

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

MONONGAHELA POWER CO /OH/

CIK: **67646** | IRS No.: **135229392** | State of Incorp.: **OH** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05164** | Film No.: **94527880**
SIC: **4911** Electric services

Mailing Address
*ALLEGHENY POWER
SERVICE CORP
800 CABIN HILL DR
GREENSBURG PA 15601*

Business Address
*1310 FAIRMONT AVE
FAIRMONT WV 26555
3043663000*

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Quarterly Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934

For Quarter ended March 31, 1994

Commission File Number 1-5164

MONONGAHELA POWER COMPANY
(Exact name of registrant as specified in its charter)

Ohio
(State of Incorporation)

13-5229392
(I.R.S. Employer Identification No.)

1310 Fairmont Avenue, Fairmont, West Virginia 26554

Telephone number 304-366-3000

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

At May 13, 1994, 5,891,000 shares of the common stock (\$50 par value) of the registrant were outstanding, all of which is held by Allegheny Power System, Inc., the Company's parent.

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MONONGAHELA POWER COMPANY

Form 10-Q for Quarter Ended March 31, 1994

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<CAPTION>MONONGAHELA POWER COMPANY
Statement of Income

	Three Months Ended March 31	
	1994	1993
	(Thousands of Dollars)	
ELECTRIC OPERATING REVENUES:		
<S>	<C>	<C>
Residential	\$ 56,386	\$ 50,471
Commercial	29,551	27,131
Industrial	50,571	47,660
Nonaffiliated utilities	27,182	23,456
Other, including affiliates	24,219	16,824
Total Operating Revenues	187,909	165,542
OPERATING EXPENSES:		
Operation:		
Fuel	42,811	40,407
Purchased power and exchanges, net	45,259	34,740
Deferred power costs, net	3,603	130
Other	17,355	16,568
Maintenance	17,909	16,668
Depreciation	14,759	14,022
Taxes other than income taxes	10,841	8,752
Federal and state income taxes	11,078	9,966
Total Operating Expenses	163,615	141,253
Operating Income	24,294	24,289
OTHER INCOME AND DEDUCTIONS:		
Allowance for other than borrowed funds used during construction	569	736
Other income, net	1,831	1,887

Total Other Income and Deductions	2,400	2,623
Income Before Interest Charges	26,694	26,912
INTEREST CHARGES:		
Interest on long-term debt	8,738	8,889
Other interest	798	315
Allowance for borrowed funds used during construction	(422)	(544)
Total Interest Charges	9,114	8,660
NET INCOME	\$ 17,580	\$ 18,252

</TABLE>

See accompanying notes to financial statements.

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<TABLE>
<CAPTION>

MONONGAHELA POWER COMPANY

Balance Sheet

	March 31 1994	December 31 1993
	(Thousands of Dollars)	
ASSETS:		
Property, Plant, and Equipment:		
At original cost, including \$141,911,000 and <S> \$144,621,000 under construction	<C> \$1,699,464	<C> \$1,684,322
Accumulated depreciation	(675,442)	(664,947)
	1,024,022	1,019,375
Investments:		
Allegheny Generating Company - common stock at equity	61,215	61,698
Other	576	595
	61,791	62,293
Current Assets:		
Cash	123	135
Accounts receivable:		
Electric service, net of \$1,240,000 and \$1,084,000 uncollectible allowance	53,998	48,995
Affiliated and Other	14,246	14,596
Materials and supplies - at average cost:		
Operating and construction	23,233	22,393
Fuel	19,674	19,904
Property taxes	12,833	15,443
Deferred power costs	7,220	10,823
Other	3,398	8,117
	134,725	140,406
Deferred Charges:		
Regulatory assets	164,492	162,842
Unamortized loss on reacquired debt	12,047	12,229
Other	16,284	10,308
	192,823	185,379
Total Assets	\$1,413,361	\$1,407,453

CAPITALIZATION AND LIABILITIES:

