

SECURITIES AND EXCHANGE COMMISSION

FORM U-1/A

Application or declaration under the act 1935 [amend]

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FILER

ALLEGHENY ENERGY INC

CIK: **3673** | IRS No.: **135531602** | State of Incorp.: **MD** | Fiscal Year End: **1231**
Type: **U-1/A** | Act: **35** | File No.: **070-07888** | Film No.: **97740492**
SIC: **4911** Electric services

Mailing Address
*10435 DOWNSVILLE PIKE
HAGERSTOWN MD
21740-1766*

Business Address
*10435 DOWNSVILLE PIKE
HAGERSTOWN MD
21740-1766
3017903400*

File No. 70-7888

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

POST-EFFECTIVE AMENDMENT NO. 14

TO

FORM U-1

APPLICATION OR DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Allegheny Energy, Inc.
10435 Downsville Pike
Hagerstown, MD 21740

Monongahela Power Company
1310 Fairmont Avenue
Fairmont, WV 26554

Allegheny Power Service Corporation
800 Cabin Hill Drive
Greensburg, PA 15601

The Potomac Edison Company
10435 Downsville Pike
Hagerstown, MD 21740

Allegheny Generating Company
10435 Downsville Pike
Hagerstown, MD 21740

West Penn Power Company
800 Cabin Hill Drive
Greensburg, PA 15601

(Name of company or companies filing this statement
and addresses of principal executive offices)

Allegheny Energy, Inc.
10435 Downsville Pike
Hagerstown, MD 21740

(Name of top registered holding company parent of
each applicant or declarant)

Thomas K. Henderson, Esquire
Vice President
Allegheny Energy, Inc.
10435 Downsville Pike
Hagerstown, MD 21740

(Name and address of agent for service)

Applicants hereby amend their Application or Declaration on
Form U-1 as follows:

1. Applicants hereby amend Item 6. Exhibits and Financial
Statements by filing herewith the following:

(a) Exhibits

D-1(c) Application to the Pennsylvania Public Utility
Commission.

D-2(c) Application to the Virginia State Corporation
Commission.

D-3(c) Application to the West Virginia Public Service
Commission.

D-5(c) Order of the Virginia State Corporation Commission.

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SIGNATURE

Pursuant to the requirements of the Public Utility
Holding Company Act of 1935, the undersigned Applicants have duly caused this
statement to be signed on their behalf by the undersigned thereunto duly
authorized.

ALLEGHENY ENERGY, INC.

BY /s/ Carol G. Russ
CAROL G. RUSS
COUNSEL

ALLEGHENY POWER SERVICE CORPORATION

BY /s/ Carol G. Russ
CAROL G. RUSS
COUNSEL

ALLEGHENY GENERATING COMPANY

BY /s/ Carol G. Russ
CAROL G. RUSS
COUNSEL

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MONONGAHELA POWER COMPANY

BY /s/ Carol G. Russ
CAROL G. RUSS
COUNSEL

THE POTOMAC EDISON COMPANY

BY /s/ Carol G. Russ
CAROL G. RUSS
COUNSEL

WEST PENN POWER COMPANY

BY /s/ Carol G. Russ
CAROL G. RUSS
COUNSEL

Dated: December 18, 1997

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application of West Penn Power)
Company Pursuant to 66 Pa. C.S. 2102)
for Prior Written Approval of the) Docket No.: G-00970583
Allegheny Power System Money Pool as a)
Contract Among West Penn Power Company)
and its Affiliated Interests)

NOW COMES West Penn Power Company ("West Penn") and requests approval pursuant to Section 2102 of the Public Utility Code (66 Pa. C.S. 2102) of changes in an affiliated interest agreement, known as the Allegheny Power System Money Pool.

1. The name and address of Applicant is West Penn Power Company ("West Penn"), 800 Cabin Hill Drive, Greensburg, Pennsylvania 15601.

2. The names and address of West Penn's attorneys are John L. Munsch, Michael D. McDowell, and David L. Williams, 800 Cabin Hill Drive, Greensburg, Pennsylvania.

3. West Penn is a public utility and electric distribution company, duly incorporated in Pennsylvania on March 1, 1916, which serves all or portions of 23 counties in southwestern and central Pennsylvania.

4. The Potomac Edison Company ("Potomac Edison"), Monongahela Power Company ("Mon Power"), and Allegheny Generating Company ("AGC") are affiliates of West Penn.

5. Potomac Edison, Mon Power, West Penn and AGC are wholly owned subsidiaries of Allegheny Power System, Inc.,^{<1>} a registered public utility holding company.

6. The Allegheny Power System Money Pool (the Money Pool) is an internal financing arrangement in which the excess funds of some participants are used to satisfy the short-term borrowing needs of other participants. Participants in the Money Pool are Allegheny Power System, Inc., Mon Power, Potomac Edison, West Penn, and AGC. AGC may only borrow from the Money Pool, and Allegheny Power System, Inc., may only lend to the Money Pool. Daily balancing of each Money Pool participant and the overall administration of the Money Pool is performed by Allegheny Power Service Corporation, the agent for the participants. The operation of the Money Pool is designed to match, on a daily basis, the available cash and short-term borrowing requirements of the participants, thereby minimizing the need to borrow funds in external short-term capital markets. Any excess funds from the Money Pool are invested according to guidelines outlined in

the Money Pool Agreement. Unregulated affiliates may not participate in the Money Pool.

<1> Allegheny Power System, Inc., changed its name to Allegheny Energy, Inc., through by-law change in September of 1997.

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A copy of the revised Allegheny Power System Money Pool Agreement is attached hereto as Exhibit No. 1

7. West Penn has previously received Commission approval to participate in the Money Pool by Commission Order at Docket No. G-910274 entered November 7, 1991. A copy of said Order is attached as Exhibit No. 2.

8. West Penn and its affiliates have changed certain provisions of the Money Pool Agreement. Under the prior agreement, interest income and expense were calculated "using the previous day's Fed Funds Effective Interest Rate as quoted by the Federal Reserve Bank of New York." A revision has been made which adds to the end of that sentence: "as long as this rate is at least four basis points lower than the previous day's seven-day commercial paper rate as quoted by the same source. Whenever the Fed Funds rate is not at least four basis points lower than the seven-day commercial paper rate, then the seven-day commercial paper rate minus four basis points should be used."

The second change to the Money Pool Agreement is that interest income resulting from external investments will be accrued daily instead of booked upon receipt. In addition, interest income will be allocated to members of the Money Pool on a basis equal to their pro rata share of net contributions in the Pool throughout the month, instead of on the net contributions on the day the investment was placed. Also added to the agreement was a sentence that the allocation of interest income will be settled on a cash basis on the last business day of each month.

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9. West Penn submits that the cost of the proposed borrowings through the Money Pool will generally be more favorable to the borrowing participants than the comparable costs of external short-term borrowings and that the yield to the participants contributing available funds to the Money Pool will generally be higher than the typical yield on short-term investments.

WHEREFORE West Penn Power Company requests that the Pennsylvania Public Utility Commission enter an order granting its approval under Section 2102 of the Public Utility Code for West Penn's continued participation with its affiliates in the

Money Pool Agreement as amended and attached hereto as Exhibit
No. 1.

Respectfully submitted,

Date: October 16, 1997

By: /s/ John L. Munsch
John L. Munsch
Attorney for
WEST PENN POWER COMPANY
800 Cabin Hill Drive
Greensburg, PA 15601
(412) 838-6210

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application of West Penn Power)
Company Pursuant to 66 Pa. C.S. 2102)
for Prior Written Approval of the) Docket No.: G-00970583
Allegheny Power System Money Pool as a)
Contract Among West Penn Power Company)
and its Affiliated Interests)

CERTIFICATE OF SERVICE

I hereby certify that on the 16th day of October 1997,
a copy of the foregoing was served via first-class mail, postage
prepaid, upon the following

Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

/s/ John L. Munsch
John L. Munsch

EXHIBIT NO. 1

Exhibit No. 1 was previously filed as "Exhibit B" to Post-Effective Amendment No. 12 on September 17, 1997.

EXHIBIT NO. 2

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held November 7, 1991

Commissioners Present:

William H. Smith, Chairman
Joseph Rhodes, Jr., Vice-Chairman
Wendell F. Holland
David W. Rolka

G-910274

Affiliated Interest Agreement among West Penn Power Company, Allegheny Power System, Inc., Allegheny Power Service Corporation, Allegheny Generating Company, Monongahela Power Company and the Potomac Edison Company setting forth the terms and conditions relative to participation in a System Money Pool.

O R D E R

BY THE COMMISSION:

On September 23, 1991, West Penn Power Company (West Penn) filed for approval pursuant to Chapter 21 of the Pennsylvania

Public Utility Code, 66 Pa. C.S.
2101 et seq., an agreement among West Penn, its parent,
Allegheny Power Systems, Inc. (Allegheny Power) , and four non-
jurisdictional subsidiaries of Allegheny Power. West Penn
extended the statutory consideration period to November 8, 1991.

The proposed agreement is designed to govern the operation
of a System Money Pool to be administered by Allegheny Power
Service Corporation (APSC). The Pool will allow surplus funds
for one or more of the participants to be loaned on a short-term
basis to one or more participants having a temporary need for
additional funds, thus reducing the participants' external short-
term borrowing requirements. The interest rate will vary daily
and will be equal to the Federal Funds Effective Rate. That rate
is generally lower than West Penn's external short-term borrowing
costs, and higher than the rate on the Treasury Bills the utility
employs for the investment of excess cash. Cross-subsidization
of interest costs through differences in credit quality is not an
issue since all the participants have the same commercial-paper
credit rating.

The Commission has determined that the proposed agreement
concerning a System Money Pool appears to be reasonable and
consistent with the public interest and that the agreement should
be approved; THEREFORE,

IT IS ORDERED:

That the agreement among West Penn Power Company and its
affiliates concerning a System Money Pool be, and hereby is,
approved.

BY THE COMMISSION

/s/ Jerry Rich

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: November 7, 1991

ORDER ENTERED: November 7, 1991

COMMONWEALTH OF PENNSYLVANIA)
) ss:
COUNTY OF WESTMORELAND)

C. S. AULT, being duly sworn according to law, deposes and says that he is Vice President, West Penn Power Company, that he makes this affidavit on its behalf being authorized to do so; and that the facts set forth in the foregoing Application are true and correct to the best of his knowledge, information and belief.

/s/ C. S. Ault
C. S. Ault

Sworn to and subscribed before me
this 16th day of October 1997.

/s/ Deborah A. Zawelensky
Notary Public

STATE CORPORATION COMMISSION
OF VIRGINIA

Application of The Potomac Edison Company, *
dba Allegheny Power for Continuing * Case No. PUF97 ____
Approval of a Money Pool Agreement Among *
Affiliated Interests *

APPLICATION FOR CONTINUING APPROVAL OF MONEY POOL AGREEMENT

Pursuant to Chapter 4 of Title 56 of the Code of Virginia, The Potomac Edison Company, dba Allegheny Power ("AP") applies for continuing Commission approval of a Money Pool Agreement among AP and its affiliates in the Allegheny Power System. In support for said request, AP respectfully states as follows:

1. AP is a public service company incorporated under the laws of Virginia and Maryland and is qualified to transact business as a foreign corporation in West Virginia and Pennsylvania. It provides electric service in fourteen northwestern Virginia counties as well as in adjoining areas of West Virginia and Maryland.

