SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28006; 70-10278)

Allegheny Energy, Inc., et al.

Order Authorizing New Transition Bonds and Certain Related Financial Transactions

July 27, 2005

Allegheny Energy, Inc. ("Allegheny"), a registered holding company under the Public Utility Holding Company Act of 1935, as amended ("Act"), West Penn Power Company ("West Penn"), a public-utility subsidiary of Allegheny, West Penn Funding Corporation ("WP Funding Corp."), a wholly owned subsidiary of West Penn, West Penn Funding LLC ("WP Funding LLC"), a wholly owned limited liability company of WP Funding Corp., and Allegheny Energy Service Corporation ("AE Service Corp."), a wholly owned subsidiary of Allegheny, all located in Greensburg, PA (together, "Applicants"), have filed an application-declaration, as amended ("Application"), with the Securities and Exchange Commission ("Commission") under sections 6(a), 7, 9, 10, 12(b), 12(f) and 13(b) of the Act and rules 54, 90 and 91. The Commission issued a notice of the Application on June 2, 2005.[1] The Commission has not received any request for a hearing.

I. Summary of the Request

Applicants seek authorizations to issue up to $115 million in new transition bonds ("New Transition Bonds") and for certain related financial transactions in connection with West Penn's financing and recovery of costs associated with Pennsylvania's

[1] Allegheny Energy, Inc., et al., Holding Co. Act Release No. 27981 (June 2, 2005).

electric-utility industry restructuring.[2] These proposed authorizations are related, and in addition, to a similar Commission authorization dated October 19, 1999, by which West Penn was permitted to engage in various transactions, including issuance of up to $600 million in transition bonds ("Existing Transition Bonds").[3] Applicants request authority to engage in the following transactions, from time to time, through December 31, 2010, as applicable:

(i) For West Penn, (a) to utilize WP Funding or to form a new domestic subsidiary corporation (together, "WP Funding"),[4] and (b) to transfer intangible transition property ("ITP") and the associated intangible transition charges ("ITC") revenue stream (both described below), to WP Funding as a capital contribution or as a sale in exchange for shares of WP Funding;

(ii) For WP Funding, (a) to acquire a new wholly owned limited liability company ("WPF LLC")[5] and (b) to transfer ITP and the associated ITC

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[2] Applicants explain that, beginning in 1997, after enactment of the Pennsylvania Electricity Generation Customer Choice and Competition Act (66 Pa. C.S. Section 2801 et seq. (together with regulatory interpretations, "Competition Act")), Pennsylvania restructured its electricity industry, requiring the unbundling of electric services into separate generation, transmission and distribution services with open competition in the retail sale of electricity, implementing a program of retail competition in the electricity sector. Applicants state that the retail electric competition program now applies to all retail customers in the Commonwealth. Electric distribution services are regulated by the Pennsylvania Public Utility Commission ("PUC"), as they were before. Transmission services are regulated by the Federal Energy Regulatory Commission, as are wholesale rates for purchases and sales of electric power.

[3] See West Penn Power Co., Holding Co. Act Release No. 27091 (Oct. 19, 1999).

[4] Applicants state that West Penn will issue the New Transition Bonds either through its existing subsidiary, WP Funding Corp., or a new subsidiary corporation. For convenience, however, WP Funding Corp. and any new subsidiary are referred to, together, as "WP Funding" and all requested authorizations for WP Funding refer both to West Penn Funding Corp. and any newly-formed corporation, unless specifically noted.

[5] Applicants state that, in the event New Transition Bonds are issued through WP Funding Corp., and not a newly-formed subsidiary corporation, the New Transition Bonds may be issued by WP Funding LLC, an existing subsidiary limited liability company, rather than a newly-formed limited liability company. For convenience, again

revenue stream to WPF LLC in exchange for the net proceeds WPF LLC receives from its proposed sale of New Transition Bonds, described in subparagraph (iii) below;

(iii) For WPF LLC, (a) to issue New Transition Bonds in an amount of up to \$115 million to investors, with a final maturity no later than December 31, 2010, and (b) to transfer, to WP Funding, the net proceeds from its sale of New Transition Bonds in exchange for ITP and the associated ITC revenue stream (which will secure the New Transition Bonds);

(iv) For WP Funding, to lend, to West Penn, the net proceeds from the sale of the New Transition Bonds it receives from WPF LLC;

(v) For West Penn, to issue a note of up to \$115 million to WP Funding for the loan;

