

LEGAL SERVICES

800 Cabin Hill Drive  
Greensburg, PA 15601-1689  
Phone: (724) 837-3000  
FAX: (724) 838-6464  
Writer's Direct Dial No. (724) 838-6621  
E-mail: [jtrout2@alleghenyenergy.com](mailto:jtrout2@alleghenyenergy.com)

July 28, 2008

Terry J. Romine, Executive Secretary  
Maryland Public Service Commission  
6 St. Paul Street  
Baltimore, MD 21202

**Re: Fourth Interim Bidding Proposal for Allegheny Power Residential SOS**

Dear Secretary Romine:

The Potomac Edison Company dba Allegheny Power (“AP” or “Company”) proposes herein a schedule for completing the bidding to serve AP’s Residential Standard Offer Service (“SOS”) load beginning January 1, 2009 and for continued residential SOS purchases during the 2009 procurement cycle that is proposed to begin in October 2008. This proposal builds upon the partial bid plans already approved by the Commission on September 12, 2007, December 19, 2007 and April 11, 2008. This proposal is intended to reflect the concerns expressed as to bid timing and design in the Commission’s Order No. 81423 in Case No. 9099, while still encouraging maximum bidder participation by using some of the main elements of the familiar Case No. 8908 bidding process. This proposal is *not* intended to preempt, but rather is made expressly without prejudice to, any changes in SOS structure or procedures that the Commission may decide to adopt in the future.

The Prior Interim Bidding Proposals

When the Commission adopted a bid plan for rolling two-year contracts in Order No. 81102 in Case No. 9064, the Commission expressly excluded AP’s Residential SOS from that plan. Order No. 81102 at 50-51. Accordingly, if nothing else were to change, AP would have procured supply for 2009 and beyond in the fall of 2008 in accordance with the original terms of the Case No. 8908 Phase I Settlement (“8908 Settlement”) that was signed in 2002. However, the parties to the 8908 Settlement had recognized in 2002 that the need for changes might arise in the six years before AP began serving Residential SOS load, and so Paragraph 4(d) of the 8908 Settlement expressly provided for the possibility that the Commission might need to order changes to the AP Residential SOS plan.

The need for such changes became clearly evident. The Commission observed in both Order No. 81102 (pages 50-51) and Order No. 81423 (pages 61-62) that, in retrospect, it was disadvantageous to customers if, when rate caps ended, 100% of the utility's load switched to market-priced power that had been procured over a relatively short time frame. To be sure, the Commission substantially remedied this issue with respect to AP's residential customers by approving, in Case No. 9091, a procedure for ramping AP's customers gradually up to and past the expiration of rate caps.

Nonetheless, the Company believed that customers would have a still greater chance of avoiding a severe price spike when residential rate caps end if the initial bidding for AP's Residential SOS were more spread out, as suggested by the Commission in Order Nos. 81102 and 81423. Accordingly, AP proposed a detailed bidding plan on August 6, 2007 ("AP August 6 Plan") that divided the bidding into four rounds, one each in October 2007, January 2008, June 2008, and October 2008. The Commission on September 12, 2007 ordered AP to implement a modified version of the first part of the AP August 6 Plan for the October 2007 round of bidding, and on December 19, 2007, (based on a second filing by AP on November 20, 2007) the Commission ordered the Company to proceed with the January 2008 round of procurement. Then on April 11, 2008, the Commission further directed the Company to procure three residential blocks of SOS service on April 21, 2008, and, unless otherwise directed by the Commission, the remaining SOS load with service beginning on January 1, 2009 in the June 2008 and October 2008 bid rounds.

#### AP's Fourth Interim Proposal

Pursuant to the Commission's Orders on September 12, December 19 and April 11, AP has already secured four 5-month contracts, five 17-month contracts and three 29-month contracts for Residential SOS beginning January 1, 2009, and one 12-month contract beginning June 1, 2009. Through this Fourth Interim Proposal the Company is seeking permission to procure a total of thirteen blocks of new load, including three blocks of service beginning January 1, 2009, during the 2009 procurement cycle that is proposed to begin in October 2008. Accordingly, AP proposes the following bidding sequence for the October 2008, January 2009, April 2009 and June 2009 bidding rounds:

<u>Bid Date</u>	<u>Blocks to be Bid</u>		<u>Contract Duration</u>
October 20 <sup>th</sup>	1	5 month block	1/1/09 - 5/31/09
	2	29 month blocks	1/1/09 - 5/31/11
	2	12 month blocks	6/1/09 - 5/31/10
January 12 <sup>th</sup>	1	12 month block	6/1/10 - 5/31/11
	2	12 month blocks	6/1/09 - 5/31/10
	1	24 month block	6/1/10 - 5/31/12
April 20 <sup>th</sup>	1	12 month block	6/1/10 - 5/31/11
	1	24 month block	6/1/10 - 5/31/12

June 8 <sup>th</sup>	1	12 month block	6/1/10 - 5/31/11
	1	24 month block	6/1/10 - 5/31/12

Attachment A is a graphic representation of the bidding sequence to date and the additional proposed bidding described above for 2008/2009. AP believes that this proposal incorporates the direction given by the Commission to date. At this time, AP is **not** asking the Commission to approve the entire balance of the bidding sequence shown in Attachment A beyond the June 8, 2009 procurement cycle. When and how the balance of AP's Residential SOS load will be procured will depend on the timing and substance of the Commission's final order in Case No. 9117.

If you have any questions about this matter, please do not hesitate to contact me.

Respectfully submitted,

Jeffrey P. Trout  
Senior Attorney

JPT/her

Enclosure

cc: Case No. 8908 service list  
Robert Reeping  
Charles Kruff