Capitalization:

Common stock	\$ 294,550	\$ 294,550
Other paid-in capital	2,994	2,994
Retained earnings	188,462	185,486
	<hr/>	<hr/>
	486,006	483,030
Preferred stock - not subject to mandatory redemption	64,000	64,000
Long-term debt	461,170	460,129
	<hr/>	<hr/>
	1,011,176	1,007,159

Current Liabilities:

Short-term debt	61,272	63,100
Accounts payable	24,298	31,752
Accounts payable to affiliates	8,165	8,184
Taxes accrued:		
Federal and state income	12,609	-
Other	14,992	21,261
Interest accrued	10,497	10,641
Other	22,409	18,994
	<hr/>	<hr/>
	154,242	153,932

Deferred Credits and Other Liabilities:

Unamortized investment credit	26,346	26,883
Deferred income taxes	192,733	192,466
Regulatory liabilities	19,080	19,179
Other	9,784	7,834
	<hr/>	<hr/>
	247,943	246,362

Total Capitalization and Liabilities

	<hr/>	<hr/>
	\$1,413,361	\$1,407,453
	<hr/>	<hr/>

</TABLE>

See the accompanying notes to financial statements.

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<TABLE>

<CAPTION>

MONONGAHELA POWER COMPANY

Statement of Cash Flows

Three Months Ended
March 31

<hr/>	<hr/>
1994	1993
<hr/>	<hr/>

(Thousands of Dollars)

CASH FLOWS FROM OPERATIONS:

<S>	<C>	<C>
Net income	\$ 17,580	\$ 18,252
Depreciation	14,759	14,022
Deferred investment credit and income taxes, net	(2,088)	994
Deferred power costs, net	3,603	130
Unconsolidated subsidiaries' dividends in excess of earnings	502	702
Allowance for other than borrowed funds used during construction	(569)	(736)
Changes in certain current assets and liabilities:		
Accounts receivable, net	(4,653)	(2,835)
Materials and supplies	(610)	(2,314)
Accounts payable	(7,473)	(8,499)
Taxes accrued	6,340	1,337

Interest accrued	(144)	(5)
Other, net	7,571	9,569
	<u>34,818</u>	<u>30,617</u>
CASH FLOWS FROM INVESTING:		
Construction expenditures	(19,937)	(25,981)
Allowance for other than borrowed funds used during construction	569	736
	<u>(19,368)</u>	<u>(25,245)</u>
CASH FLOWS FROM FINANCING:		
Issuance of long-term debt	971	612
Short-term debt, net	(1,828)	7,570
Dividends on capital stock:		
Preferred stock	(1,115)	(1,115)
Common stock	(13,490)	(12,430)
	<u>(15,462)</u>	<u>(5,363)</u>
NET CHANGE IN CASH AND TEMPORARY CASH INVESTMENTS	\$ (12)	\$ 9
Cash and Temporary Cash Investments at January 1	135	115
Cash and Temporary Cash Investments at March 31	<u>\$ 123</u>	<u>\$ 124</u>
Supplemental cash flow information:		
Cash paid during the quarter for:		
Interest (net of amount capitalized)	\$ 8,967	\$ 8,464
Income taxes	-	30

</TABLE>

See accompanying notes to financial statements.

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MONONGAHELA POWER COMPANY
Notes to Financial Statements