2. AP's principal office and place of business is located at 10435 Downsville Pike, Hagerstown, Maryland 21740-1766.

3. The Allegheny Power System Money Pool (the Money Pool) is a contract among affiliated Allegheny Power System companies. It is an internal financing facility in which the

excess funds of some participants are used to satisfy the short term borrowing needs of other participants.

Participants in the Money Pool are AP, West Penn Power Company, Monongahela Power Company, Allegheny Generating Company ("AGC") and Allegheny Power System, Inc. ("APS, Inc."). AGC may only borrow from the Money Pool, and APS, Inc. may only lend to the Money Pool. Daily balancing of each Money Pool participant and the overall administration of the Money Pool is performed by

Allegheny Power Service

Corporation, the agent for the participants. The operation of the Money Pool is designed to match, on a daily basis, the available cash and short-term borrowing requirements of the participants, thereby minimizing the need to borrow funds in the external short-term capital markets. Any excess funds from the Money Pool are to be invested according to guidelines outlined in the Money Pool Agreement. No unregulated affiliates can participate in the Money Pool.

4. Applicant has previously received Commission approval to participate in the Money Pool in Case Nos. PUF910006 and PUF960004. The Commission's April 29, 1996 order in Case No. PUF960004 provides that the Applicant is to seek subsequent approval from the Commission whenever the terms and conditions of the Money Pool Agreement change.

5. Applicant and its affiliates have changed certain terms and provisions of the Money Pool Agreement. The following changes have been made:

Under the prior agreement, interest income and expense were calculated "using the previous day's Fed Funds Effective Interest Rate as quoted by the Federal Reserve Bank of New York." A revision has been made which adds to the end of that sentence: "as long as this rate is at least four basis points lower than the previous day's seven-day commercial paper rate as quoted by the same source. Whenever the Fed Funds rate is not at least four basis points lower than the seven-day commercial paper rate, then the seven-day commercial paper rate minus four basis points should be used."

The second change to the Money Pool Agreement is that interest income resulting from external investments will be accrued daily instead of booked upon receipt. In addition, interest income will be allocated to members of the Money Pool on a basis equal to their pro rata share of net contributions in the Pool throughout the month,

instead of on the net contributions on the day the investment was placed. Also added to the agreement was a sentence that the allocation of interest income will be settled on a cash basis on the last business day of each month.

A copy of the revised Allegheny Power System Money Pool Agreement is attached hereto as Exhibit No. 1.

6. AP believes that the cost of the proposed borrowings through the Money Pool will generally be more favorable to the borrowing participants than the comparable costs of external short-term borrowings and that the yield to the participants contributing available funds to the Money Pool will generally be higher than the typical yield on short-term investments.

Wherefore, for the reasons set forth herein, AP requests that the Commission pass an order granting its approval under Chapter 4 of Title 56 of the Virginia Code to AP's continued participation with its affiliates in the Money Pool Agreement as amended and attached hereto as Exhibit No. 1.

Dated this 7th day of October, 1997

The Potomac Edison Company
dba Allegheny Power

By: /s/ T. K. Henderson
T. K. Henderson, Vice President

Attest:

/s/ Eileen M. Beck
Eileen M. Beck, Assistant Secretary

/s/ Philip J. Bray
Philip J. Bray, Esq.
The Potomac Edison Company Building
10435 Downsville Pike
Hagerstown, Maryland 21740-1766
(301) 790-6283

EXHIBIT NO. 1

Exhibit No. 1 was previously filed as "Exhibit B" to Post-Effective Amendment No. 12 on September 17, 1997.

Transaction Summary

Application for Continuing Approval of Allegheny Power System Money Pool Agreement

1. Describe, in detail, the affiliate relationship among the parties involved.

See Paragraphs 1-6 of PE's October 10, 1991 application in Case No. PUF910006 attached.

2. Describe the conditions and terms of the agreement, including rights of parties to cancel and renewability.

The Money Pool document is Exhibit No. 1 to the application in this case. It has no specified term. It is subject to cancellation upon the mutual agreement of the parties.

3. Why is the utility company providing the services/goods? What are the current or prior arrangements? Provide specific details.

The Money Pool is an internal financing facility in which excess funds of some participants are used to satisfy the short term borrowing needs of others. Using the Money Pool in place of settling intercompany billings is more efficient and has resulted in higher returns for investing members and lower costs for borrowing members. The Money Pool has been in effect and has worked successfully since the Commission's

approval dated January 24, 1992 in Case No. PUF910006. The Commission further approved the Money Pool by Order dated April 29, 1996 in Case No. PUF960004.

4. Show that the cost of the services/good(s) is at least comparable to the cost if obtained from a non-affiliated entity and/or provided internally both currently and in the future.

Both interest income and interest expense are calculated using the previous day's fed funds effective interest rate as quoted by the Fed Reserve Bank of New York as long as this rate is at least four basis points lower than the previous day's seven-day commercial paper rate as quoted by the same source. Whenever the Fed Funds rate is not at least four basis points lower than the seven-day commercial paper rate, then the seven-day commercial paper rate minus four basis points is used. Members of the Pool with excess funds earn this interest rate. Members of the Pool borrowing funds pay this interest rate. Excess funds are invested in accordance with Board approved guidelines. Depending upon market conditions this method enables the Company to save up to 30 basis points, including the commercial paper dealers' commission, typically around four basis points. (see Attachment B to the Money Pool).

5. How are the associated costs to be charged or allocated? Detailed descriptions must be provided.

Accounting and reporting for the Pool is being done on a daily basis. Each day, the transactions of the Pool members are recorded. Money Pool spreadsheet (Attachment A to the agreement) is being prepared on a daily basis for each month calculating ending balances, interest income and interest expense. It also includes the external investments and income for each member of the Pool.

6. Provide assurance through safeguards in place that no unregulated affiliate will be subsidized by the regulated company as a result of the proposed transaction.

No unregulated affiliates participate in the Money Pool.

7. Provide assurances that the utility is not exposing itself to greater business risks as a result of the

proposed arrangement. If the utility is being exposed to a greater degree of business risk, show how the arrangement would be in the public interest in spite of the additional risk exposure.

There is no additional risk to Pool participants. The Pool simply represents a more efficient method of managing funds and results in higher returns for investing members and lower costs for borrowing members. All transactions occur at the previous day's fed funds effective interest rate subject to the four basis point provision mentioned previously. Any excess funds will be invested in accordance with Board approved guidelines to protect asset value.

8. Show that the agreement or arrangement is not detrimental to the Virginia ratepayers. How is the transaction in the public interest? Be specific.

The Money Pool Agreement is in the public interest because it produces lower borrowing costs and higher investment income to AP as a member of the Money Pool and also reduces associated transaction costs.

9. Provide additional support for the agreement/arrangement. Will the service/contract result in lower operating costs, more efficiencies, economics of scale or better quality of service for the utility? Be specific.

The Money Pool is a more efficient method of managing funds and has resulted in higher returns for investing members and lower costs for borrowing members.

10. Show the arrangement will not cause the utility to become involved in a long term captive relationship.

The Money Pool can be dissolved upon the mutual agreement of all parties.

11. Costs should be directly assigned where possible. Direct charge allocation should be emphasized for labor and other costs that can be identified with the specific activity. Allocations based on a general allocator should be limited to 5% of total

charges if at all possible. If such assignments deviate from the above guidelines, provide justification for such deviation.

Not applicable.

12. Section 56-233.1 of the Code of Virginia states that every public utility shall use competitive bidding to the extent possible in its purchasing practices. Show that competitive bidding has been used in connection with the proposed arrangement. Provide names of vendors contacted and prices quoted as well as copies of bid requests.

The Money Pool is an internal financing facility which replaces to an extent investments in and borrowing from banks and other credit facilities. The efficiencies created by the internal financing facility as opposed to outside lenders make the Money Pool cost efficient. The availability of this internal financing is unique and no competitive bidding was used to acquire this service.

13. Relative to leases with affiliates, the utility must justify leasing versus buying as well as leasing from an affiliate versus leasing from a third party. Provide an analysis to support the Company's proposal.

Not applicable.

STATE CORPORATION COMMISSION
OF VIRGINIA
RICHMOND, VIRGINIA

Petition of The Potomac Edison Company
and Its Affiliated Companies,
Monongahela Power Company,
West Penn Power Company
Allegheny Generating Company, and
Allegheny Power System, Inc.
for Consent and Approval under
Chapters 3 and 4 of the
Code of Virginia

PETITION FOR CONSENT AND APPROVAL

Now comes The Potomac Edison Company ("PE") and its
affiliated companies, Monongahela Power Company ("Mon
Power"), West Penn Power Company ("West Penn"), Allegheny

Generating Company ("AGC"), and Allegheny Power System, Inc. ("APS"), collectively known as the Petitioners herein, and respectfully represent to the Virginia State Corporation Commission ("SCC" or "Commission") as follows:

The Parties

1. PE is a public utility corporation organized, existing, and doing business under the laws of Virginia and Maryland and is qualified to transact business in West Virginia and Pennsylvania; PE's principal office and place of business is at 10435 Downsville Pike, Hagerstown, Maryland 21740.

2. Mon Power is an Ohio corporation providing electric service to customers in the states of West Virginia and Ohio; Mon Power's principal office and place of business is at 1310 Fairmont Avenue, Fairmont, West Virginia 26554.

3. West Penn is a public utility corporation organized, existing, and doing business under the laws of Pennsylvania; West Penn's principal office and place of business is at 800 Cabin Hill Drive, Greensburg, Pennsylvania 15601.

4. AGC is a Virginia corporation having its principal office and place of business at 12 E. 49th Street, New York, New York 10017.

5. APS is a Maryland corporation having its principal

office and place of business at 12 E. 49th Street, New York, New York 10017.

6. PE, Mon Power, and West Penn are sister operating companies and wholly-owned subsidiaries of APS. All 1,000 outstanding shares of AGC's common stock are owned as follows: Potomac Edison 28%, Mon Power 27%, and West Penn 45%. PE, Mon Power, West Penn, and AGC are "affiliated interests" of each other under 56-76(e) of Virginia's "Affiliate's Act" set out in Chapter 4 of the Code of Virginia ("Virginia Code"). Under 56-76(e), PE, Mon Power, West Penn, and APS likewise are "affiliated interests" of each other. Note, however, that AGC and APS are not affiliates of each other because neither is a public utility company, and application of Virginia's "Affiliate's Act" depends on at least one party to a regulated transaction being a public utility.