(vi) For West Penn, to pay Allegheny, dividends out of capital and unearned surplus, in the amount of the loan to West Penn, not to exceed \$115 million (to facilitate Allegheny's commitment under an intercreditor agreement among Allegheny, Allegheny Energy Supply Company, LLC ("AE Supply") and their respective lenders);[6]

(vii) For West Penn and WPF LLC, to enter into a service agreement by which West Penn will provide services, at a market rate, to WPF LLC for its ITC revenue stream, including (a) billing customers and making collections on behalf of WPF LLC, and (b) making certain filings with the PUC; and

(viii) For AE Service Corp., to enter into a service agreement with WP Funding and WPF LLC to provide corporate governance, bookkeeping and other

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(see also note 4, above), WP Funding LLC and a new limited liability company (whether a subsidiary of WP Funding Corp. or a newly-formed subsidiary of West Penn) are referred to, together, as "WPF LLC" and all requested authorizations for WPF LLC refer both to West Penn Funding LLC and any newly-formed limited liability company, unless specifically noted.

[6] See also Allegheny Energy, Inc., et al., Holding Co. Act Release No. 27963 (Apr. 29, 2005) ("2005 Financing Order").

related services.

II. Background

West Penn is incorporated in Pennsylvania, its entire service territory is located in the Commonwealth of Pennsylvania and it is subject to the regulation of the PUC. West Penn was authorized by the Commission in 1999 to securitize certain costs incurred in the electric-utility industry restructuring of the 1990s and is now seeking certain further authorization related to the same Commonwealth of Pennsylvania restructuring (requiring unbundling of electric services into separate generation, transmission and distribution services and competition in retail sales of electricity). The restructuring is administered by the PUC and was expected to cause some utilities in Pennsylvania to incur "stranded" or other "transition" costs, among other things. To reduce some of the cost impact, Pennsylvania's 1996 Competition Act permitted an electric-utility, under certain circumstances and during a transition period, to recover some stranded or transition costs related to restructuring.[7]

Applicants explain that the Competition Act provides that, subject to PUC approval and certain rate caps, these costs (after mitigation by the utility) may be

[7] Applicants state that Pennsylvania determined that the transition costs would be recoverable to the extent the PUC concludes the costs are just and reasonable. Transition costs identified are items such as regulatory assets, long-term purchased power commitments and other costs, including investment in generating plants, spent-fuel disposal, retirement costs and reorganization costs, among other things.

Pennsylvania's Competition Act required utilities to submit restructuring plans to the PUC, among other things, addressing certain prescribed time periods and including identified transition costs. In addition, the statute implemented utility rate caps to be in place during the transition cost collection period (with certain exceptions) and, for a significant portion of the period, total charges to customers would not be permitted to exceed rates in place as of December 31, 1996.

recovered and collected by utilities from distribution customers through a "competitive transition charge" ("CTC") and these costs also may be recovered through issuance of "transition bonds."[8] The Competition Act also requires a utility to retrieve these costs within nine years of enactment of the Competition Act (or an alternate period, as permitted by the PUC, upon good cause shown). Applicants state that the transition bond method of cost recovery may be, in certain circumstances, more expeditious and cost-effective for the utilities and ratepayers.

Applicants state that, in order for a utility to use transitions bonds, the statute requires the PUC to issue Qualified Rate Orders ("QROs") permitting a utility to issue transition bonds and requires that a utility use proceeds of transition bonds principally to reduce qualified stranded costs and the utility's related capitalization. The Competition Act further provides that, to the extent the PUC declares a QRO (and the rates and other QRO-authorized charges) to be "intangible transition property" (i.e., ITP), the utility (1) has ITP as collateral, to secure the transition bonds and (2) may impose, on its customers, non-bypassable "intangible transition charges" (i.e., ITC), from which to repay the transition bonds.[9]

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[8] Applicants state that the Competition Act also permits the transaction to be conducted through a subsidiary of a utility or a third-party assignee of a utility.

