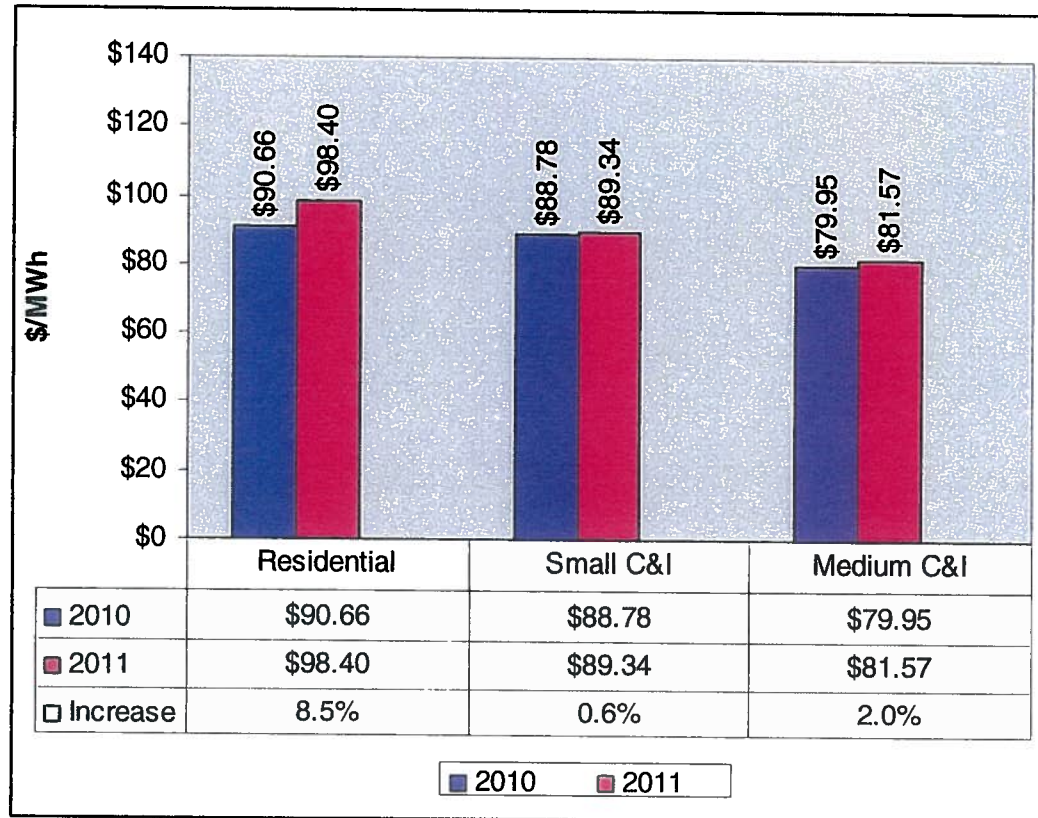


# Allegheny Power

## Pennsylvania Rate Transition

January 2010

# 2011 Allegheny Power Rate Transition

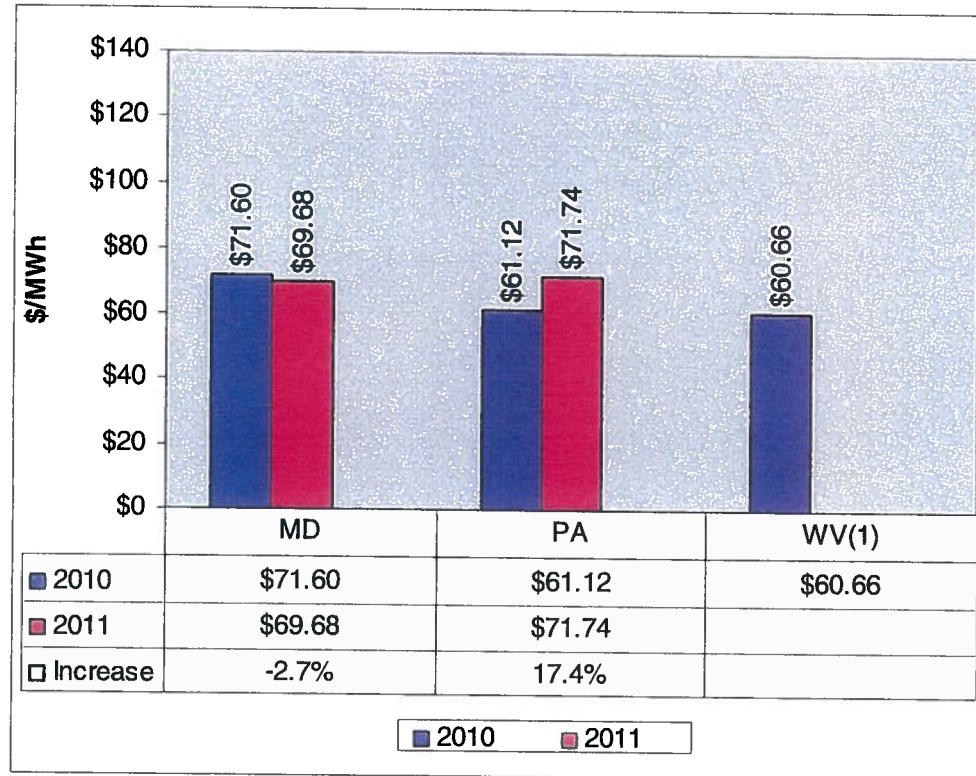


(1) Residential (Service Type 10) → The combination of the bid rounds completed to-date results in 66.6% of the residential load being subscribed for January 2011. The percent increase is calculated assuming the unsubscribed load is awarded at the weighted average of the subscribed load.

(2) Small C&I (Service Type 20) → The combination of the bid rounds completed to-date results in 49.0% of the small C&I load being subscribed for January 2011. The percent increase is calculated assuming the unsubscribed load is awarded at the weighted average of the subscribed load.

(3) Medium C&I (Service Type 30) → The combination of the bid rounds completed to-date results in 44.0% of the medium C&I load being subscribed for January 2011. The percent increase is calculated assuming the unsubscribed load is awarded at the weighted average of the subscribed load.

# Regulated vs Non-Regulated Large Industrial Customer Rates



(1) Includes the impact of pending base rate case, as filed, for a \$122.1M increase.

(2) PJM futures are for an "Around-The-Clock" ("ATC") flat block of energy as of December 31, 2009 and have been adjusted for basis from the PJM Western Hub to the APS Zone. The PJM futures ATC is then weighted to account for higher loads occurring in higher priced hours and lower loads in lower priced hours.

(3) Wholesale risk adders have not been added to the PJM adjusted price, since purchases will be coming directly from PJM on a spot basis.

(4) Losses of 5.26% have been added to the energy cost.

(5) Load factor of 74% is assumed for the large industrial load.

(6) The PJM reserve margin of 15% is used to determine the RPM unforced capacity obligation.

(7) Capacity prices are weight averaged on a calendar year basis based on the cleared RPM base residual auction price for each applicable planning year.

(8) Ancillary services are added to the total price at a rate of \$1.50 / MWh.

# Talking Points

- Market prices are more responsive to near-term changes in supply, demand and primary fuel costs
- Due to regulatory lag, regulated rates lag market rates, however, do eventually reflect the market reality, as seen in WV
  - 2009 Fuel Rate Increase = \$142.5M or 16.8% (overall average)
  - 2010 Fuel Rate Increase = \$118M or 12.7% (overall average)
- MD Residential customers saw a ***decrease*** of 2.5% in total rates in 2010 (includes the effects of the rate transition plan)