The Money Pool

7. Petitioners herein seek the Commission's consent and approval under Chapters 3 and 4 of The Virginia Code to enter into a Money Pool Agreement and to participate in the Money Pool (the "Pool") with each other in accord with the Money Pool Agreement. A copy of the Money Pool Agreement and a copy of PE's Financing Summary are attached hereto as parts hereof as Exhibits A and B, respectively.

8. The Pool is an internal financing facility in which surplus funds of some participants are used to assist or satisfy the short-term borrowing needs (one day up to one year) of other participants. Using the Pool in place of settling intercompany billings or borrowing from unrelated third parties is generally a more efficient method of managing the funds among affiliated companies and should result in higher returns for investing members, as well as lower costs and more favorable terms for borrowing members.

9. Participants/Members of the Pool are the Petitioners herein - PE, Mon Power, West Penn, AGC, and APS. APS will be allowed to invest its excess funds in the Pool but will not be permitted to borrow funds therefrom. AGC will be allowed to borrow funds from the Pool but may not invest in the Pool. Allegheny Power Service Corporation ("APSC"), a Maryland corporation and a wholly-owned subsidiary of APS, will act as the Agent for Pool participants and will administer the Pool but will not borrow from or lend to it. APSC, therefore, is not a Petitioner herein.

10. The operation of the Pool will be designed to match, on a daily basis, the available cash and short-term borrowing requirements of participants, thereby minimizing the need for short-term borrowing to be made by participants

from external sources. To this end, it is anticipated that the short-term borrowing requirements of participants will be met, in the first instance, with the proceeds of borrowings available through the Pool; and thereafter, to the extent necessary, with proceeds of external short-term borrowings.

11. The excess funds of Pool members will be determined by the individual performing the cash position function of each member each day. The determination of excess funds will be based on the daily cash forecast and will include allocations for compensating balance requirements and the current day's known changes. Allocation of funds to borrowing members and investing of funds not needed by Pool members will be made by Agent APSC. No participant will effect external borrowings for the purpose of providing funds to the Pool or of making loans to other participants in the Pool.

12. Interest income and expense will be calculated using the previous day's Federal Funds Effective Interest Rate as quoted by the Federal Reserve Bank of New York. All loans will be payable on demand and may be prepaid by any borrowing participant at any time without premium or penalty. Also, any participant contributing funds to the Pool may withdraw them at any time without notice to satisfy

said participant's daily need for funds. Interest income and expense will be calculated daily and settled on a cash basis on the last business day of each month. For any given month, a Pool member should have both interest income and interest expense. The monthly booking will include entries that reflect both income and expense. Entries will not be made on a net basis for the interest accrual. For internally invested and borrowed funds, the total interest income and interest expense will be exactly the same.

13. When contributions to the Pool are in excess of the borrowing needs of participants, Agent APSC will invest the funds according to the investment schedule consistent with the Board of Directors' guidelines established, first, to provide a high degree of security to principal and, second, to provide maximum return on the investment. The interest income resulting from the external investments will be booked upon receipt and will be allocated to the members of the Pool on a basis equal to their pro rata share of net contributions to the Pool on the day the investment was placed.

14. If there are insufficient funds in the Pool to satisfy all the members' borrowing needs, Agent APSC will allocate funds to members of the following priority:

- A. Members that do not have access to any other funds;
- B. Members that do not have access to commercial

paper markets;

- C. Members that will incur higher interest charges due to their risk rating criteria; and
- D. Grouping of members that results in the lowest administrative costs.

15. Pool members whose needs are not fully satisfied by available Pool funds will issue commercial paper to borrow from banks through the System lines of credit. Such short-term financings will continue to be made in the names of the members having the financing needs. Sales of commercial paper will be arranged by Agent APSC. Bank loans will be arranged by individual Pool members.

16. The terms and conditions of the Money Pool Agreement are and the operation of the Pool will be fair and reasonable.

17. PE has a total capitalization of more than \$5 million. Because the notes or other evidence of indebtedness issued under the terms of the Money Pool Agreement together with all other outstanding notes and drafts of a maturity of less than twelve months on which PE is primarily or secondarily liable may aggregate more than five percent of PE's total capitalization, approval for the issuance of this short-term indebtedness is required by 56-58 of Chapter 3 of the Virginia Code.

18. Petitioners herein are "affiliated interests" as said term is defined in Chapter 4, 56-76 of the Virginia Code. As a contract among affiliated interests, the Money Pool Agreement is subject to Commission approval under 56-77 and 56-82 of the Virginia Code.

19. In accord with Chapter 3, 56-65.1 of the Virginia Code, PE hereby individually seeks the Commission's consent and approval to change the Company's existing short-term debt authority by requesting this Commission to amend its Order

dated February 8, 1991, in Case No. PUF910006 to change PE's existing short-term debt authority of \$93 million with an expiration date of March 31, 1993, to a new short-term debt authority of \$94 million with an expiration date of December 31, 1993. PE correspondingly requests that this Commission further amend said Order to make PE's short-term debt authority also applicable to Pool transactions. PE shall use the proceeds of its increased level of short-term borrowing for the purposes enumerated in Chapter 3, 56-58 of the Virginia Code.

Approvals Requested

20. Petitioners believe that the operation of the pool will not grant an undue advantage to any other utility in Virginia and will not adversely affect the public in Virginia or in any other jurisdiction(s) in which one or more of

Petitioners operate.

21. Because the Pool is expected to reduce costs and increase yields on short-term investments by Petitioners, they maintain that the Pool not only will serve each Petitioner's best interests, but the Pool also will operate in the best interest of the public which each Petitioner serves.

WHEREFORE, Petitioners pray that the Commission consent to and approve the Petitioners' entering into the Money Pool Agreement and participating in the Pool with each other in accord with said Agreement as herein above set forth and that such consent and approval be granted without formal notice and hearing. PE additionally and individually prays that this Commission consent to and approve a change in PE's existing short-term debt authority and the extended application of that authority by amending Commission Order dated February 9, 1991, in Case No. PUF910006 to change PE's existing short-term debt authority of \$93 million with an expiration date of March 31, 1993, to a new short-term debt authority of \$94 million with an expiration date of December 31, 1993, and by amending said Order to make that short-term debt authority also applicable to Pool transactions, and that such amendments to said Order be done without formal notice and hearing.

Dated this 10th day of October 1991.

The Potomac Edison Company

By: /s/ J. D. Latimer
J. D. Latimer
Vice President

Attest:

/s/ E. W. McCauley, Jr.
E. W. McCauley, Jr.
Assistant Secretary

BEFORE THE PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

PETITION OF MONONGAHELA POWER
COMPANY AND THE POTOMAC EDISON
COMPANY, DBA ALLEGHENY POWER,
FOR CONSENT AND APPROVAL OF
AMENDMENT TO MONEY POOL AGREEMENT

PETITION FOR CONSENT AND APPROVAL

NOW COMES Monongahela Power Company and The Potomac Edison Company, doing business as Allegheny Power, the Petitioners herein, and respectfully request the Public Service Commission of West Virginia (Commission) grant its consent and approval, to the extent required by law, under Section 24-2-12 of the West Virginia Code or any other applicable law or rule, for Petitioners to amend its Money Pool Agreement entered into among its affiliated companies. The Companies represent as follows:

1. Monongahela Power Company, doing business as Allegheny Power, hereinafter referred to as Monongahela or Petitioner(s), is a public utility corporation organized and existing under the laws of the State of Ohio, provides retail electric service to customers in portions of West Virginia, and has its principal place of business at 1310 Fairmont Avenue, Fairmont, West

Virginia 26555-1392. The financial condition of the Petitioner is set forth on Attachment A hereto.

2. The Potomac Edison Company, doing business as Allegheny Power, hereinafter referred to as Potomac Edison or Petitioner(s), is a public utility corporation organized and existing under the laws of the Commonwealth of Virginia and the State of Maryland, provides retail electric service to customers in portions of West Virginia, and has its principal place of business at 10435 Downsville Pike, Hagerstown, Maryland 21740-1766. The financial condition of the Petitioner is set forth on Attachment B hereto.

3. The Allegheny Power System Money Pool (the Money Pool) is a contract among affiliated Allegheny Power System companies. It is an internal financing facility in which the excess funds of some participants are used to satisfy the short-term borrowing needs of other participants. Participants in the Money Pool are Monongahela Power Company, The Potomac Edison Company, West Penn Power Company, Allegheny Generating Company ("AGC") and Allegheny Power System, Inc. ("APS, Inc.")<FN1>. AGC may only borrow from the Money Pool, and APS, Inc. may only lend to the Money Pool. Daily balancing of each Money Pool participant and the overall administration of the Money Pool is performed by Allegheny Power Service Corporation, the agent for the participants. The

operation of the Money Pool is designed to match, on a daily basis, the available cash and short-term borrowing requirements of the participants, thereby minimizing the need to borrow funds in the external short-term capital markets. Any excess funds from the Money Pool are to be invested according to guidelines outlined in the Money Pool Agreement. No unregulated affiliates can participate in the Money Pool.

<FN1> On October 1, 1997, APS, Inc. changed its name to Allegheny Energy, Inc.

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4. In September 1991, the Petitioners herein applied to this honorable Commission for approval to enter into the Money Pool Agreement and to participate in the same. By Commission Order finalized on February 13, 1992, Monongahela and Potomac Edison were authorized by the Commission to enter into the described Money Pool arrangement among the Allegheny Power System companies.

5. In the last base rate case proceeding, both Monongahela and Potomac Edison requested recovery of the Money Pool expenses for ratemaking purposes (Case Nos. 94-0035-E-42T and 94-0027-E-42T). Such rate recovery was granted by the Orders of the Commission in those base rate proceedings dated September 30, 1994 (ALJ Decision) and

6. The Petitioners herein desire to amend the Money Pool Agreement in minor respects. The following changes have been made:

a. Under the prior Agreement, interest income and expense used to be calculated "using the previous days' federal funds effective interest rate as quoted by the Federal Reserve Bank of New York." A revision has been made which adds to the end of that sentence the following: "as long as this rate is at least four basis points lower than the previous day's seven-day commercial paper rate as quoted by the same source. Whenever the federal funds rate is not at least four basis points lower than the seven-day commercial paper rate, then the seven-day commercial paper rate minus four basis points should be used."

b. The second change to the Money Pool Agreement is that interest income resulting from the external investments will be accrued daily instead of booked upon receipt.

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Interest income will be allocated to members of the Pool on a basis equal to their pro-rata share of net contributions in the Pool throughout the month, instead of on the net contributions on the day the investment was placed. Also added to the Agreement was a sentence that the allocation of interest income will be settled

on a cash basis on the last business day of each month.

In all other respects the Money Pool Agreement remains the same. A copy of the revised Money Pool Agreement is attached hereto as Attachment C.

7. Using the Money Pool is a more efficient method of managing funds of the subsidiaries. Allegheny Power believes that the cost of the proposed borrowings through the Money Pool will generally be more favorable to the borrowing participants than the comparable costs of external short-term borrowings and that the yield to the participants contributing available funds to the Money Pool will generally be higher than the typical yield on short-term investments.