[9] Applicants state that ITCs are generally defined as amounts authorized by the PUC, under an irrevocable QRO, to be imposed on all customer bills, to recover the principal and interest on transition bonds, costs to cover credit enhancements, cost of retiring existing debt and equity, costs of defeasance, servicing fees and other related fees, taxes, costs and expenses (i.e., "qualified transition expenses" or "QTEs"). The ITCs are collected, through non-bypassable charges, by an electric-utility providing electric transmission and distribution services to a customer located in its service territory, regardless of whether that customer continues to purchase electricity from that electric-utility. The ITCs are a specified dollar amount billed on each customer bill (determined by applying certain rates per kilowatt hour of usage and, in some cases, per kilowatt of

West Penn, in 1997, submitted its restructuring plan to the PUC and, in 1998, the PUC authorized West Penn to recover $670 million in transition costs by transition bonds, securitizing some of the cost recovery to which West Penn would be entitled.[10] West Penn states that, although the PUC authorized the $670 million transition cost recovery, West Penn has not been able to recover its full value for a variety of reasons, as described below.

West Penn issued $600 million of Existing Transition Bonds through West Penn Funding LLC in 1999 upon receiving the PUC's authorization in 1998 and then the Commission's authorization, as noted above (less than the PUC's fully authorized amount of $670 million).[11] Applicants state that, in addition, as of November 30, 2004,

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demand). In a QRO, the PUC may provide for periodic adjustments to ITC ("true-ups"). Once the PUC declares a QRO to be irrevocable, none of the utility, the PUC, the Commonwealth of Pennsylvania, nor any state instrumentality, has any right to modify the ITC (subject to the QRO and the Competition Act).

[10] The West Penn restructuring plan, filed with the PUC in August 1997, among other things, unbundled generation from transmission and distribution. The plan was contested, was the subject of hearings and, finally, resulted in a settlement approved by the PUC on November 19, 1998. The PUC also authorized the $670 million in stranded or transition costs to be recovered by a combination of stranded cost collection (subject to certain rate caps), lifting of generation caps from 2006 to 2008 and elimination of generation rate caps after December 31, 2008.

[11] See note 2 above. Applicants explain that, before issuance of the Existing Transition Bonds, West Penn had recovered approximately $37 million of its stranded costs from customers. The $600 million of Existing Transition Bonds recovered approximately $584 million of additional stranded cost recovery (and paid for approximately $16 million in recoverable issuance costs). They further explain that, thus, West Penn has recovered (or is in the process of recovering through the ITC) approximately $621 million of its $670 million in stranded costs (deferring recovery of the remaining $49 million in stranded costs). Of this deferred $49 million, which remains to be recovered, approximately $32 million is associated with periods prior to November 30, 2004 and $17 million is associated with future periods.

West Penn has experienced a cumulative CTC under-recovery of approximately $83 million.[12]

On April 21, 2005, the PUC authorized securitization of up to an additional $115 million for unrecovered stranded costs that Allegheny is entitled to under the earlier PUC authorization. Applicants state that this amount, as of November 30, 2004, includes: (1) the cumulative under-recovered CTC amount (approximately $83 million); (2) the remaining stranded cost scheduled for recovery through the CTC during future periods (approximately $17 million); and (3) transaction costs and West Penn's share (25 percent) of interest-related savings from securitization.[13] They further state that the securitization process is intended to result in interest-related savings to the extent the interest rate payable on the transition bonds is lower than the interest rate authorized by the QRO for unrecovered CTC principal.[14] Applicants also state that they are unable to estimate the precise interest-related savings associated with the issuance of the New

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The Existing Transition Bonds were issued in four classes, two of which remain outstanding. The Existing Transition Bonds consisted of Class A-1, Class A-2, Class A-3 and Class A-4 in amounts of $74 million, $172 million, $198 million and $156 million, respectively (with Class A-3 and Class A-4 remaining outstanding with approximately $117 million and $156 million, respectively, as of December 31, 2004).

[12] Applicants state that the $83 million is comprised of the under-recovered stranded costs (approximately $32 million, noted above), associated interest (approximately $43 million), and West Penn's share of interest-related savings associated with the securitization (approximately $8 million).

[13] Applicants state that customers also have an interest-savings loss, since under the PUC's formula, the savings is shared between the utility and the ratepayer (25 percent and 75 percent, respectively).

[14] Applicants state that the Existing Transition Bonds were estimated to create approximately $46 million of interest-related savings. The customers' share of these savings is 75 percent (approximately $34.5 million) with West Penn retaining the remainder.

Transition Bonds, although they anticipate a material amount of savings for West Penn's customers.

Applicants state that the New Transition Bonds will be fully secured by West Penn's pledge of an irrevocable right to receive its customers' payments in amounts sufficient to service fully the New Transition Bonds.[15] Applicants state, in addition, that savings from securitization will be shared between West Penn and its customers, with 75 percent of net savings to be passed on to its customers.

