

## **CHARTER OF THE COMPENSATION COMMITTEE**

### **PURPOSE**

The purpose of the Compensation Committee (the “Committee”) is:

1. To discharge the responsibilities of the Board of Directors (the “Board”) as specified in this Charter relating to compensation of certain senior-level officers of the Company, including the chief executive officer (“CEO”),<sup>1</sup> and the Chairman, if the Chairman is not the CEO, and other proxy-named individuals;
2. To review and endorse a compensation philosophy that supports competitive pay for performance and is consistent with the corporate strategy;
3. To assist the Board in establishing the appropriate incentive compensation and equity-based plans for the Company’s executive officers, to administer such plans in order to attract, retain and motivate skilled and talented executives and to align such plans with Company and business unit performance, business strategies and growth in shareholder value;
4. To discharge the Board’s responsibilities relating to compensation of the Company’s executives, and to produce an annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations; and
5. To perform such other duties and responsibilities enumerated in and consistent with this Charter.

### **COMPOSITION**

The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The members of the Committee shall be appointed by the Board upon the recommendation of the Corporate Governance Committee of the Board. All of the members or any individual member of the Committee may be removed from the Committee without cause by the affirmative vote of a majority of the Board.

Each member shall qualify as independent as defined in the Corporate Governance Policies. In addition, each member shall qualify as an “outside director” as such term is defined in section 162(m) of the Internal Revenue Code of 1986 (as amended) and the regulations promulgated thereunder or any successor provisions thereto, and as a “non-employee director” as such term is defined in section 16 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, or any successor provisions thereto.

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<sup>1</sup> “President” shall be substituted for each reference in this Charter to “CEO” if the office of CEO is vacant for any reason.

## **RESPONSIBILITIES AND AUTHORITY**

The Compensation Committee has the following responsibilities and authority:

1. Executive and Board Compensation

The Committee shall:

(a) Establish a process, considering objective and subjective performance criteria, to obtain an evaluation from all independent Directors of the CEO's performance;

(b) Review, approve and present to the Board, corporate goals and objectives relevant to the compensation of the CEO;

(c) Evaluate the CEO's performance in light of such goals and objectives at least annually and cause the Chairman of the Committee to meet with and communicate the results to the CEO. Such results shall also be communicated to the Board. The Board will, if necessary, replace the CEO;

(d) The Committee will recommend and the independent Directors shall approve the CEO's compensation level based on the evaluation in (c) above (including annual salary, short-term incentive, long-term incentive and other direct and indirect benefits);

(e) In determining the long-term incentive component of the CEO's compensation, consider, among other items, the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies and the compensation provided to the Company's CEO and other executive officers in the past;

(f) Review and recommend to the Board the compensation, including annual salary, bonus, stock options, and other benefits, direct and indirect, of certain senior-level officers of the Company, including the five highest paid provided, however, that shareholders shall be given the opportunity to vote on (i) all stock option plans, except pre-existing plans (excluding material amendments thereto), plans related to employment inducement or promotion options, option plans acquired in mergers or acquisitions, and tax qualified and excess benefit plans, as defined by the applicable NYSE rules, unless a vote on such plans is otherwise required by law; and (ii) the issuance of any equity compensation to any executive who, at the time of such issuance, is one of the Company's five highest paid executives, unless the equity compensation is issued pursuant to a plan previously approved by the Company's shareholders.

(g) Review new executive compensation programs;

(h) Make recommendations to the Board with respect to non-CEO executive officer compensation (which includes the Company's Section 16 designated officers), incentive compensation plans and equity-based plans;

(i) Monitor executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose;

(j) Establish and periodically review policies for the administration of executive compensation programs;

(k) Modify, as necessary, any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance or not comparable to programs of peer businesses;

(l) Review the impact of change-in-control, spin-offs, etc., on compensation plans; and

(m) At least annually, make recommendations to the Board regarding the compensation of the Chairman, if the Chairman is not the CEO, other changes in Board compensation, including cash and equity based retainers and meeting fees for regular Board meetings and Committee meetings. In discharging this duty, the Committee shall be guided by three goals: compensation should fairly pay Directors for work required in a company of FirstEnergy's size and scope; compensation should align Directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand.

## 2. Executive and Director Compensation Plans

The Committee shall:

(a) Administer the executive compensation plans, including stock option and other non-qualified deferred compensation plans, of the Company in accordance with the terms of such plans;

(b) Recommend incentive-compensation plans and policies and equity-based plans and policies to the Board;

(c) Provide necessary approval to qualify for exemptions as may be established by the Securities and Exchange Commission under section 16 of the Securities Exchange Act of 1934;

(d) Provide necessary determinations in connection with executive compensation to qualify for tax deductions in excess of limitations under section 162(m) of the Internal Revenue Code; and

(e) Have sole authority, at the Company's expense, to engage and terminate consulting firms and advisors who are independent from management, as the Committee deems advisable, to advise with respect to executive compensation matters, including the sole authority to approve the firm's fees and other retention terms.

3. In discharging the above duties, the Committee shall be guided by the following principles:

(a) As authorized by the provisions of Section 1701.60 of the Ohio Revised Code, the Board has delegated authority to the CEO of the Company to establish the compensation of officers whose compensation is not specifically determined by the Committee pursuant to this Charter, provided that this authority shall only be exercised after discussion and consultation with the Committee; and

(b) Salaries of officers and executives other than those under paragraph (a) above will continue to be determined by the CEO in a manner that is consistent with this Charter.

4. The Committee shall produce the annual report on executive compensation for the Company's proxy statement as required by the Securities and Exchange Commission.

5. The Committee shall perform such other activities and functions related to executive compensation as may be assigned from time to time by the Board, including, but not limited to preparing or causing to be prepared any reports or other disclosure required with respect to the Committee by any applicable proxy or other rules of the Securities and Exchange Commission or any applicable listing standards.

6. The Committee shall report regularly to the Board concerning its activities. Discussion of CEO compensation among the members of the Committee and the Board is not precluded under this Charter.

7. The Committee shall conduct an annual performance evaluation of the Committee.

8. The Committee shall review the Company's succession plans at least for the Executive Council Members.

9. At least annually, the Committee shall review all change in control agreements and periodically review the prevailing competitive practices concerning severance agreements and report on such review to the Board.

10. The Committee shall annually oversee the evaluation of management.

11. The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.

### **AMENDMENT**

This Charter and any provision contained herein may be amended or repealed by the Board.

Revised: September 20, 2005