8. Petitioners believe that the terms and conditions of the Amendment to the Money Pool Agreement are fair and reasonable, will not grant an undue advantage to any party to the transactions and that approval of this agreement as set forth herein is in the best interests of Petitioners' West Virginia customers. No other electric utility subject to the jurisdiction of this Commission will be affected by the Money Pool Agreement.

9. Petitioners further represent that no purpose will be served by the giving of formal notice or the conducting of a hearing concerning the approval sought herein and that customers served by Petitioners would be inconvenienced by the waiving of

formal notice and hearing in regard thereto.

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WHEREFORE, pursuant to Section 24-2-12 of the West Virginia Code and to the extent required by law, Petitioners pray that the Commission approve the subject Amendment to Money Pool Agreement among the APS affiliates as being in the public interest and grant the consent and approval for Petitioners to enter into said modifications and perform such other acts as are necessary in furtherance thereof.

Dated: October 17, 1997.

MONONGAHELA POWER COMPANY and
THE POTOMAC EDISON COMPANY,
doing business as Allegheny Power

By: /s/ Thomas C. Sheppard, Jr.
Thomas C. Sheppard, Jr.
Assistant Secretary

/s/ Gary A. Jack
Gary A. Jack
Attorney
1310 Fairmont Avenue
Fairmont, WV 26554
(304) 367-3423

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VERIFICATION

STATE OF WEST VIRGINIA,

COUNTY OF MARION, TO WIT

Thomas C. Sheppard, Jr., Assistant Secretary,

Allegheny Power, being duly sworn, says that the facts and allegations therein contained are true, except so far as they are therein stated to be on information, and that, so far as they are therein stated to be on information, he believes them to be true.

/s/ Thomas C. Sheppard, Jr.
Thomas C. Sheppard, Jr.

Taken, sworn to and subscribed before me this 17th day of October, 1997.

/s/ Barbara D. Ryan
Notary Public in and for said

County

My commission expires October 26, 2004.

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MONONGAHELA POWER COMPANY

STATEMENT OF FINANCIAL CONDITION

June 30, 1997

- (a) Amount and classes of stock authorized:
- (1) 8,000,000 shares Common Stock - par value \$50
 - (2) 1,500,000 shares Cumulative Preferred Stock - par value \$100
- (b) Amount and classes of stock issued and outstanding as of June 30, 1997:
- (1) 5,891,000 shares Common Stock
 - 740,000 shares Cumulative Preferred Stock, as follows:
 - 4.40% Series - 90,000 shares
 - 4.80% Series B - 40,000 shares
 - 4.50% Series C - 60,000 shares
 - \$6.28 Series D - 50,000 shares
 - \$7.73 Series L - 500,000 shares
- (c) Terms of preference of all preferred stock:
- All shares of equal rank.
- (d) Brief description of each mortgage upon any property of the corporation, giving date of execution, name of trustee, amount of indebtedness authorized to be secured thereby, amount of indebtedness actually secured and brief description of the mortgaged property or collateral:

There is presently in effect a mortgage indenture dated August 1, 1945, and indentures supplemental thereto, executed by the applicant upon all its property under which Citibank N.A., 111 Wall Street, New York, New York, is the trustee. Said mortgage indenture secures bonds issued thereunder by the applicant for the purpose of borrowing money for its corporate purposes and authorizes the issuance of an initial series of bonds for the aggregate principal amount of \$22,000,000. Thereafter from time to time, upon a showing that the consolidated net earnings of the applicant and its subsidiaries available for interest for 12 out of the 15 preceding months, after provision for depreciation, have been in the aggregate equal to not less than twice the amount of annual interest charges on the principal amount of all bonds and prior lien bonds then outstanding or applied for, additional bonds of any series may be issued in an aggregate principal amount equal to 60% of the net bondable value of property additions plus the amount of any cash deposited with the Trustee, and also in substitution for any refundable bonds. The amount of indebtedness accrued and principal outstanding is \$355,000,000. There is no interest due and unpaid.

- 2 -

- (e) Number and amount of bonds authorized and issued under each mortgage; describing each class separately, giving date of issue, par value, rate of interest, date of maturity and how secured:

Monongahela Power Company has bonds issued and outstanding under the above-mentioned Indenture consisting of series, all of which are First Mortgage Bonds, as follows:

<TABLE>
<CAPTION>

Issued	Par Value	Series	Amount Outstanding
<S>	<C>	<C> <C> <C>	<C>
1967	\$1,000	6-1/2% Due 1997	\$ 15,000,000
1991	1,000	8-5/8% Due 2021	50,000,000
1992	1,000	8-1/2% Due 2022	65,000,000
1992	1,000	7-3/8% Due 2002	25,000,000
1992	1,000	8-3/8% Due 2022	40,000,000
1992	1,000	7-1/4% Due 2007	25,000,000
1993	1,000	5-5/8% Due 2000	65,000,000
1995	1,000	7-5/8% Due 2025	70,000,000
			\$355,000,000

</TABLE>

(f) Other indebtedness of all kinds, giving same by classes and describing security, if any:

<TABLE>
<CAPTION>

Indebtedness		Amount Outstanding
<S>	<C>	<C>
(1)	Quarterly income debt securities	\$ 40,000,000
(2)	Secured notes for pollution control facilities and solid waste disposal notes	74,050,000
(3)	Unsecured notes for pollution control facilities	6,560,000
(4)	Instalment purchase obligations for pollution control facilities	19,100,000
		\$139,710,000

</TABLE>

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(g) Amount of interest paid during previous fiscal year upon each species of indebtedness and rate thereof and, if different rates were paid, amount paid at each rate:

<TABLE>
<CAPTION>

		12 Months Ended 12-31-96
<S>	<C>	<C>
(1)	First Mortgage Bonds	
	5-1/2% Series Due 1996	\$ 495,000
	6-1/2% Series Due 1997	975,000
	8-5/8% Series Due 2021	4,312,500
	8-1/2% Series Due 2022	5,525,000
	7-3/8% Series Due 2002	1,843,750
	8-3/8% Series Due 2022	3,350,000
	7-1/4% Series Due 2007	1,812,500
	5-5/8% Series Due 2000	3,656,250
	7-5/8% Series Due 2025	5,337,500
		27,307,500
(2)	Quarterly Income Debt Securities \$40,000,000 @ 8%	3,200,000
		3,200,000
(3)	Secured Notes	
	\$17,500,000 @ 6.375%	1,115,625
	\$ 5,000,000 @ 6.875%	343,750
	\$ 7,050,000 @ 5.95%	419,475

	\$10,675,000 @ 6.25%	667,188
	\$ 8,825,000 @ 6.75%	595,688
	\$25,000,000 @ 6.15%	1,537,500
		4,679,226
(4)	Unsecured Notes	
	\$3,060,000 @ 6.30%	192,780
	\$4,000,000 @ 6.40%	256,000
		448,780
(5)	Installment Purchase Obligations	
	\$19,100,000 @ 6.875%	1,313,125
	Total interest on long-term debt	\$36,948,631
(6)	See Schedule A for interest on short-term debt	\$ 370,804

</TABLE>

- 4 -

(h) Amount of dividends paid upon each class of stock during previous five years:

<TABLE>
<CAPTION>

Class of Stock	12 Months Ended 12-31-96	12 Months Ended 12-31-95	12 Months Ended 12-31-94	12 Months Ended 12-31-93	12 Months Ended 12-31-92
Cumulative Preferred:					
<S>	<C> <C>	<C> <C>	<C> <C>	<C> <C>	<C> <C>
4.40% Series	\$ 396,000	\$ 396,000	\$ 396,000	\$ 396,000	\$ 396,000
4.80% Series B	192,000	192,000	192,000	192,000	192,000
4.50% Series C	270,000	270,000	270,000	270,000	270,000
\$6.28 Series D	314,000	314,000	314,000	314,000	314,000
\$7.36 Series E	-	232,000	368,000	368,000	368,000
\$9.64 Series F	-	-	-	-	387,500
\$8.80 Series G	-	277,000	440,000	440,000	440,000
\$7.92 Series H	-	250,000	396,000	396,000	396,000
\$7.92 Series I	-	499,000	792,000	792,000	792,000
\$8.60 Series J	-	813,000	1,290,000	1,290,000	1,290,000
\$7.73 Series L	3,865,000	3,865,000	1,835,875	-	-
	\$ 5,037,000	\$ 7,108,000	\$ 6,293,875	\$ 4,458,000	\$ 4,845,500
Common Stock:					
Dividends	\$49,955,680	\$48,660,810	\$47,481,460	\$49,837,860	\$46,532,410

</TABLE>

(i) A statement of income for the twelve months ended June 30, 1997 and balance sheet as of June 30, 1997 are attached as Schedules B and C, respectively.

Schedule A-1

REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC.
 AVERAGE PRINCIPAL AND RATE ANALYSIS
 01/01/96 - 01/01/97

DATE: 10/01/97
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PORTFOLIOS: MP
 SECURITIES: CP

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
Monongahela Power Company							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CP	12/28/95	\$10,000,000.00	\$27,777.78	10	\$277,777.78	\$16,805.56	6.0500
CP	12/29/95	\$12,400,000.00	\$34,444.44	1	\$34,444.44	\$2,101.11	6.1000
CP	01/02/96	\$15,000,000.00	\$41,666.67	1	\$41,666.67	\$2,425.00	5.8200
CP	01/03/96	\$10,000,000.00	\$27,777.78	13	\$361,111.11	\$20,763.89	5.7500
CP	01/04/96	\$12,200,000.00	\$33,888.89	1	\$33,888.89	\$1,982.50	5.8500
CP	01/05/96	\$11,500,000.00	\$31,944.44	3	\$95,833.33	\$5,433.75	5.6700
CP	01/08/96	\$7,800,000.00	\$21,666.67	1	\$21,666.67	\$1,256.67	5.8000
CP	01/09/96	\$8,100,000.00	\$22,500.00	1	\$22,500.00	\$1,282.50	5.7000
CP	01/11/96	\$7,300,000.00	\$20,277.78	1	\$20,277.78	\$1,125.42	5.5500
CP	01/11/96	\$10,000,000.00	\$27,777.78	7	\$194,444.44	\$10,791.67	5.5500
CP	01/16/96	\$10,850,000.00	\$30,138.89	1	\$30,138.89	\$1,726.96	5.7300
CP	01/18/96	\$13,900,000.00	\$38,611.11	1	\$38,611.11	\$2,171.88	5.6250
CP	01/19/96	\$12,300,000.00	\$34,166.67	3	\$102,500.00	\$5,688.75	5.5500
CP	01/22/96	\$11,400,000.00	\$31,666.67	1	\$31,666.67	\$1,767.00	5.5800
CP	01/23/96	\$11,000,000.00	\$30,555.56	1	\$30,555.56	\$1,701.94	5.5700
CP	01/24/96	\$8,500,000.00	\$23,611.11	1	\$23,611.11	\$1,310.42	5.5500
CP	01/25/96	\$10,000,000.00	\$27,777.78	15	\$416,666.67	\$23,125.00	5.5500
CP	01/25/96	\$2,900,000.00	\$8,055.56	1	\$8,055.56	\$451.11	5.6000
CP	01/29/96	\$8,550,000.00	\$23,750.00	1	\$23,750.00	\$1,365.63	5.7500
CP	01/31/96	\$4,900,000.00	\$13,611.11	1	\$13,611.11	\$816.67	6.0000
CP	02/01/96	\$7,700,000.00	\$21,388.89	1	\$21,388.89	\$1,155.00	5.4000
CP	02/05/96	\$7,800,000.00	\$21,666.67	1	\$21,666.67	\$1,153.75	5.3250
CP	03/01/96	\$7,000,000.00	\$19,444.44	10	\$194,444.44	\$10,441.67	5.3700
CP	03/05/96	\$10,300,000.00	\$28,611.11	1	\$28,611.11	\$1,530.69	5.3500
CP	03/18/96	\$2,150,000.00	\$5,972.22	1	\$5,972.22	\$328.47	5.5000
CP	03/28/96	\$3,100,000.00	\$8,611.11	1	\$8,611.11	\$482.22	5.6000
CP	03/29/96	\$12,400,000.00	\$34,444.44	3	\$103,333.33	\$5,890.00	5.7000
CP	04/01/96	\$15,600,000.00	\$43,333.33	1	\$43,333.33	\$2,383.33	5.5000
CP	04/02/96	\$5,000,000.00	\$13,888.89	6	\$83,333.33	\$4,583.33	5.5000
CP	04/02/96	\$5,000,000.00	\$13,888.89	13	\$180,555.56	\$9,894.44	5.4800
CP	04/04/96	\$5,900,000.00	\$16,388.89	4	\$65,555.56	\$3,540.00	5.4000
CP	04/15/96	\$8,050,000.00	\$22,361.11	1	\$22,361.11	\$1,225.39	5.4800
CP	04/26/96	\$800,000.00	\$2,222.22	3	\$6,666.67	\$346.67	5.2001