III. The Transactions

Applicants state that the purpose of West Penn's New Transition Bonds is to enable it to recover the remaining uncollected portion of its $670 million in Pennsylvania transition costs in a manner that they anticipate to be more expeditious and cost-effective for West Penn and for its customers than recovering these amounts through the standard billing and collection of CTCs. Applicants propose to effect these transactions as

[15] Applicants state that neither the general credit of West Penn nor that of Allegheny will be used to support the New Transition Bonds and neither West Penn nor Allegheny, under any circumstances, will be called upon to meet New Transition Bonds payments. Applicants state that issuance of the New Transition Bonds will not adversely affect West Penn's cash flows. The proposed New Transition Bonds will be separately rated by credit rating agencies and are not expected to affect Allegheny's or West Penn's credit ratings. Applicants state that the credit rating agencies recognize that the New Transition Bonds will be serviced by ITC approved by the PUC and are independent of Allegheny's and West Penn's credit. The Existing Transition Bonds are rated AAA by Standard & Poor's and Fitch and Aaa by Moody's and Applicants anticipate that the New Transition Bonds will receive similar ratings. West Penn's current credit ratings for its unsecured debt are B+ from Standard & Poor's, Ba1 from Moody's, and BBB- from Fitch.

described below.

1. Formation of New Subsidiaries and Transfer of ITP and Associated ITC Revenue Stream

West Penn requests authority to, either, (a) use West Penn Funding, the same wholly owned subsidiary it created in connection with the Existing Transition Bonds, or (b) instead, to form a new, wholly owned special purpose subsidiary for the transition cost securitization.[16] West Penn also seeks authority to transfer its ITP and associated ITC revenue stream to WP Funding.

WP Funding, in turn, requests authority to choose, in its discretion, to form a new, wholly owned limited liability company (WPF LLC) for the securitization of the New Transition Bonds. In addition, in turn, WP Funding also requests authority to transfer, to WPF LLC, the ITP and associated ITC revenue stream it may receive from West Penn, under a sale agreement, in exchange for the proceeds of the New Transition Bonds.[17]

2. Issuance of New Transition Bonds

Applicants request authority for WPF LLC to issue up to $115 million in New Transition Bonds. WPF LLC may issue the New Transition Bonds in the form of debt securities in one or more series and each such series may be issued in one or more classes. Different series may have different maturities and coupon rates and each series may have classes with different maturities and coupon rates. Overall, the characteristics of the New Transition Bonds will be substantially similar to bonds issued by similar

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[16] For convenience, West Penn Funding Corporation and any new subsidiary, together, are referred to as "WP Funding." See notes 4 and 5, above.

[17] See also section 2 (Issuance of New Transition Bonds), below. It is anticipated that the New Transition Bonds will be rated similarly to the Existing Transition Bonds, which are rated AAA by Standard & Poor's and Fitch and Aaa by Moody's, as noted before.

issuers in similar contexts and the Existing Transition Bonds issued by WPF LLC under to the previous Commission order.[18] Each series will be entitled to recover, through the ITC approved by the related QRO, QTEs based on a specified principal amount of New Transition Bonds for each series, including interest at the coupon rate or rates applicable to the series.[19] Applicants state that the New Transition Bonds will provide that they must be repaid no later than December 31, 2010.[20]

Applicants also request that they be permitted to consummate the securitization within 120 days of the order permitting this Application to become effective, rather than the 60 day period provided for under rule 24, to provide sufficient time for West Penn to complete the transactions.

West Penn also states that it anticipates using the proceeds from the sale of ITP funded by the $115 million of New Transition Bonds to pay issuance and financing costs and, the remaining proceeds principally to reduce its transition or stranded costs by reducing its existing capitalization through one or more of the following: (a) retirement of outstanding debt, (b) retirement and repurchase of preferred stock and (c) reduction of common shareholder equity through stock buy backs and/or payment of dividends.[21]

[18] See note 3, above.

[19] See also note 9, above.

[20] Applicants note that the final maturity date may vary as ITC is calculated by taking into account variables such as the anticipated level of charge-offs, delinquencies and usage, which may differ from the amounts actually incurred or achieved.

[21] Applicants also state that the specific actions West Penn will take to reduce its capitalization will depend, in large part, on the date proceeds from the sale of the New Transition Bonds become available, then prevailing market conditions and circumstances at that time, including (but not limited to) the overall financial circumstances of West Penn and other financial activities that may be in progress or planned.

