

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 7th day of March 2013.

CASE NO. 12-1571-E-PC

MONONGAHELA POWER COMPANY and
THE POTOMAC EDISON COMPANY

Petition for approval of a generation resource transaction and related relief.

COMMISSION ORDER

The Commission (i) directs publication of notice of this filing and the hearing scheduled for May 29-31, 2013 and (ii) addresses a petition to intervene.

BACKGROUND

On November 16, 2012, Monongahela Power Company (Mon Power) and The Potomac Edison Company, (collectively, the Companies), filed a Petition for Approval of a Generation Resource Transaction and Related Relief (Petition). In the Petition, the Companies identified a significant deficit in the generating capacity available to serve their respective customers. To address this deficit, the Companies proposed a generation resource transaction (Transaction) to increase the net installed capacity of Mon Power by 1,476 megawatts. The Transaction arose from the resource planning efforts of the Companies detailed in the 2012 Resource Plan filed with the Commission on August 31, 2012.

The Transaction consists of (i) acquisition by Mon Power of the 79.46 percent ownership interest currently held by Allegheny Energy Supply Company, LLC (AE Supply) in the Harrison Power Station (Harrison), resulting in Mon Power being the sole owner of Harrison, (ii) acquisition by AE Supply of the 7.69 percent ownership interest held by Mon Power in the Pleasants Power Station (Pleasants), resulting in AE Supply being the sole owner of Pleasants, and (iii) implementation of a temporary transaction surcharge (Surcharge) to be implemented on closing of the Transaction and to remain in effect until new base rates reflecting the full amount of the Surcharge are placed into effect.

According to the Petition, the Mon Power net investment in the Transaction is in excess of \$1.1 billion. Without immediate rate relief to provide for recovery of and on

this investment, together with the additional expense to operate Harrison, Mon Power will not proceed with the Transaction. The Companies asserted that the Surcharge, if implemented on May 1, 2013, along with the rate decrease expected to arise from the pending 2012 ENEC proceeding (Case No. 12-1238-E-GI), would reduce overall customer rates by 1.3 percent. The Companies requested a Commission Order by April 15, 2013 to allow the Companies to close on the transaction no later than May 1, 2013. The Companies submitted a proposed procedural schedule, including a February 20-21, 2013 evidentiary hearing. The Companies further asserted that the Transaction is necessary, prudent, and reasonable under the circumstances, and otherwise satisfies all of the requirements of W.Va. Code §§24-2-2, 24-2-3, and 24-2-12.

On February 11, 2013, the Commission directed the Companies to file a proposed public notice for review by the Commission. The proposed notice was to describe this filing and the potential rate impact thereof, including a plain-language explanation of any assumptions and estimations necessary to the rate calculation.

On February 19, 2013, the Recording Secretary of the I.B.E.W. Local 2357, AFL-CIO (I.B.E.W.) filed a petition to intervene. As cause, the petition stated that the organization represented approximately 150 Mon Power employees.

On February 20, 2013, the Companies filed a proposed notice as required by the February 11, 2013 Commission Order.

DISCUSSION

Rules 4.1.d and 4.1.d.1 of the Commission Rules of Practice and Procedure (Procedural Rules), 150 CSR 1, allow for preliminary filings, such as petitions to intervene filed by a union, be made by a duly authorized person. Procedural Rule 12.7, however, requires substantive representation of parties to be through legal counsel. The Commission will grant the I.B.E.W. petition to intervene with the understanding that future pleadings and appearances are made by legal counsel.

The Commission will require publication of the attached document to provide notice of this filing, the pending evidentiary hearing, and the proposed rate impact of the Transaction.

FINDINGS OF FACT

1. The I.B.E.W. filed a petition to intervene in this case.
2. The public has not yet been made aware of this proceeding through a published legal advertisement.

CONCLUSIONS OF LAW

1. The I.B.E.W. demonstrated a legal interest in this proceeding and should be permitted to intervene with the understanding that all future participation in this case must be made through legal counsel.

2. Publication is necessary to provide notice of this filing, the pending hearing, and the proposed rate impact of the Transaction.