</TABLE>

Schedule A-2

REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC.
 AVERAGE PRINCIPAL AND RATE ANALYSIS
 01/01/96 - 01/01/97

DATE: 10/01/97
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PORTFOLIOS: MP
 SECURITIES: CP

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<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CP	05/01/96	\$7,000,000.00	\$19,444.44	12	\$233,333.33	\$12,553.33	5.3800
CP	05/03/96	\$9,400,000.00	\$26,111.11	3	\$78,333.33	\$4,167.33	5.3200
CP	06/04/96	\$4,000,000.00	\$11,111.11	1	\$11,111.11	\$602.22	5.4200
CP	06/28/96	\$7,700,000.00	\$21,388.89	3	\$64,166.67	\$3,625.42	5.6500
CP	07/30/96	\$2,650,000.00	\$7,361.11	1	\$7,361.11	\$398.97	5.4200
CP	08/02/96	\$3,650,000.00	\$10,138.89	3	\$30,416.67	\$1,703.33	5.6000
CP	08/07/96	\$4,900,000.00	\$13,611.11	1	\$13,611.11	\$714.58	5.2500
CP	08/08/96	\$3,500,000.00	\$9,722.22	1	\$9,722.22	\$503.61	5.1800
CP	08/14/96	\$2,550,000.00	\$7,083.33	1	\$7,083.33	\$380.38	5.3701
CP	09/30/96	\$7,700,000.00	\$21,388.89	1	\$21,388.89	\$1,276.92	5.9700
CP	10/01/96	\$11,050,000.00	\$30,694.44	1	\$30,694.44	\$1,672.85	5.4500
CP	10/02/96	\$10,000,000.00	\$27,777.78	1	\$27,777.78	\$1,486.11	5.3500
CP	10/16/96	\$500,000.00	\$1,388.89	1	\$1,388.89	\$73.33	5.2798
CP	10/17/96	\$300,000.00	\$833.33	1	\$833.33	\$44.17	5.3004
CP	11/08/96	\$800,000.00	\$2,222.22	4	\$8,888.89	\$471.11	5.3000
CP	12/31/96	\$28,250,000.00	\$78,472.22	2	\$156,944.44	\$10,986.11	7.0000
TOTAL					\$3,311,666.66	\$187,708.16	5.6681
GRAND TOTAL					\$3,311,666.66	\$187,708.16	5.6681

</TABLE>

Schedule A-3

REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC.
 AVERAGE PRINCIPAL AND RATE ANALYSIS
 01/01/96 - 01/01/97

DATE: 10/01/97
 PAGE: 1

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PORTFOLIOS: MP
 SECURITIES: BL

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
Monongahela Power Company							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BL	12/29/95	\$7,500,000.00	\$20,833.33	1	\$20,833.33	\$1,250.00	6.0000
BL	01/02/96	\$7,500,000.00	\$20,833.33	1	\$20,833.33	\$1,208.33	5.8000
BL	01/03/96	\$13,000,000.00	\$36,111.11	1	\$36,111.11	\$2,211.81	6.1250
BL	01/10/96	\$7,400,000.00	\$20,555.56	1	\$20,555.56	\$1,130.56	5.5000
BL	01/12/96	\$7,200,000.00	\$20,000.00	4	\$80,000.00	\$4,480.00	5.6000
BL	01/17/96	\$7,600,000.00	\$21,111.11	1	\$21,111.11	\$1,292.00	6.1200
BL	01/26/96	\$2,900,000.00	\$8,055.56	3	\$24,166.67	\$1,370.25	5.6700
BL	01/30/96	\$5,000,000.00	\$13,888.89	1	\$13,888.89	\$787.50	5.6700
BL	02/02/96	\$8,600,000.00	\$23,888.89	3	\$71,666.67	\$3,834.17	5.3500
BL	02/06/96	\$5,100,000.00	\$14,166.67	1	\$14,166.67	\$757.92	5.3500
BL	02/07/96	\$3,400,000.00	\$9,444.44	1	\$9,444.44	\$500.56	5.3000
BL	02/08/96	\$2,200,000.00	\$6,111.11	1	\$6,111.11	\$323.89	5.3000
BL	02/09/96	\$9,900,000.00	\$27,500.00	3	\$82,500.00	\$4,372.50	5.3000
BL	02/12/96	\$8,600,000.00	\$23,888.89	1	\$23,888.89	\$1,278.06	5.3500
BL	02/13/96	\$9,250,000.00	\$25,694.44	1	\$25,694.44	\$1,361.81	5.3000
BL	02/14/96	\$7,600,000.00	\$21,111.11	1	\$21,111.11	\$1,161.11	5.5000
BL	03/01/96	\$8,800,000.00	\$24,444.44	3	\$73,333.33	\$4,033.33	5.5000
BL	03/04/96	\$2,700,000.00	\$7,500.00	1	\$7,500.00	\$411.00	5.4800
BL	03/06/96	\$7,350,000.00	\$20,416.67	1	\$20,416.67	\$1,078.00	5.2800
BL	03/07/96	\$3,400,000.00	\$9,444.44	1	\$9,444.44	\$495.83	5.2500
BL	03/08/96	\$1,850,000.00	\$5,138.89	3	\$15,416.67	\$814.00	5.2800
BL	03/11/96	\$7,800,000.00	\$21,666.67	1	\$21,666.67	\$1,159.17	5.3500
BL	03/15/96	\$2,100,000.00	\$5,833.33	3	\$17,500.00	\$997.50	5.7000
BL	04/02/96	\$6,700,000.00	\$18,611.11	1	\$18,611.11	\$1,023.61	5.5000
BL	04/03/96	\$5,850,000.00	\$16,250.00	1	\$16,250.00	\$885.63	5.4500
BL	04/08/96	\$9,100,000.00	\$25,277.78	1	\$25,277.78	\$1,352.36	5.3500
BL	04/09/96	\$7,200,000.00	\$20,000.00	1	\$20,000.00	\$1,070.00	5.3500
BL	04/10/96	\$5,250,000.00	\$14,583.33	1	\$14,583.33	\$802.08	5.5000
BL	04/11/96	\$3,200,000.00	\$8,888.89	1	\$8,888.89	\$475.56	5.3500
BL	04/12/96	\$1,400,000.00	\$3,888.89	3	\$11,666.67	\$630.00	5.4000
BL	04/16/96	\$5,250,000.00	\$14,583.33	1	\$14,583.33	\$780.21	5.3500
BL	04/17/96	\$1,900,000.00	\$5,277.78	1	\$5,277.78	\$279.72	5.3000
BL	04/24/96	\$3,800,000.00	\$10,555.56	1	\$10,555.56	\$591.11	5.6000

</TABLE>

Schedule A-4

REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC.
 AVERAGE PRINCIPAL AND RATE ANALYSIS
 01/01/96 - 01/01/97

DATE: 10/01/97
 PAGE: 2

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PORTFOLIOS: MP

SECURITIES: BL

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BL	04/25/96	\$2,600,000.00	\$7,222.22	1	\$7,222.22	\$386.39	5.3500
BL	04/29/96	\$8,800,000.00	\$24,444.44	1	\$24,444.44	\$1,307.78	5.3500
BL	04/30/96	\$8,300,000.00	\$23,055.56	1	\$23,055.56	\$1,268.06	5.5000
BL	05/01/96	\$7,800,000.00	\$21,666.67	1	\$21,666.67	\$1,174.33	5.4200
BL	05/02/96	\$8,800,000.00	\$24,444.44	1	\$24,444.44	\$1,324.89	5.4200
BL	05/06/96	\$8,000,000.00	\$22,222.22	1	\$22,222.22	\$1,188.89	5.3500
BL	05/07/96	\$8,200,000.00	\$22,777.78	1	\$22,777.78	\$1,218.61	5.3500
BL	05/08/96	\$6,200,000.00	\$17,222.22	1	\$17,222.22	\$955.83	5.5500
BL	05/09/96	\$4,500,000.00	\$12,500.00	1	\$12,500.00	\$668.75	5.3500
BL	05/10/96	\$2,250,000.00	\$6,250.00	3	\$18,750.00	\$993.75	5.3000
BL	05/13/96	\$7,600,000.00	\$21,111.11	1	\$21,111.11	\$1,140.00	5.4000
BL	05/14/96	\$6,650,000.00	\$18,472.22	1	\$18,472.22	\$988.26	5.3500
BL	05/28/96	\$2,300,000.00	\$6,388.89	1	\$6,388.89	\$341.81	5.3501
BL	05/29/96	\$1,100,000.00	\$3,055.56	1	\$3,055.56	\$163.47	5.3499
BL	06/03/96	\$1,950,000.00	\$5,416.67	1	\$5,416.67	\$299.54	5.5300
BL	06/05/96	\$2,600,000.00	\$7,222.22	1	\$7,222.22	\$399.39	5.5300
BL	07/01/96	\$11,600,000.00	\$32,222.22	1	\$32,222.22	\$1,788.33	5.5500
BL	07/02/96	\$10,650,000.00	\$29,583.33	1	\$29,583.33	\$1,641.88	5.5500
BL	07/03/96	\$11,350,000.00	\$31,527.78	2	\$63,055.56	\$3,594.17	5.7000
BL	07/05/96	\$10,950,000.00	\$30,416.67	3	\$91,250.00	\$4,973.13	5.4500
BL	07/08/96	\$10,450,000.00	\$29,027.78	1	\$29,027.78	\$1,532.67	5.2800
BL	07/09/96	\$8,900,000.00	\$24,722.22	1	\$24,722.22	\$1,322.64	5.3500
BL	07/10/96	\$7,100,000.00	\$19,722.22	1	\$19,722.22	\$1,045.28	5.3000
BL	07/11/96	\$6,450,000.00	\$17,916.67	1	\$17,916.67	\$949.58	5.3000
BL	07/12/96	\$5,050,000.00	\$14,027.78	3	\$42,083.33	\$2,209.38	5.2500
BL	07/29/96	\$1,000,000.00	\$2,777.78	1	\$2,777.78	\$152.78	5.5001
BL	07/31/96	\$950,000.00	\$2,638.89	1	\$2,638.89	\$151.74	5.7501
BL	08/01/96	\$3,500,000.00	\$9,722.22	1	\$9,722.22	\$544.44	5.6000
BL	08/05/96	\$3,750,000.00	\$10,416.67	1	\$10,416.67	\$572.92	5.5000
BL	08/06/96	\$4,450,000.00	\$12,361.11	1	\$12,361.11	\$661.32	5.3500
BL	08/09/96	\$3,550,000.00	\$9,861.11	3	\$29,583.33	\$1,553.13	5.2500
BL	08/12/96	\$3,050,000.00	\$8,472.22	1	\$8,472.22	\$453.26	5.3500
BL	08/13/96	\$2,900,000.00	\$8,055.56	1	\$8,055.56	\$426.94	5.2999
BL	09/30/96	\$1,000,000.00	\$2,777.78	1	\$2,777.78	\$169.44	6.0998
BL	10/03/96	\$10,050,000.00	\$27,916.67	1	\$27,916.67	\$1,479.58	5.3000