- The Company's Notes to Financial Statements in the Allegheny Power System companies' combined Annual Report on Form 10-K for the year ended December 31, 1993, should be read with the accompanying financial statements and the following notes. With the exception of the December 31, 1993 balance sheet in the aforementioned annual report on Form 10-K, the accompanying financial statements appearing on pages 3 through 5 and these notes to financial statements are unaudited. In the opinion of the Company, such financial statements together with these notes thereto contain all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the Company's financial position as of March 31, 1994, and the results of operations and cash flows for the three months ended March 31, 1994 and 1993.
- The Statement of Income reflects the results of past operations and is not intended as any representation as to future results. For purposes of the Balance Sheet and Statement of Cash Flows, temporary cash investments with original maturities of three months or less, generally in the form of commercial paper, certificates of deposit, and repurchase agreements, are considered to be the equivalent of cash.
- The Company owns 27% of the common stock of Allegheny Generating Company (AGC), and affiliates of the Company own the remainder. AGC owns an undivided 40% interest, 840 MW, in the 2,100-MW pumped-storage hydroelectric station in Bath County, Virginia operated by the 60% owner, Virginia Power Company, an unaffiliated utility. Following is a summary of income statement information for AGC:

<TABLE>

<CAPTION>

	Three Months Ended March 31	
	1994	1993
	(Thousands of Dollars)	
<S>	<C>	<C>
Electric operating revenues	\$22,431	\$23,423
Operation and maintenance expense	1,833	1,678
Depreciation	4,236	4,226
Taxes other than income taxes	1,340	1,297
Federal income taxes	3,513	3,404
Interest charges	4,426	5,602
Other income, net	(2)	(3)
Net income	\$ 7,085	\$ 7,219

</TABLE>

The Company's share of the equity in earnings above was \$1.9 million for each of the three months ended March 31, 1994 and 1993, and was included in other income, net, on the Statement of Income.

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4. Common stock dividends per share declared and paid during the periods for which income statements are included are as follows:

<TABLE>

<CAPTION>

	Three Months Ended March 31	
	1994	1993
<S>	<C>	<C>
Number of Shares	5,891,000	5,891,000
Amount per Share	\$2.29	\$2.11

</TABLE>

Earnings per share are not reported inasmuch as the common stock of the Company is 100% owned by its parent, Allegheny Power System, Inc.

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MONONGAHELA POWER COMPANY

Management's Discussion and Analysis of Financial Condition and Results of Operations

COMPARISON OF FIRST QUARTER OF 1994 WITH FIRST QUARTER OF 1993

NET INCOME

Net income for the first quarter of 1994 was \$17.6 million compared with \$18.3 for the corresponding 1993 period. The decrease in net income for the first quarter of 1994 reflects increased taxes, maintenance, and other expenses, offset in part by greater kilowatthour (kWh) sales to retail customers. Retail sales in the first quarter of 1994 were favorably affected by record setting cold temperatures in January 1994.

SALES AND REVENUES

Retail kWh sales to residential, commercial, and industrial customers increased 8%, 4%, and 2%, respectively. The increase in kWh sales to residential and commercial customers was primarily due to an increase in weather-related sales. In mid-January 1994, the coldest temperatures ever

recorded in much of the Company's service territory resulted in heating degree days which were 44% over the prior January and 15% above normal. The increase in kWh sales to industrial customers was primarily due to higher sales to primary metals, chemical, and coal mining customers. The 9% increase in revenues from retail customers resulted from the following:

<TABLE>
<CAPTION>

Increase from Prior Period
(Millions of Dollars)

<S>	<C>
Increased kWh sales	\$ 3.0
Fuel and energy cost adjustment clauses (1)	6.4
Rate increases (2)	1.5
Other	.3
	<u>\$11.2</u>
	<u> </u>
	<u> </u>

</TABLE>

- (1) Changes in revenues from fuel and energy cost adjustment clauses have no effect on net income.
- (2) Reflects a surcharge in West Virginia for recovery of carrying charges on expenditures to comply with the Clean Air Act Amendments of 1990 (CAAA), designed to produce \$3.1 million on an annual basis effective July 1, 1992, which was increased to \$8.7 million on an annual basis effective on July 1, 1993.