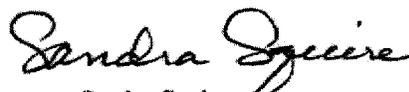
ORDER

IT IS THEREFORE ORDERED that the petition to intervene filed by the I.B.E.W. is hereby granted with the understanding that all future participation in this case must be made through legal counsel.

IT IS FURTHER ORDERED that the Companies give notice of this filing, the pending evidentiary hearing, and the proposed rate impact of the Transaction, by publishing a copy of the Notice attached hereto as Appendix A, once a week for two successive weeks in all daily newspapers qualified pursuant to W.Va. Code §59-3-1, et seq., published in the counties in which the Companies serve customers, making due return to the Commission of proper certification of publication as soon as that certification is received.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order by electronic service on all parties of record who have filed an e-service agreement, by United States First Class Mail on all parties of record who have not filed an e-service agreement, and on Staff by hand delivery.

A True Copy, Teste:


Sandra Squire
Executive Secretary

JJW/s
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CHARLESTON**

CASE NO. 12-1571-E-PC

MONONGAHELA POWER COMPANY and
THE POTOMAC EDISON COMPANY,
Petition for approval of a generation
resource transaction and related relief.

PUBLIC NOTICE OF PROPOSED TRANSACTION AND CHANGE IN RATES

Monongahela Power Company (Mon Power) and The Potomac Edison Company (collectively, the Companies), electric public utilities who provide electric service to approximately 517,000 customers in West Virginia, have filed for approval of a generation resource transaction (Transaction) with the Public Service Commission (Commission) on November 16, 2012. The proposed Transaction involves the purchase of existing electric generation assets to remedy a deficiency in the capacity required to meet its customer electric demand. Specifically, Mon Power is proposing to purchase an eighty percent ownership interest in Harrison Power Station (Harrison), located in Harrison County, West Virginia, from Allegheny Energy Supply Company (AE Supply), giving Mon Power full ownership and control of Harrison. Additionally, Mon Power would sell its minority eight percent interest in Pleasants Power Station (Pleasants) to AE Supply as part of the proposed Transaction. The net effect would be for Mon Power to acquire 1,476 Megawatts of installed coal-fired generation capacity and generation assets valued at approximately \$1.1 billion.

The Companies seek Commission approval of a Temporary Transaction Surcharge (Surcharge) to recover the costs associated with purchasing and operating the eighty percent interest in Harrison. The Surcharge will also take into account the sales proceeds and reductions in costs from the Pleasants sale. The Surcharge is proposed to be effective upon closing of the proposed Transaction and incorporated into base rates in the future. The new rates are designed to recover approximately \$63.4 million annually in additional net revenue for the Companies, an overall increase in total annual revenues of about 5.5 percent. The average monthly bill impacts for the various classes of customers is proposed to be changed as follows: Residential customers an increase of \$5.63 per month (six percent increase); Commercial customers an increase of \$14.86 per month (six percent increase); and Industrial customers an increase of \$531.83 per month (seven tenths of one percent increase).

The increases are based on averages of all customers in the indicated class. Individual customers may receive changes that are greater or less than average. Additionally, cost allocation as approved by the Commission among customer classes could increase or decrease the expected bill impacts. The requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Commission in its review of this filing. Any increase in rates and charges will not become effective until authorized and approved by the Commission.

The Commission has scheduled a hearing in this matter for May 29-31, 2013 beginning at 9:30 a.m. at 201 Brooks Street, Charleston, West Virginia. Anyone desiring to protest, support, or intervene may file a written protest, letter of support, or petition to intervene within twenty days following the date of this publication unless otherwise modified by Commission Order. Failure to timely comment or intervene can affect your right to comment on aspects of this case, including any associated rate increases. All comments or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply with the Commission rules on intervention set forth in the Rules of Practice and Procedure, 150 C.S.R. Series 1. All comments and petitions to intervene should be addressed to Sandra Squire, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25323, and must be marked with Case No. 12-1571-E-PC.

A complete copy of the proposed tariffs reflecting the proposed changes in rates, as well as representatives of the Companies to provide any information requested are available to the public at the following office of the Companies: 5001 NASA Blvd., Fairmont, West Virginia 26554. The proposed tariffs filed are also available for public inspection at the office of the Executive Secretary of the Commission at 201 Brooks Street, Charleston, West Virginia 25323.

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