</TABLE>

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REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC. DATE: 10/01/97
 AVERAGE PRINCIPAL AND RATE ANALYSIS PAGE: 3
 01/01/96 - 01/01/97

<TABLE>
 <CAPTION>

PORTFOLIOS: MP
 SECURITIES: BL

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BL	10/04/96	\$10,150,000.00	\$28,194.44	3	\$84,583.33	\$4,440.63	5.2500
BL	10/07/96	\$10,250,000.00	\$28,472.22	1	\$28,472.22	\$1,509.03	5.3000
BL	10/08/96	\$9,600,000.00	\$26,666.67	1	\$26,666.67	\$1,413.33	5.3000
BL	10/09/96	\$9,350,000.00	\$25,972.22	1	\$25,972.22	\$1,428.47	5.5000
BL	10/10/96	\$8,700,000.00	\$24,166.67	1	\$24,166.67	\$1,292.92	5.3500
BL	10/11/96	\$7,100,000.00	\$19,722.22	4	\$78,888.89	\$4,181.11	5.3000
BL	10/15/96	\$3,500,000.00	\$9,722.22	1	\$9,722.22	\$539.58	5.5500
BL	10/28/96	\$4,000,000.00	\$11,111.11	1	\$11,111.11	\$605.56	5.4500

BL	10/29/96	\$2,300,000.00	\$6,388.89	1	\$6,388.89	\$341.81	5.3501
BL	10/30/96	\$2,400,000.00	\$6,666.67	1	\$6,666.67	\$360.00	5.4000
BL	11/01/96	\$7,100,000.00	\$19,722.22	3	\$59,166.67	\$3,402.08	5.7500
BL	11/04/96	\$8,900,000.00	\$24,722.22	1	\$24,722.22	\$1,359.72	5.5000
BL	11/05/96	\$11,850,000.00	\$32,916.67	1	\$32,916.67	\$1,744.58	5.3000
BL	11/06/96	\$7,300,000.00	\$20,277.78	1	\$20,277.78	\$1,155.83	5.7000
BL	11/07/96	\$5,100,000.00	\$14,166.67	1	\$14,166.67	\$765.00	5.4000
BL	12/03/96	\$1,050,000.00	\$2,916.67	1	\$2,916.67	\$161.88	5.5502
BL	12/16/96	\$10,000,000.00	\$27,777.78	1	\$27,777.78	\$1,486.11	5.3500
BL	12/16/96	\$2,200,000.00	\$6,111.11	1	\$6,111.11	\$349.56	5.7201
BL	12/17/96	\$8,500,000.00	\$23,611.11	1	\$23,611.11	\$1,286.81	5.4500
BL	12/18/96	\$6,900,000.00	\$19,166.67	1	\$19,166.67	\$1,102.08	5.7500
BL	12/19/96	\$2,300,000.00	\$6,388.89	1	\$6,388.89	\$346.92	5.4301
BL	12/20/96	\$4,050,000.00	\$11,250.00	3	\$33,750.00	\$1,788.75	5.3000
BL	12/23/96	\$1,350,000.00	\$3,750.00	1	\$3,750.00	\$200.62	5.3499
BL	12/27/96	\$18,050,000.00	\$50,138.89	3	\$150,416.67	\$8,272.92	5.5000
BL	12/30/96	\$18,900,000.00	\$52,500.00	1	\$52,500.00	\$2,940.00	5.6000
TOTAL					\$2,303,611.14	\$125,717.24	5.4574
GRAND TOTAL					\$2,303,611.14	\$125,717.24	5.4574

</TABLE>

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REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC.
 AVERAGE PRINCIPAL AND RATE ANALYSIS
 01/01/96 - 01/01/97

DATE: 10/01/97
 PAGE: 1

<TABLE>
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PORTFOLIOS: MP
 SECURITIES: MP

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
Monongahela Power Company							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
MP	03/04/96	\$9,300,000.00	\$25,833.33	1	\$25,833.33	\$1,379.50	5.3400
MP	03/05/96	\$1,700,000.00	\$4,722.22	1	\$4,722.22	\$249.81	5.2901
MP	03/06/96	\$3,250,000.00	\$9,027.78	1	\$9,027.78	\$463.13	5.1301
MP	03/07/96	\$5,400,000.00	\$15,000.00	1	\$15,000.00	\$762.00	5.0800
MP	03/08/96	\$6,850,000.00	\$19,027.78	3	\$57,083.33	\$2,974.04	5.2100
MP	03/11/96	\$7,500,000.00	\$20,833.33	1	\$20,833.33	\$1,075.00	5.1600
MP	03/12/96	\$11,800,000.00	\$32,777.78	1	\$32,777.78	\$1,720.83	5.2500
MP	03/13/96	\$9,900,000.00	\$27,500.00	1	\$27,500.00	\$1,443.75	5.2500
MP	03/14/96	\$7,950,000.00	\$22,083.33	1	\$22,083.33	\$1,185.88	5.3700
MP	04/18/96	\$500,000.00	\$1,388.89	1	\$1,388.89	\$71.81	5.1703
MP	04/19/96	\$650,000.00	\$1,805.56	3	\$5,416.67	\$281.13	5.1901
MP	04/26/96	\$400,000.00	\$1,111.11	3	\$3,333.33	\$176.33	5.2899
MP	05/31/96	\$300,000.00	\$833.33	3	\$2,500.00	\$133.50	5.3400
MP	06/06/96	\$950,000.00	\$2,638.89	1	\$2,638.89	\$140.92	5.3401
MP	10/09/96	\$9,350,000.00	\$25,972.22	1	\$25,972.22	\$1,428.47	5.5000
MP	10/24/96	\$200,000.00	\$555.56	1	\$555.56	\$29.44	5.2992
MP	11/06/96	\$4,100,000.00	\$11,388.89	1	\$11,388.89	\$608.17	5.3400
MP	11/07/96	\$4,000,000.00	\$11,111.11	1	\$11,111.11	\$592.22	5.3300
MP	11/08/96	\$6,650,000.00	\$18,472.22	4	\$73,888.89	\$3,901.33	5.2800
MP	11/12/96	\$7,750,000.00	\$21,527.78	1	\$21,527.78	\$1,112.99	5.1700
MP	11/13/96	\$7,000,000.00	\$19,444.44	1	\$19,444.44	\$1,030.56	5.3000
MP	11/14/96	\$6,950,000.00	\$19,305.56	1	\$19,305.56	\$1,005.82	5.2100
MP	11/15/96	\$3,900,000.00	\$10,833.33	3	\$32,500.00	\$1,735.50	5.3400
MP	11/18/96	\$3,200,000.00	\$8,888.89	1	\$8,888.89	\$479.11	5.3900
MP	11/20/96	\$2,400,000.00	\$6,666.67	1	\$6,666.67	\$352.67	5.2901
MP	11/21/96	\$1,500,000.00	\$4,166.67	1	\$4,166.67	\$222.08	5.3299
MP	11/22/96	\$1,400,000.00	\$3,888.89	3	\$11,666.67	\$616.00	5.2800
MP	11/25/96	\$650,000.00	\$1,805.56	1	\$1,805.56	\$94.61	5.2399
MP	11/26/96	\$5,300,000.00	\$14,722.22	1	\$14,722.22	\$787.64	5.3500
MP	11/27/96	\$4,600,000.00	\$12,777.78	2	\$25,555.56	\$1,349.33	5.2800
MP	11/29/96	\$10,750,000.00	\$29,861.11	3	\$89,583.33	\$4,855.42	5.4200
MP	12/02/96	\$11,850,000.00	\$32,916.67	1	\$32,916.67	\$1,790.67	5.4400
MP	12/03/96	\$11,350,000.00	\$31,527.78	1	\$31,527.78	\$1,727.72	5.4800

</TABLE>

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REPORT:RAOI

ALLEGHENY POWER SYSTEM, INC.
 AVERAGE PRINCIPAL AND RATE ANALYSIS
 01/01/96 - 01/01/97

DATE: 10/01/97
 PAGE: 2

<TABLE>
 <CAPTION>

PORTFOLIOS: MP
 SECURITIES: MP

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
MP	12/04/96	\$11,800,000.00	\$32,777.78	1	\$32,777.78	\$1,668.39	5.0900
MP	12/05/96	\$12,000,000.00	\$33,333.33	1	\$33,333.33	\$1,786.67	5.3600
MP	12/06/96	\$12,300,000.00	\$34,166.67	3	\$102,500.00	\$5,453.00	5.3200
MP	12/09/96	\$11,100,000.00	\$30,833.33	1	\$30,833.33	\$1,606.42	5.2100
MP	12/10/96	\$9,250,000.00	\$25,694.44	1	\$25,694.44	\$1,333.54	5.1900
MP	12/11/96	\$8,300,000.00	\$23,055.56	1	\$23,055.56	\$1,191.97	5.1700
MP	12/12/96	\$8,700,000.00	\$24,166.67	1	\$24,166.67	\$1,254.25	5.1900
MP	12/13/96	\$2,600,000.00	\$7,222.22	3	\$21,666.67	\$1,137.50	5.2500
MP	12/19/96	\$3,450,000.00	\$9,583.33	1	\$9,583.33	\$518.46	5.4100
MP	12/20/96	\$3,650,000.00	\$10,138.89	3	\$30,416.67	\$1,609.04	5.2900
MP	12/23/96	\$4,850,000.00	\$13,472.22	1	\$13,472.22	\$693.82	5.1500
MP	12/24/96	\$5,600,000.00	\$15,555.56	2	\$31,111.11	\$1,636.44	5.2600
MP	12/26/96	\$5,750,000.00	\$15,972.22	1	\$15,972.22	\$820.97	5.1400
MP	12/31/96	\$2,900,000.00	\$8,055.56	2	\$16,111.11	\$890.94	5.5300
TOTAL					\$1,084,027.79	\$57,378.79	5.2931
					=====	=====	=====
GRAND TOTAL					\$1,084,027.79	\$57,378.79	5.2931
					=====	=====	=====