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KWh sales to and revenues from nonaffiliated utilities are comprised of the following items:

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1994	1993
KWh sales (in billions):		
<S>	<C>	<C>
From Company generation	.1	.2
From purchased power	.8	.7
	<u>.9</u>	<u>.9</u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Revenues (in millions):		
From Company generation	\$ 3.0	\$ 4.4
From sales of purchased power	24.2	19.1
	<u>\$27.2</u>	<u>\$23.5</u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

</TABLE>

Sales from Company generation decreased because of growth of kWh sales to retail customers and generating unit outages, both of which reduces the amount available for sale, and continuing price competition. Increased sales from purchased power were due to increased demand resulting primarily from reduced availability of eastern utilities' generation equipment.

The increase in other revenues resulted primarily from an increase in sales of capacity, energy, and spinning reserve to other affiliated companies because of additional capacity and energy available from a new PURPA project commencing in July 1993. About 90% of the aggregate benefits from sales to affiliated and nonaffiliated utilities is passed on to retail customers and has little effect on net income.

OPERATING EXPENSES

Fuel expenses increased 6% due to a 3% increase in kWh generated, a 2% increase in average coal prices, and a 1% increase in heat rate. Fuel expenses are primarily subject to deferred power cost accounting procedures with the result that changes in fuel expenses have little effect on net income.

"Purchased power and exchanges, net" represents power purchases from and exchanges with nonaffiliated utilities, purchases from qualified facilities under the Public Utility Regulatory Policies Act of 1978 (PURPA), capacity charges paid to Allegheny Generating Company (AGC), and other transactions with affiliates made pursuant to a power supply agreement whereby each company uses the most economical generation available in the Allegheny Power System at any given time, and is comprised of the following items:

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<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1994	1993
	(Millions of Dollars)	
Nonaffiliated transactions:		
Purchased power:		
<S>	<C>	<C>
For resale to other utilities	\$21.4	\$17.4
From PURPA generation	14.5	10.8
Other	3.2	.6
Power exchanges, net	.8	-
Affiliated transactions:		
AGC capacity charges	5.3	5.8
Energy and spinning reserve charges	.1	.1
	\$45.3	\$34.7

</TABLE>

The amount of power purchased from nonaffiliated utilities for use by the Company and for resale to nonaffiliated utilities depends upon the availability of the Company's generating equipment, transmission capacity, and fuel, and its cost of generation and the cost of operations of nonaffiliated utilities from which such purchases are made. The cost of power purchased for use by the Company, including power from PURPA generation and affiliated companies, is mostly recovered from customers currently through the regular fuel and energy cost recovery procedures followed by the Company's regulatory commissions and is primarily subject to deferred power cost procedures with the result that changes in such costs have little effect on net income. As described under SALES AND REVENUES above, the increase in sales to retail customers combined with generating unit outages resulted in increased purchases from nonaffiliated utilities. The increase in purchases from PURPA generation reflects additional generation from a new PURPA project commencing in July 1993. The primary reason for the fluctuation in purchases for resale to nonaffiliated utilities is also described under SALES AND REVENUES above.

The increase in other operation expense resulted primarily from provisions for claims related to previously reported asbestos suits and a superfund site cleanup.

Maintenance expenses represent costs incurred to maintain the power stations, the transmission and distribution (T&D) system, and general plant, and reflect routine maintenance of equipment and rights-of-way as well as planned major repairs and unplanned expenditures, primarily from forced outages at the power stations and periodic storm damage on the T&D system. In early January 1994, the Company experienced the worst storm in its history with approximately \$7 million of damage to its facilities. These expenses were deferred pending rate recovery which has been requested in a rate case filing made on January 18, 1994. The Company is experiencing, and expects to continue to experience, increased expenditures due to the aging of its power stations. Variations in maintenance expense result primarily from unplanned events and planned major projects, which vary in

timing and magnitude depending upon the length of time equipment has been in service without a major overhaul, the amount of work found necessary when equipment is dismantled, and outage requirements to comply with the CAAA.

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The increase in depreciation expense resulted from additions to electric plant. Because of the increased levels of capital expenditures expected as a result of the CAAA and the replacement of aging equipment at the Company's power stations, depreciation expense is expected to increase significantly over the next few years.

