

NOTICE TO THE PUBLIC OF A JOINT PETITION BY RAPPAHANNOCK ELECTRIC  
COOPERATIVE, SHENANDOAH VALLEY ELECTRIC COOPERATIVE, AND THE  
POTOMAC EDISON COMPANY D/B/A ALLEGHENY POWER, FOR APPROVAL OF THE  
PURCHASE AND SALE OF SERVICE TERRITORY AND FACILITIES, FOR THE  
ISSUANCE OF, AND CANCELLATION OF, CERTIFICATES OF PUBLIC CONVENIENCE  
AND NECESSITY, AND FOR APPROVAL OF SPECIAL, TRANSITIONAL, RATE  
SCHEDULES  
CASE NO. PUE-2009-00101

Pursuant to §§ 56-89, 56-90, 56-265.2 and 56-265.3 of the Code of Virginia ("Code") and 5 VAC 5-20-80 of the Rules of Practice and Procedure of the State Corporation Commission ("Commission"), The Potomac Edison Company d/b/a Allegheny Power ("Potomac Edison"), Rappahannock Electric Cooperative ("Rappahannock"), and Shenandoah Valley Electric Cooperative ("Shenandoah Valley") (collectively "Parties" or "Joint Petitioners") filed a joint petition with the Commission on September 15, 2009, for: (i) approval of a transaction that would result in the sale of Potomac Edison's electric distribution facilities used in connection with the retail distribution and sale of electric power ("distribution facilities") located in its Virginia service territory to Rappahannock and Shenandoah Valley; (ii) the issuance of certificates of public convenience and necessity to Rappahannock and Shenandoah Valley for the acquisition of Potomac Edison's facilities and for the provision of electric service in Potomac Edison's current Virginia retail distribution service territory; (iii) the cancellation of Potomac Edison's certificates of public convenience and necessity to provide electricity at retail in the Commonwealth; (iv) the issuance of a certificate of public convenience and necessity to Potomac Edison for the operation of transmission lines and facilities in the counties it currently provides such services; and (v) the grant of any further approvals and relief as the Commission finds to be necessary ("Joint Petition").

The Parties have entered into two separate asset purchase agreements that would, if approved by the Commission, confer on Rappahannock and Shenandoah Valley the rights and obligations to provide retail electric utility service in all of Potomac Edison's current Virginia service territory, transfer Potomac Edison's Virginia distribution facilities to Rappahannock and Shenandoah Valley, and release Potomac Edison from its rights and obligations to provide retail utility service in the Commonwealth.

Specifically, Rappahannock will purchase Potomac Edison's distribution facilities in Fauquier, Rappahannock, Culpeper, Orange, Madison, Greene, Albemarle, and parts of Clarke, Frederick, Page, Shenandoah, and Warren Counties ("new Rappahannock territory"), and will serve Potomac Edison's current customers in the new Rappahannock territory. Shenandoah Valley will purchase Potomac Edison's distribution facilities in Shenandoah, Page, Highland, and parts of Frederick, Clarke, and Warren Counties, as well as all of the City of Winchester ("new Shenandoah Valley territory"), and will serve Potomac Edison's current customers in the new Shenandoah Valley territory. Neither Rappahannock nor Shenandoah Valley proposes to acquire any of Potomac Edison's transmission facilities.

The estimated purchase price for the distribution facilities and other associated attributes of retail service in Virginia ("Virginia Assets") is approximately \$350 million in total. Rappahannock is proposing to purchase Potomac Edison's Virginia Assets in the new Rappahannock territory for approximately \$183 million, and Shenandoah Valley is proposing to purchase Potomac Edison's Virginia Assets in the new Shenandoah Valley territory for approximately \$167 million, subject

in each transaction to post-closing adjustments to true-up the net book value of the acquired assets, customer deposits, and accounts receivable.

Rappahannock and Shenandoah Valley have agreed to be bound by the rates and charges set out in the Order dated November 26, 2008, in Case No. PUE-2008-00033, and the Stipulation attached to that Order, with respect to the Virginia Assets, for the time periods set forth therein. Thus, the Parties maintain that the transaction will have no immediate impact on the rates of Potomac Edison's Virginia customers who will be transferred to Rappahannock and Shenandoah Valley. To assist in the fulfillment of this obligation, Old Dominion Electric Cooperative would assume certain contractual obligations to serve Potomac Edison's former retail customers in Virginia through June 30, 2011. After June 30, 2011, the process of setting rates for the former Potomac Edison customers would be the same process applicable to current Rappahannock or Shenandoah Valley customers.

Rappahannock and Shenandoah Valley would assume most post-closing liabilities, as well as some pre-closing liabilities, including certain regulatory liabilities; limited liabilities relating to the remediation of hazardous substances; liabilities related to customer deposits and unearned pole attachment rental revenue; and cost of removal obligations associated with the Virginia Assets. Potomac Edison will remain liable for all liabilities related to the Virginia Assets not specifically assumed by Rappahannock and Shenandoah Valley. The asset purchase agreements provide for customary representations and warranties, covenants and indemnifications.

On September 30, 2009, Rappahannock and Shenandoah Valley filed for approval of special rate schedules pursuant to § 56-235.2 of the Code. Rappahannock and Shenandoah Valley requested that the Commission grant them approval to implement transitional rate schedules for Potomac Edison's current customers in the new Rappahannock territory and in the new Shenandoah Valley territory should the Joint Petition be granted. As is mentioned above, these specialized, transitional rate schedules proposed in Rappahannock and Shenandoah Valley's September 30, 2009 filings are consistent with the rates and charges set forth in the November 26, 2008 Order in Case No. PUE-2008-00033, and the Stipulation attached to that Order. Thus, these requests for approval of special, transitional rate schedules would not result in any immediate changes to the rates and charges of Potomac Edison's acquired customers. Nor would these filings result in any immediate changes in the rate schedules applicable to Rappahannock or Shenandoah Valley's current member customers.

The Commission entered an Order for Notice and Hearing that, among other things, scheduled a public hearing to commence at 10:00 a.m. on March 2, 2010, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence related to the Joint Petition. Public witnesses desiring to offer testimony at the public hearing need only appear in the Commission's Second Floor Courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's Bailiff.

The Joint Petition and the Commission's Order for Notice and Hearing are available for public inspection during regular business hours at each of the Joint Petitioners' business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for Potomac Edison: Richard D. Gary, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Joint Petitioners may provide a copy of the public version of the Joint

Petition by electronic means. Copies of the public version of the Joint Petition, as well as a copy of the Order for Notice and Hearing, also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commissions website: <http://www.scc.virginia.gov/case>.

Any interested person may participate as a respondent in this proceeding by filing, on or before December 1, 2009, an original and fifteen (15) copies of a notice of participation as a respondent with: Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2009-00101. A copy of the notice of participation as a respondent must also be sent to counsel for the Joint Petitioners: Joanne Katsantonis, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219, and Richard D. Gary, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219.

On or before January 8, 2010, each respondent may file with the Clerk of the Commission at the address above an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Joint Petitioners: Joanne Katsantonis, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219, and Richard D. Gary, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219, and on all other respondents. In the alternative, testimony and exhibits may be filed electronically as provided by 5 VAC 5-20-140. Respondents shall comply with the Commission's Rules of Practice and Procedure, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

On or before February 23, 2010, any interested person may file with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Joint Petition. On or before February 23, 2010, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. All correspondence shall refer to Case No. PUE-2009-00101.

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EDISON COMPANY D/B/A ALLEGHENY POWER**