3. The Loan and the Payment of Dividends Related to the Loan

WP Funding also requests authority to lend West Penn up to $115 million (the proceeds from the sale of the ITP and associated ITC revenue stream) in exchange for West Penn's note in that amount. West Penn requests authority to issue a note of up to $115 million to WP Funding, at a market interest rate. Applicants state that the loan will have interest rates and maturities that are designed to provide a return to WP Funding that parallels WP Funding's effective cost of capital. Applicants state that West Penn's note to WP Funding will be subordinated to all outstanding West Penn debt.

Related to the loan, Applicants also request authority to make certain dividend payments out of capital or unearned surplus, stating that West Penn may be required to pay dividends out of capital or unearned surplus to Allegheny in an amount of the loan, not to exceed $115 million, due to the terms of an intercreditor agreement between Allegheny and AE Supply and their respective lenders.[22] Applicants state that the dividend authority is intended solely to enable Allegheny to comply with the terms of the intercreditor agreement. Applicants further state that any amounts paid to Allegheny by

[22] See also the 2005 Financing Order, note 6, above, and SEC File No. 70-10251. According to Applicants, this intercreditor agreement requires that, if either company or any of their subsidiaries issue debt or equity, then a percentage of the proceeds from the issuance, under certain circumstances, are to be paid as a dividend to Allegheny in the case where AE Supply (or one of its subsidiaries) is the issuer, or as a capital contribution to AE Supply if Allegheny (or one of its subsidiaries (other than AE Supply or its subsidiaries)) is the issuer. Applicants state that, as a consequence, should West Penn issue debt under certain circumstances specified in the intercreditor agreement, Allegheny must contribute a percentage of the proceeds temporarily to AE Supply. Applicants state that, to meet terms of the agreement, West Penn must pay dividends to Allegheny to provide Allegheny with sufficient funds to make the required contribution to AE Supply.

West Penn will be contributed back to West Penn immediately, regardless of circumstances.

4. Service Agreement

West Penn and WPF LLC also request authority to enter into a service agreement in which West Penn will agree to service WPF LLC's ITC revenue stream. West Penn will, among other things, (a) bill customers and make collections on behalf of WPF LLC, and (b) file with the PUC for adjustment to the ITC to achieve a level which allows for full recovery of QTEs in accordance with the amortization schedule for each series of Transition Bonds.[23]

Applicants state that the ITC charge may be set to provide for recovery of an excess amount over that needed to pay expected costs and debt service on the New Transition Bonds.[24] Applicants state that West Penn will service the ITCs and will remit monthly (or more frequently) all amounts collected from the ITCs to a collection account maintained by the indenture trustee for the benefit of the bondholders of the New Transition Bonds ("Collection Account").[25] Under the terms of the service agreement,

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[23] See also note 9, above.

[24] Collections of this additional amount will be deposited into an "overcollateralization subaccount" to enhance the creditworthiness of the New Transition Bonds. The ITC charge will be collected from West Penn customers over the expected amortization period of the New Transition Bonds. The New Transition Bonds will have the benefits of accounts related to the New Transition Bonds themselves and it is expected that amounts in these accounts will be no less than the amounts required to achieve AAA (or equivalent) rating from the rating agencies.

[25] Quarterly or semiannually, WPF LLC will pay out of the Collection Account, among other things authorized by the QRO, the trustee fees, service fees, administrative costs, operating expenses, accrued but unpaid interest (except for interest accrued prior to the collection period for the related ITCs, which will be capitalized) and principal (to the extent scheduled) on the New Transition Bonds. Any remaining balance in the

Applicants propose that West Penn will be entitled to compensation in the form of a service fee for its activities and reimbursement for certain of its expenses.[26]

As additional service compensation, West Penn also requests authority to retain all investment earnings on ITC collections from the time of collection until the time of remittance to the Collection Account. Amounts collected by West Penn for the ITC will be remitted monthly (or possibly more frequently if required by the rating agencies) to the Collection Account.

Applicants state that, to satisfy the rating agency requirements for a "bankruptcy remote" entity, the service fee must be an arm's-length fee that would be reasonable and sufficient for a third party performing similar services.[27] Applicants request authority to enter into the fee arrangements.

Applicants also request that West Penn be authorized to subcontract with other companies to carry out some of its service responsibilities, so long as the ratings of the Transition Bonds are neither reduced nor withdrawn.