</TABLE>

Monongahela Power Company
Statement of Income
For Period Ended June 30, 1997 (\$000)

Description	12 Months
Electric Operating Revenues:	
Residential	198,383
Commercial	119,283
Industrial	192,130
Wholesale and other, excluding affiliates	11,481
Bulk power transactions, net	16,135
Affiliated companies	74,197
Total Operating Revenues	611,609
Operating Expenses:	
Power Cost:	
Fuel	131,298
Purchased power & exchanges	100,714
Deferred power costs, net	(15,771)
Other	54,360
Transmission & distribution	40,766
Customers accounting & services	15,118
Administrative & general	46,940
Total Operation & Maintenance	373,425
Depreciation	56,445
Taxes other than income	40,235
Federal & state income taxes	40,405
Total Operating Expenses	510,510
Operating Income	101,099
Other Income and Deductions:	
AOFDC	514
Other income, net	6,874
Total Other Income & Deductions	7,388
Income Bef Interest Charges	108,487
Interest Charges:	
Interest on first mortgage bonds	26,808
Interest on other long-term obligations	9,676
Other Interest	2,123
ABFDC	(601)
Total Interest Charges	38,006

Schedule C

Monongahela Power Company
Balance Sheet (\$000's)

June 30,
1997

ASSETS:

Property, Plant, and Equipment:

At original cost, including \$35,850,000 and \$33,366,000 under construction	\$ 1,905,794
Accumulated depreciation	(818,172)
	1,087,622

Investments:

Allegheny Generating Company - common stock at equ	53,441
Other	313
	53,754

Current Assets:

Cash	149
Accounts receivable:	
Electric service, net of \$1,767,000 and \$1,949,000 uncollectible allowance	66,414
Affiliated and other	10,114
Materials and supplies - at average cost:	
Operating and construction	18,857
Fuel	21,681
Prepaid taxes	11,993
Other	6,249
	135,457

Deferred Charges:

Regulatory assets	165,761
Unamortized loss on reacquired debt	14,797
Other	13,565
	194,123

Total Assets	\$ 1,470,956
--------------	--------------

CAPITALIZATION AND LIABILITIES:

Capitalization:

Common stock	\$ 294,550
Other paid-in capital	2,441
Retained earnings	245,777
	542,768
Preferred stock	74,000
Long-term debt and QUIDS	455,415

	1,072,183
Current Liabilities:	
Short-term debt	17,347
Long-term debt due within one year	34,600
Accounts payable	3,851
Accounts payable to affiliates	16,042
Taxes accrued:	
Federal and state income	901
Other	16,873
Deferred power costs	4,074
Interest accrued	8,268
Restructuring liability	6,771
Other	8,334
	117,061
Deferred Credits and Other Liabilities:	
Unamortized investment credit	19,371
Deferred income taxes	226,184
Regulatory liabilities	17,831
Other	18,326
	281,712
 Total Capitalization and Liabilities	 \$ 1,470,956

THE POTOMAC EDISON COMPANY

STATEMENT OF FINANCIAL CONDITION

June 30, 1997

(a) Amount and classes of stock authorized:

- (1) 23,000,000 shares Common Stock - no par value
- (2) 5,378,611 shares Cumulative Preferred Stock - par value \$100

(b) Amount and classes of stock issued and outstanding as of June 30, 1997:

- (1) 22,385,000 shares Common Stock
- 163,784 shares Cumulative Preferred Stock, as follows:
 - 3.60% Series - 63,784 shares
 - \$5.88 Series C - 100,000 shares

(c) Terms of preference of all preferred stock:

All shares of equal rank.

(d) Brief description of each mortgage upon any property of the corporation, giving date of execution, name of trustee, amount of indebtedness authorized to be secured thereby, amount of indebtedness actually secured and brief description of the mortgaged property or collateral:

There is presently in effect a mortgage indenture dated October 1, 1944, and indentures supplemental thereto, executed by the applicant upon all its property under which Chemical Bank is Trustee and Thomas J. Foley is Individual Trustee. Said mortgage indenture secures bonds issued thereunder by the applicant for the purpose of borrowing money for its corporate purposes and authorizes the issuance of an initial series of bonds for the aggregate principal amount of \$16,981,000. Thereafter from time to time, upon a showing that the consolidated net earnings of the applicant and its subsidiaries available for interest for 12 out of the 15 preceding months, after provision for depreciation, have been in the aggregate equal to not less than twice the amount of annual interest charges on the principal amount of all bonds and prior lien bonds then outstanding or applied for, additional bonds of any series may be issued in an aggregate principal amount equal to 60% of the net bondable value of property additions plus the amount of any cash deposited with the Trustee, and also in substitution for any refundable bonds. The amount of indebtedness accrued and principal outstanding is \$495,000,000. There is no interest due and unpaid.

- 2 -

(e) Number and amount of bonds authorized and issued under each mortgage; describing each class separately, giving date of issue, par value, rate of interest, date of maturity and how secured:

Potomac has bonds issued and outstanding under the above-mentioned Indenture consisting of series, all of which are First Mortgage Bonds, as follows:

<TABLE>

<CAPTION>

Issued	Par Value	Series	Amount Outstanding
<S>	<C>	<C> <C> <C>	<C>
1991	\$1,000	8-7/8% Due 2021	\$ 50,000,000
1991	1,000	8% Due 2006	50,000,000
1992	1,000	8% Due 2022	55,000,000
1993	1,000	7-3/4% Due 2023	45,000,000
1993	1,000	5-7/8% Due 2000	75,000,000
1994	1,000	8% Due 2024	75,000,000
1995	1,000	7-3/4% Due 2025	65,000,000
1995	1,000	7-5/8% Due 2025	80,000,000
			\$495,000,000

</TABLE>

(f) Other indebtedness of all kinds, giving same by classes and describing security, if any:

<TABLE>
<CAPTION>

Indebtedness		Amount Outstanding
<S>	<C>	<C>
(1)	Quarterly income debt securities	\$ 45,456,500
(2)	Secured notes for pollution control facilities and solid waste disposal notes	91,700,000
(3)	Unsecured notes for pollution control facilities	4,000,000
		\$141,156,500

</TABLE>

- 3 -

(g) Amount of interest paid during previous fiscal year upon each species of indebtedness and rate thereof and, if different rates were paid, amount paid at each rate:

<TABLE>
<CAPTION>

		12 Months Ended 12-31-96
<S>	<C>	<C> <C>
(1)	First Mortgage Bonds	
	5-7/8% Series Due 1996	\$ 528,750
	5-7/8% Series Due 2000	4,406,250
	8% Series Due 2006	4,000,000
	8-7/8% Series Due 2021	4,437,500
	8% Series Due 2022	4,400,000
	7-3/4% Series Due 2023	3,487,500
	8% Series Due 2024	6,000,000
	7-5/8% Series Due 2025	6,100,000
	7-3/4% Series Due 2025	5,037,500
		38,397,500
(2)	Quarterly Income Debt Securities	
	\$45,456,500 @ 8%	3,636,520
		3,636,520
(3)	Secured Notes	
	\$30,000,000 @ 6.30%	1,890,000
	\$21,000,000 @ 6.15%	1,291,500
	\$ 8,600,000 @ 5.95%	511,700
	\$ 6,550,000 @ 6.875%	450,313
	\$13,990,000 @ 6.25%	874,375
	\$11,560,000 @ 6.75%	780,300
		5,798,188

(4)	Unsecured Notes	
	\$5,500,000 @ 6.30%	173,250
	\$4,800,000 @ 6.30%	151,200
		324,450
	Total interest on long-term debt	\$48,156,658
(5)	See Schedule A for interest on short-term debt	\$ 110,911

</TABLE>

- 4 -

(h) Amount of dividends paid upon each class of stock during previous five years:

<TABLE>
<CAPTION>

Class of Stock	12 Months Ended 12-31-96	12 Months Ended 12-31-95	12 Months Ended 12-31-94	12 Months Ended 12-31-93	12 Months Ended 12-31-92
Cumulative Preferred:					
<S> <C>	<C> <C>	<C> <C>	<C> <C>	<C> <C>	<C> <C>
3.60% Series	\$ 229,623	\$ 229,623	\$ 229,623	\$ 229,623	\$ 229,623
4.70% Series B	-	-	-	14,262	22,999
\$5.88 Series C	588,000	588,000	588,000	588,000	588,000
\$7.00 Series D	-	259,500	350,000	350,000	350,000
\$9.40 Series E	-	-	-	-	495,500
\$8.32 Series F	-	308,500	416,000	416,000	416,000
\$8.00 Series G	-	593,000	800,000	800,000	800,000
\$9.64 Series H	-	-	-	-	1,524,000
\$7.16 Series J	-	1,351,739	1,954,680	2,040,600	2,133,991
Common Stock:					
Dividends	\$66,483,450	\$64,692,650	\$62,454,150	\$60,385,750	\$53,731,550

</TABLE>

(i) A statement of income for the twelve months ended June 30, 1997 and balance sheet as of June 30, 1997 are attached as Schedules B and C, respectively.

