.

SUBSTATION CHARGE:

The Company is willing to furnish and install the substation electrical equipment sufficient to supply the customer's contract capacity. The said substation equipment shall be of the Company's standard rating and specifications to make one voltage transformation. The Company will own and maintain the substation equipment for the customer for a monthly charge computed at 1.50% of the Company's total investment in the installation.

If the customer elects to have the Company furnish such facilities, the customer shall provide the necessary site and furnish, install and maintain the foundations, structures and fence. The customer shall reimburse the Company for costs of installation of electrical equipment furnished by the Company.

The Company shall have access to the premises at all times. All equipment furnished by the Company shall be and remain the property of the Company.

The monthly charges as provided for herein shall commence with the completion of equipment installation by the Company.

If the event that the amount of the Company's investment in such substation electrical facilities is increased or decreased due to change in amount of capacity provided or to other causes, the monthly charges shall be adjusted to reflect such change in the amount of the Company's investment.

If the customer shall subsequently desire to purchase such substation electrical equipment, the Company will sell the equipment at the depreciated market value at such time.

SPECIAL RULES:

- (1) Power will be supplied to a customer contracting for service under this rate schedule during hours determined solely by the Company. Supervisory controlled circuit breakers or circuit switchers required for interruption will be provided by the customer and will be under the direct control of the Company's load dispatching personnel at all times.
- (2) Where in the Company's judgment the period of interruption may be for more than one week, the Company will, upon request, seek to obtain from other sources, temporary power supplies equal to the amount of capacity interrupted. If such supply is available, the Company will advise customer of the cost and the terms and conditions under which it will be available. If such an offer is acceptable, the Company will permit the Customer to resume use of power under those terms and conditions and at a rate representing the additional costs associated with obtaining such power.
- (3) The Company will endeavor to provide the full contract capacity requirements of the customer for not less than 550 hours each month and not less than 7500 hours during each calendar year. The Company will also endeavor to provide as much advance notice as possible of the interruptions of service to be made hereunder, but reserves the right to interrupt service without notice whenever emergencies or other operating conditions, in the judgment of the Company, require the interruption of the customer's service.
- (4) The customer, to the extent practicable, shall advise the Company of planned curtailments of his capacity requirements.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

Continued on Sheet No. 43

INTERRUPTIBLE POWER RATE "PV-46"

- (5) The firm power requirements of the Customer will be supplied thru a separate service and meter under the provisions of a rate schedule applicable to the service rendered. If the Company is required to provide firm service to the customer's entire load by order of a Government agency with proper authority to order such service, the service rendered under such an order will be billed to the Customer at the appropriate firm service rate.

TERMS AND CONDITIONS:

- (1) Service under this rate is supplied in accordance with the Rules and Regulations of the Company and is subject to the jurisdiction of the Public Utilities Commission of Ohio.
- (2) This schedule covers the supply of three phase, 60 Hertz, primary current from the Company's overhead transmission circuits delivered at approximately sixty-nine thousand (69,000) volts or higher with a ten percent (10%) allowable voltage variation.
- (3) The customer shall contract for capacity equal to the estimated maximum demand of his load. The Company will supply capacity in excess of that contracted for when such capacity is available, but reserves the right to refuse to supply such additional capacity when in the judgment of the Company to do so would jeopardize the quality or continuity of service to other customers.
- (4) The Company will construct the transmission line to the customer's property line and will furnish and install the first span of conductors on the customer's property to the customer's structure.

In the event that more than one span of transmission circuit is required on the customer's property, the customer will furnish, install, own and maintain the necessary structures, conductors and related transmission line equipment.

The design and construction of all such facilities shall be subject to the Company's approval.

- (5) The substation, including the site, structures, foundations, fence, electrical equipment and all other necessary facilities shall be furnished, installed, owned and maintained by the customer.

The design and construction of the substation and the rating and specifications of the electrical equipment including circuit breakers or circuit switchers shall be subject to approval by the Company.

The customer shall provide, without charge to the Company, the necessary space, structure and foundations for the Company's metering equipment and instruments and shall permit the Company to have access to the premises at all times.

- (6) The customer shall use extraordinary care in so designing his circuits that the loads on the individual phases shall be practically balanced at all times.
- (7) The customer shall provide all equipment necessary to regulate his operations so that the Company's transmission voltage shall not be subject to excessive variation.
- (8) For the protection of the Company's facilities, the Customer may be required to furnish, install and maintain a load limiting device approved by and under the sole control of the Company.

TERM OF SERVICE AND CONTRACT:

Service and contract under this schedule shall be for a period of five years with a self-renewal provision for successive periods of one year each. Written notice of contract termination by either party must be provided at least one hundred eighty days prior to the expiration of the five year period or any one year renewal period.

The customer may at his option terminate service under this schedule at the end of any contract period upon ninety (90) days notice and contract for firm service for his entire load under the provisions of the appropriate tariff for firm service.

This sheet filed pursuant to the Order in Case No. 81-620-EL-AIR of the Public Utilities Commission of Ohio, dated June 9, 1982.

ATTACHMENT