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| PUC logo | COMMONWEALTH OF PENNSYLVANIA  PENNSYLVANIA PUBLIC UTILITY COMMISSION  P.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE** |

June 3, 2010

A-2010-2176520

A-2010-2176732

# TO ALL PARTIES:

Re: Joint Application of West Penn Power Company, Trans-Allegheny Interstate Line

Company and FirstEnergy Corporation for approval of a change of control of West

Penn Power Company and Trans-Allegheny Interstate Line Company

On May 18, 2010, West Penn Power Company d/b/a Allegheny Power (West Penn), Trans-Allegheny Interstate Line Company (TrAILCo) and FirstEnergy Corporation (FirstEnergy) (collectively, the Joint Applicants) filed a joint application pursuant to Chapters 11 and 28 of the Pennsylvania Public Utility Code for a change of control whereby Allegheny Energy, Inc. (Allegheny), the ultimate parent of West Penn and TrAILCo, would become a wholly-owned subsidiary of FirstEnergy. Additionally, the Joint Applicants are requesting approval of revisions to affiliated interest agreements pursuant to Chapter 21 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§2102.

The Commission is required to approve mergers and acquisitions that result in direct or indirect control of a Pennsylvania public utility pursuant to 66 Pa. C.S. § 1102(a)(3) and the policy statement at 52 Pa. Code §69.901. Additionally, the Pennsylvania Supreme Court held that those seeking approval of a utility merger must demonstrate that the merger will affirmatively promote the service, accommodation, convenience, or safety of the public as set forth in *City of York v.* *Pa. PUC,* 295 A. 2d 825 (Pa. 1972). Chapter 28, the Electricity Generation Customer Choice and Competition Act, requires the Commission to consider whether the merger or consolidations of electric utilities or electricity suppliers may result in anticompetitive or discriminatory conduct. *See* 66 Pa. C.S. § 2811(e)(1).

The Commission has assigned the case to the Office of Administrative Law Judge for hearing and recommended decision. In order to create a complete record in this matter, the Joint Applicants and other parties are hereby directed to address the issues and areas of concern identified in Attachment A of this letter. The areas of concern listed in Attachment A is not intended to limit the relevant issues that may be raised by the parties in this matter to determine whether the proposed merger is necessary or proper for the service, accommodation, convenience, or safety of the public.

 BY THE COMMISSION,

Rosemary Chiavetta

Secretary

Enclosure

cc: All Parties of Record (per attached list)

Office of Administrative Law Judges

Judge Weismandel

Judge Long

Kathy Aunkst

Parties of Record

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**Allegheny Energy, Inc. – FirstEnergy Corporation Merger**

**A-2010-2176520**

**A-2010-2176732**

Items to be investigated in detail before the Administrative Law Judge:

1. How will the merger impact employment levels in Pennsylvania, particularly, but not limited to, those employees not covered by collective bargaining agreements? What will the impact be on Allegheny Energy’s corporate headquarters in Greensburg, PA, as well as the operating companies’ offices?
2. How will the merger affect the customer service and system reliability of West Penn Power and the FirstEnergy Pennsylvania utilities? How will the merger affect West Penn Power and the FirstEnergy Pennsylvania utilities ability to respond to outages and other emergencies?
3. Review the impact of the initially proposed corporate structure of the merger versus the alternately proposed corporate structure. Which corporate structure will better protect the public interest?
4. What, if any, ring-fencing mechanisms are presently in place, or proposed as part of this transaction, to protect West Penn Power, Met-Ed, Penn Power, and Penelec from the business and financial risk of the parent and other non-regulated affiliates? Are any changes or additions necessary to better protect the public interest and make the regulated electric distribution subsidiaries bankruptcy remote?
5. How will the merger impact the Act 129 smart meter and energy efficiency implementation plans of West Penn Power and First Energy’s regulated utilities, Met- Ed, Penelec and Penn Power?
6. How will the merger affect the capital structure of FirstEnergy Corporation? Will the merger create a more leveraged organization? How will the proposed merger impact the credit rating of FirstEnergy?
7. Will West Penn Power and the other Allegheny Energy subsidiaries that currently issue their own debt maintain their own external borrowing authority and separate bond rating?
8. Will West Penn Power participate in the FirstEnergy Utility money pool? If, yes, please provide an updated agreement.
9. How will the proposed merger savings benefit Pennsylvania ratepayers? Will cost savings benefit ratepayers or only shareholders?
10. Are the proposed affiliated interest agreements and cost allocation proposals reasonable and consistent with the public interest under Section 2102(b) of the Public Utility Code?
11. Investigate the impact the proposed merger may have on the potential for anticompetitive behavior per 66 Pa. C.S. § 2811(e)(1). How will the merger affect wholesale and retail competition for power/electric generation and transmission?
12. How will transmission projects in the western part of the state be affected by the merger?