PORTFOLIOS: pe
 SECURITIES: cp

<TABLE>
 <CAPTION>

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
The Potomac Edison Company							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CP	12/29/95	\$21,650,000.00	\$60,138.89	1	\$60,138.89	\$3,668.47	6.1000
CP	01/02/96	\$23,200,000.00	\$64,444.44	1	\$64,444.44	\$3,750.67	5.8200
CP	01/03/96	\$20,850,000.00	\$57,916.67	1	\$57,916.67	\$3,561.88	6.1500
CP	01/04/96	\$20,950,000.00	\$58,194.44	1	\$58,194.44	\$3,404.38	5.8500
CP	01/09/96	\$13,650,000.00	\$37,916.67	1	\$37,916.67	\$2,161.25	5.7000
CP	01/09/96	\$5,000,000.00	\$13,888.89	7	\$97,222.22	\$5,493.06	5.6500
CP	01/10/96	\$13,650,000.00	\$37,916.67	1	\$37,916.67	\$2,104.38	5.5500
CP	01/11/96	\$11,800,000.00	\$32,777.78	1	\$32,777.78	\$1,819.17	5.5500
CP	01/16/96	\$7,000,000.00	\$19,444.44	7	\$136,111.11	\$7,622.22	5.6000
CP	01/18/96	\$14,000,000.00	\$38,888.89	1	\$38,888.89	\$2,187.50	5.6250
CP	01/19/96	\$11,900,000.00	\$33,055.56	3	\$99,166.67	\$5,503.75	5.5500
CP	01/23/96	\$17,850,000.00	\$49,583.33	1	\$49,583.33	\$2,761.79	5.5700
CP	01/24/96	\$6,200,000.00	\$17,222.22	8	\$137,777.78	\$7,619.11	5.5300
CP	01/26/96	\$7,250,000.00	\$20,138.89	3	\$60,416.67	\$3,413.54	5.6500
CP	02/01/96	\$14,550,000.00	\$40,416.67	1	\$40,416.67	\$2,182.50	5.4000
CP	02/02/96	\$4,050,000.00	\$11,250.00	3	\$33,750.00	\$1,797.19	5.3250
CP	02/06/96	\$10,650,000.00	\$29,583.33	1	\$29,583.33	\$1,576.79	5.3300
CP	02/12/96	\$900,000.00	\$2,500.00	1	\$2,500.00	\$135.00	5.4000
CP	02/12/96	\$450,000.00	\$1,250.00	1	\$1,250.00	\$67.50	5.4000
CP	02/15/96	\$3,100,000.00	\$8,611.11	1	\$8,611.11	\$473.61	5.5000
CP	02/16/96	\$2,200,000.00	\$6,111.11	4	\$24,444.44	\$1,276.00	5.2200
CP	05/06/96	\$450,000.00	\$1,250.00	1	\$1,250.00	\$67.25	5.3800
CP	12/17/96	\$1,500,000.00	\$4,166.67	1	\$4,166.67	\$227.92	5.4701
CP	12/31/96	\$7,500,000.00	\$20,833.33	2	\$41,666.67	\$2,916.67	7.0000
TOTAL					\$1,156,111.12	\$65,791.60	5.6908
GRAND TOTAL					\$1,156,111.12	\$65,791.60	5.6908

</TABLE>

PORTFOLIOS: pe
 SECURITIES: bl

<TABLE>
 <CAPTION>

TYPE	DATE	AMOUNT	AVERAGE PER DAY	# DAYS OUTSTANDING	AVG ANNUAL PRINCIPAL	INTEREST FOR PERIOD	AVERAGE INTEREST RATE
The Potomac Edison Company							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BL	01/05/96	\$13,500,000.00	\$37,500.00	3	\$112,500.00	\$6,356.25	5.6500
BL	01/05/96	\$6,500,000.00	\$18,055.56	3	\$54,166.67	\$3,033.33	5.6000
BL	01/08/96	\$6,500,000.00	\$18,055.56	1	\$18,055.56	\$1,056.25	5.8500
BL	01/08/96	\$13,500,000.00	\$37,500.00	1	\$37,500.00	\$2,175.00	5.8000
BL	01/12/96	\$9,100,000.00	\$25,277.78	4	\$101,111.11	\$5,662.22	5.6000
BL	01/16/96	\$19,700,000.00	\$54,722.22	1	\$54,722.22	\$3,146.53	5.7500
BL	01/17/96	\$14,500,000.00	\$40,277.78	1	\$40,277.78	\$2,456.94	6.1000
BL	01/22/96	\$12,300,000.00	\$34,166.67	1	\$34,166.67	\$1,906.50	5.5800
BL	01/24/96	\$10,000,000.00	\$27,777.78	1	\$27,777.78	\$1,536.11	5.5300
BL	01/25/96	\$8,250,000.00	\$22,916.67	1	\$22,916.67	\$1,283.33	5.6000
BL	01/29/96	\$5,000,000.00	\$13,888.89	1	\$13,888.89	\$ 791.67	5.7000
BL	01/29/96	\$7,650,000.00	\$21,250.00	1	\$21,250.00	\$1,215.50	5.7200
BL	01/30/96	\$10,400,000.00	\$28,888.89	1	\$28,888.89	\$1,652.44	5.7200
BL	01/31/96	\$3,750,000.00	\$10,416.67	1	\$10,416.67	\$ 627.08	6.0200
BL	02/02/96	\$9,400,000.00	\$26,111.11	3	\$78,333.33	\$4,190.83	5.3500
BL	02/05/96	\$13,850,000.00	\$38,472.22	1	\$38,472.22	\$2,058.26	5.3500
BL	02/07/96	\$7,500,000.00	\$20,833.33	1	\$20,833.33	\$1,104.17	5.3000
BL	02/08/96	\$6,450,000.00	\$17,916.67	1	\$17,916.67	\$ 946.00	5.2800
BL	02/09/96	\$3,500,000.00	\$9,722.22	3	\$29,166.67	\$1,545.83	5.3000
BL	02/20/96	\$2,100,000.00	\$5,833.33	1	\$5,833.33	\$ 306.25	5.2500
BL	05/01/96	\$4,050,000.00	\$11,250.00	1	\$11,250.00	\$ 608.63	5.4100
BL	05/02/96	\$2,000,000.00	\$5,555.56	1	\$ 5,555.56	\$ 303.89	5.4700
BL	05/03/96	\$1,450,000.00	\$4,027.78	3	\$12,083.33	\$ 640.42	5.3000
BL	12/16/96	\$3,250,000.00	\$9,027.78	1	\$ 9,027.78	\$ 516.39	5.7200
TOTAL					\$806,111.13	\$45,119.82	5.5972
GRAND TOTAL					\$806,111.13	\$45,119.82	5.5972

</TABLE>

The Potomac Edison Company
Statement of Income
For Period Ended June 30, 1997 (\$000)

Description	12 Months
Electric Operating Revenues:	
Residential	305,653
Commercial	145,636
Industrial	197,554
Wholesale and other, excluding affiliates	30,586
Bulk power transactions, net	22,028
Affiliated companies	5,479
Total Operating Revenues	706,936
Operating Expenses:	
Power Cost:	
Fuel	135,421
Purchased power & exchanges	139,584
Deferred power costs, net	(2,634)
Other	56,841
Transmission & distribution	36,929
Customers accounting & services	18,912
Administrative & general	50,295
Total Operation & Maintenance	435,348
Depreciation	72,594
Taxes other than income	47,727
Federal & state income taxes	35,120
Total Operating Expenses	590,789
Operating Income	116,147
Other Income and Deductions:	
AOFDC	1,622
Other income, net	11,865
Total Other Income & Deductions	13,487
Income Bef Interest Charges	129,634
Interest Charges:	
Interest on first mortgage bonds	37,872
Interest on other long-term obligations	9,772
Other Interest	2,242
ABFDC	(1,292)
Total Interest Charges	48,594
Net Income	81,040

The Potomac Edison Company
Balance Sheet (\$000's)

June 30,
1997

ASSETS:

Property, Plant, and Equipment:

At original cost, including \$49,771,000 and \$60,082,000 under construction	\$ 2,150,580
Accumulated depreciation	(828,079)
	1,322,501

Investments:

Allegheny Generating Company - common stock at equity	55,384
Other	588
	55,972

Current Assets:

Cash	137
Accounts receivable:	
Electric service, net of \$1,114,000 and \$1,580,000 uncollectible allowance	84,989
Affiliated and other	7,081
Notes receivable from affiliates	34,650
Materials and supplies - at average cost:	
Operating and construction	23,719
Fuel	20,336
Prepaid taxes	14,465
Other	7,224
	192,601

Deferred Charges:

Regulatory assets	88,606
Unamortized loss on reacquired debt	17,552
Other	10,031
	116,189

Total Assets	\$ 1,687,263
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CAPITALIZATION AND LIABILITIES:

Capitalization:

Common stock	\$ 447,700
Other paid-in capital	2,690
Retained earnings	263,119
	713,509
Preferred stock	16,378
Long-term debt and QUIDS	627,821
	1,357,708

Current Liabilities:

Short-term debt	-
Long-term debt due within one year	800
Accounts payable	22,008

Accounts payable to affiliates	15,914
Taxes accrued:	
Federal and state income	-
Other	16,641
Interest accrued	9,433
Customer deposits	5,058
Restructuring liability	7,959
Other	8,630
Deferred Credits and Other Liabilities:	
Unamortized investment credit	22,546
Deferred income taxes	180,886
Regulatory liabilities	13,190
Other	26,490
	243,112
 Total Capitalization and Liabilities	 \$ 1,687,263

ATTACHMENT C

Attachment C was previously filed as "Exhbiit B" to
Post-Effective Amendment No. 12 on September 17, 1997.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 18, 1997

APPLICATION OF
THE POTOMAC EDISON COMPANY
For continuing approval of money pool
agreement with affiliates

CASE NO. PUF970032

ORDER GRANTING AUTHORITY

On October 8, 1997, the Potomac Edison company d/b/a Allegheny Power ("the Company" or "Applicant") filed an application with the Commission under Chapter 4 of Title 56 of the Code of Virginia. In its application, the Company requests continuing approval to borrow and lend funds to companies with affiliated interests ("the Money Pool") through a revised Money Pool Agreement ("the Agreement").

Applicant most recently received Commission approval to participate in the Money Pool in Case No. PUF960004, by order dated April 29, 1996. The application states that two terms and conditions of the Agreement have recently changed. These changes relate to the way the interest rate is calculated in the Money Pool and how external investment income of the Money Pool is allocated. According to ordering paragraph 2

of the April 29 order, the Company is required to seek subsequent approval from the Commission if terms and conditions of the Agreement should change.

The Commission, upon consideration of the application and having been advised by its Staff, is of the opinion and finds that approval of the application will not be detrimental to the public interest. Accordingly,

IT IS ORDERED THAT:

- 1) Applicant is hereby granted approval to participate as a borrower and lender of funds through the Money Pool under the Agreement, all in a manner, under the terms and conditions and for the purposes as set forth in the application.
- 2) Applicant shall seek subsequent approval from the Commission if the terms and conditions of the Money Pool Agreement approved herein should change.
- 3) The approval granted herein shall not preclude the Commission from exercising the provisions of 56-78 and 56-80 of the Code of Virginia hereafter.
- 4) The Commission reserves the right to examine the books and records of any affiliate in connection with the authority granted herein, whether or not such affiliate is regulated by this Commission, pursuant to 57-79 of the Code of Virginia.
- 5) The approval of this application shall have no implications for ratemaking.

6) There appearing nothing further to be done in this matter, it is hereby dismissed.

AN ATTESTED COPY hereof shall be sent to the Applicant,

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attention Philip J. Bray, Esquire, 10435 Downsville Pike, Hagerstown, Maryland 21740-1766; and to the Division of Economics & Finance of the Commission.

A True Copy
Taste:
/s/ William J. Bridge
Clerk of the
State Corporation Commission

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