Taxes other than income taxes increased \$2.1 million primarily due to increased West Virginia Business and Occupation taxes due to increased generation within that state (\$1.3 million) and increased gross receipts taxes resulting from higher revenues from retail customers (\$.3 million).

The net increase of \$1.1 million in federal and state income taxes resulted primarily from an increase in income before taxes and an increase in the federal income tax rate pursuant to the Revenue Reconciliation Act of 1993 enacted in August 1993.

Fluctuations in other interest expense as well as other income, net, reflect changes in the levels of temporary investments and short-term debt maintained by the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company's discussion on Liquidity and Capital Resources in the Allegheny Power System companies' combined Annual Report on Form 10-K for the year ended December 31, 1993, should be read with the following information.

On January 18, 1994, the Company filed an application with the Public Service Commission of West Virginia for a base rate increase designed to produce \$61.3 million in additional annual revenues. This increase, along with additional rate increase requests to be filed in Ohio and with the Federal Energy Regulatory Commission for wholesale customers, includes recovery of the remaining carrying charges on investment, depreciation, and all operating costs required to comply with Phase I of the CAAA, and other increasing levels of expenses. It is expected that the Company will begin to receive additional revenues from these rate cases on or about the time it begins to incur additional depreciation and operating costs for the scrubbers to be placed in service on or before January 1, 1995.

On May 11, 1994, the Company issued 500,000 shares of \$7.73 preferred stock with a par value of \$100 per share.

In the normal course of business, the Company is subject to various contingencies and uncertainties relating to its operations and construction programs, including cost recovery in the regulatory process, laws, regulations and uncertainties related to environmental matters, and legal actions.

As previously reported, the Company is currently named as a defendant along with multiple other affiliated and nonaffiliated defendants in 2,056 pending asbestos cases involving multiple plaintiffs. While the cumulative number of claims appears to be significant, previous cases have been settled for an amount substantially less than the anticipated cost of defense and it is believed that more than half of the cases relate solely to nonaffiliated defendants. The Company believes that the remaining cases involving the Company and its affiliates are without merit and that provisions

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for liabilities are such that these suits will not have a material effect on its financial position.

As also previously reported, the Company and its affiliates and approximately 875 others have been identified by the Environmental Protection Agency as potentially responsible parties in a superfund site

subject to cleanup. The Company believes that provisions for liabilities are such that costs incurred in connection with remediation efforts will not have a material effect on its financial position.

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MONONGAHELA POWER COMPANY

Part II-Other Information to Form 10-Q
for Quarter Ended March 31, 1994

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDER

1. (a) Date and Kind of Meeting:

The annual meeting of shareholders was held at Fairmont, West Virginia, on April 18, 1994. No proxies were solicited.

(b) Election of Directors:

The holder of all 5,891,000 shares of common stock voted to elect the following Directors of the Company to hold office until the next annual meeting of shareholders and until their successors are duly chosen and qualified:

Eleanor Baum
William L. Bennett
Klaus Bergman
Stanley I. Garnett, II
Benjamin H. Hayes
Phillip E. Lint
Edward H. Malone

Frank A. Metz, Jr.
Clarence F. Michalis*
Steven H. Rice
Gunnar E. Sarsten
Peter L. Shea
Peter J. Skrgic

*Resigned effective May 1, 1994.

2. (a) Date and Kind of Meeting:

The Board of Directors at a meeting held on April 28, 1994, adopted by resolution a form of charter amendment and delegated to certain officers the authority to sell up to \$85 million of the Company's Cumulative Preferred Stock within the parameters previously adopted by the Board and to insert therein the series and terms of the Preferred Stock to be sold and to file the same with the appropriate State officials to make the amendment effective. On May 4, 1994, the officers under their delegated authority sold the pre-ferred stock and inserted the series and terms thereof in the Charter Amendment form previously adopted by the Board and filed the Charter Amendment with the Ohio Secretary of State's Office on May 5, 1994. The new Charter Amendment provides for the issuance by the Company and the terms of \$50 million of the Company's Cumulative Preferred Stock, Series L.

