



LEGAL SERVICES

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April 10, 2008

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

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

Dear Secretary Romine:

At the Commission's request of earlier today, 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. This proposal builds upon the partial bid plans already approved by the Commission on September 12, 2007, and December 19, 2007, and also directly reflects the Commission's request, communicated to the Company earlier today, that a portion of AP's residential load be included in the April 21, 2008, round of bidding. In order to give potential suppliers timely notice so that they can bid on the residential load in that April 21 round, AP respectfully requests that the Commission approve this bid plan by April 11, 2008, if possible, as that is the date when AP would normally send a notice to all potential bidders regarding the upcoming solicitation.

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

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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.

#### AP's Third Interim Proposal

Pursuant to the Commission's Orders on September 12 and December 19, AP has already secured five 17-month contracts and two 5-month contracts for Residential SOS. This leaves seven blocks of new load still to be covered, plus three blocks to cover 5-month contracts that will expire on May 31, 2009. The Commission's direction, as expressed to the Company earlier today, was to procure three of these blocks in the April 21 round of bidding, with the remaining load to be divided evenly between the June and October 2008 rounds. Accordingly, AP proposes the following bidding sequence for the April, June, and October 2008 rounds:

<u>Bid Date</u>	<u>Blocks to be Bid</u>	<u>Contract Duration</u>
April 21st	1 5 month block	1/1/09 - 5/31/09
	2 29 month blocks	1/1/09 - 5/31/11
June	1 5 month block	1/1/09 - 5/31/09
	1 12 month block	6/1/09 - 5/31/10
	1 29 month block	1/1/09 - 5/31/11
October	1 5 month block	1/1/09 - 5/31/09
	1 29 month block	1/1/09 - 5/31/11
	2 12 month blocks	6/1/09 - 5/31/10

Attachment A is a graphic representation of the bidding sequence to date and the additional proposed bidding described above for 2008. AP believes that this proposal

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incorporates the direction given by the Commission, not only earlier today but in all the prior orders discussed above.

As noted earlier, normally AP communicates to all potential bidders, prior to the bid date, final information on the load being solicited. Conveying this information to bidders on a timely basis is instrumental in securing more and better bids from the wholesale market. As inclusion of AP residential load in the April 21, 2008, round of bidding would be a new, unanticipated development, AP would want to highlight that inclusion in its communication to the potential bidders. Additionally, bidders need sufficient time to amend their bid collateral letters of credit to reflect the increased number of bid blocks. Therefore, as discussed above, AP very respectfully asks that, if possible, the Commission rule on this proposed bid plan in time for that ruling to be reflected in the April 11, 2008, communication to potential bidders.

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

Respectfully submitted,



Jeffrey P. Trout  
Senior Attorney

JPT/sac

Enclosure

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

**Allegheny Power Residential Bid Timeline**

Term	Oct-07	Jan-08	Apr-08	Jun-08	Oct-08	Jan-09	Jun-09	Oct-09	Jan-10	Jun-10	Oct-10	Jan-11	Jun-11	Oct-11	Total
1/1/09 - 5/31/09 (5)		2	1	1	1										5
1/1/09 - 5/31/10 (5)	3	2													5
1/1/09 - 5/31/11 (4)			2	1	1										4
6/1/09 - 5/31/10 (5)				1	2	2									5
6/1/10 - 5/31/11 (5)						1	1	1	2						5
6/1/10 - 5/31/12 (5)						1	1	2	1						5
6/1/11 - 5/31/12 (5)									1	1	1	2			5
6/1/11 - 5/31/14 (4)									1	1	1	1			4
															0

October 2007 and January 2008 Procurement have been completed as indicated.