5. Service Agreements with Allegheny Energy Service Corporation

WP Funding and WPF LLC request authority to enter into service agreements with AE Service Corp. Although WP Funding will have its own employees, Applicants

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Collection Account will be used to restore the capital subaccount, fund and replenish the overcollateralization subaccount (to the extent scheduled) and then be added to a reserve subaccount. The ITC will be adjusted at least annually to ensure sufficient revenues, after application of amounts in the reserve subaccount, to cover all these expenses.

[26] Specific compensation details will be contained in the documentation applicable to each series.

[27] Applicants state that the rating agency requirement is meant to assure that the subsidiaries are able to stand on their own and, therefore, the fee must be sufficient to retain a third party servicer, if for any reason West Penn cannot perform the services.

propose that personnel employed by AE Service Corp. also provide services on an as-needed basis to WP Funding, as well as WPF LLC, under administrative service agreements ("Service Agreements") to be entered into between WP Funding and AE Service Corp. and WPF LLC and AE Service Corp. The services will consist primarily of corporate housekeeping matters relating to WPF LLC and WP Funding, such as providing notices related to the Transition Bond documentation, consolidating corporate books and records into Allegheny's financial statements and overseeing corporate governance. Under the Service Agreements, WPF LLC and WP Funding will reimburse AE Service Corp. for the cost of services provided, computed in accordance with rules 90 and 91, as well as other applicable rules and regulations.

IV. Conclusion

Applicants' proposed transactions are also subject to rule 54. Rule 54 states that, if the provisions of rule 53(a), (b) and (c) are satisfied, the Commission will not consider the effect of the capitalization or earnings of registered holding company subsidiaries that are exempt wholesale generators ("EWGs"), or foreign utility companies ("FUCOs") (as defined in sections 32 and 33 of the Act, respectively), in determining whether to approve other transactions that are other than with respect to EWGs or FUCOs. Allegheny states that, currently, it is not within the safe harbor of rule 53(a)(1).[28] Further, although none

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[28] Previous orders, Allegheny Energy, Inc., et al., Holding Co. Act Release No. 27486 (Dec. 31, 2001) ("2001 Financing Order") and Allegheny Energy, Inc., et al., Holding Co. Act Release No. 27652 (Feb. 21, 2003), authorized Allegheny, subject to certain conditions, to invest up to $2 billion in EWGs and FUCOs. The 2005 Financing Order provides, with certain exceptions, that, as long as Allegheny's common equity ratio is less than 30 percent of total capitalization, neither it nor any of its subsidiaries may invest, or commit to invest, in any FUCOs or in new projects that qualify as EWGs. At present, Allegheny's common equity ratio is below 30 percent. As of March 31, 2005,

of the circumstances described in rule 53(b)(1) have occurred, the circumstances described in rule 53(b)(2) and (3) have occurred.[29] Allegheny does, however, satisfy the requirements of rule 53(c), so that approval of the transactions proposed in this Application would not have a substantial adverse impact upon the financial integrity of registered holding company system within the meaning of section 32(h)(4) of the Act and the effect of the investments upon system capitalization need not be considered under section 7(d) of the Act. Allegheny further represents that the common equity ratios of Allegheny, West Penn, The Potomac Edison Company ("Potomac Edison") or Monongahela Power Company ("Monongahela" and, together with West Penn and Potomac Edison, "Operating Companies") will continue to be maintained at not less than 30 percent.[30]

Applicants state that the fees, commissions and expenses incurred or to be incurred in connection with this Application will not exceed $20,000. Applicants also state that the issuance of the New Transition Bonds requires PUC approval (which they received on April 21, 2005), but that no other regulatory agency, other than the Commission, has jurisdiction over the proposed transactions.

Due notice of the filing of the Application has been given in the manner prescribed by rule 23 under the Act, and no hearing has been requested of or ordered by

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Allegheny's authorized aggregate investment in EWGs and FUCOs was approximately $390 million.

[29] Applicants state that Allegheny complies with the requirements of rule 53(a)(2), (3) and (4).

[30] As of March 31, 2005, the common equity ratios of the Operating Companies are: West Penn, 64.3 percent; Potomac Edison, 48.9 percent; and Monongahela, 37.2 percent.

the Commission. Based on the facts in the record, the Commission finds that the applicable standards of the Act are satisfied and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and rules under the Act, that the Application be granted and permitted to become effective immediately, subject to the terms and conditions prescribed in rule 24, except that West Penn is authorized to consummate the securitization within 120 days of the effective date of this order (rather than the 60 day period contemplated in rule 24).

For the Commission by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland
Deputy Secretary