(c) Other Matters Voted Upon:

- (1) The holder of all of the outstanding common stock of the Company consented in writing on April 28, 1994 to an amendment of the Company's Code of Regulations effective May 1, 1994, which

A. decreases the number of directors from thirteen to twelve.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) (3) (ii) Code of Regulations of Monongahela Power Company, as amended May 1, 1994.
- (b) On May 12, 1994, the Company filed a report on Form 8-K, including an exhibit consisting of a charter amendment effective May 5, 1994.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MONONGAHELA POWER COMPANY

May 13, 1994

RICHARD E. MYERS

Richard E. Myers,
Comptroller
(Chief Accounting Officer)

CODE OF REGULATIONS
OF
MONONGAHELA POWER COMPANY

(As Amended)
May 1, 1994

ARTICLE I
SHAREHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of the shareholders shall be held at the office of the Company, in the City of Marietta, Ohio, or the City of Fairmont, West Virginia, as designated in the notice of such meeting, at 10 o'clock in the forenoon on the Third Monday in April in each year, or, if that be a legal holiday, then on the next business day, for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called at any time by a majority of the members of the Board of Directors or by the Chairman of the Board, the President, any Vice President, or the Secretary, or any number of shareholders owning in the aggregate at least twenty-five percent of the number of shares outstanding and entitled to vote. Special meetings of the shareholders may be held either within or without the State of Ohio.

SECTION 3. NOTICE OF MEETINGS. Notice of each annual or special meeting of the shareholders shall be given in writing by the Secretary, or in case of his refusal, by the shareholders, person or persons entitled to call such meeting, and shall state the purpose or purposes for which the meeting is called and the time when and the place where it is to be held. A copy of such notice shall be served upon or mailed to each shareholder of record entitled to vote at such meeting or entitled to notice thereof not more than sixty days nor less than seven days before such meeting. If mailed, such notice shall be directed to the shareholder at his address as it appears upon the records of the Corporation. Notice of the time, place and purposes of any meeting of shareholders may be waived in writing, either before or after the holding of such meeting, by any shareholder, which writing shall be filed with the records of the meeting.

SECTION 4. QUORUM. A quorum of the shareholders shall consist of the shareholders owning at least a majority of all of the shares entitled to vote at the meeting except that, at any meeting of shareholders for the election of directors when the holders of Cumulative Preferred Stock shall be entitled to elect a majority of the Board of Directors, a quorum shall be as provided in the Charter. Any number less than a quorum present may adjourn any shareholders' meeting until a quorum is present.

SECTION 5. CHAIRMAN. Meetings of the shareholders shall be presided over by the Chairman of the Board or, in his absence, by the President or, in his absence, by a Vice President or, if no such officer is present, by a Chairman to be chosen at the meeting. The Secretary of the Company or, in his absence, an Assistant Secretary or, if no such officer is present, a secretary appointed at the meeting shall act as secretary of such meeting.

SECTION 6. VOTING. In all elections of directors each shareholder shall have the right to cast one vote for each share owned by him and entitled to a vote, and he may cast the same in person or by proxy for as many persons as there are directors to be elected, or he may cumulate such votes and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates and in such manner as he shall desire.

On any question to be determined by a vote of shares at any meeting of shareholders, other than the election of directors, each shareholder shall be entitled to one vote for each share owned by him and entitled to a vote at such meeting, and he may exercise this right in person or by proxy.

SECTION 7. ANNUAL REPORT. An annual financial statement, consisting of a balance sheet and statements of profit and loss and surplus, duly certified in accordance with the laws of Ohio, shall be submitted at the annual meeting of the shareholders.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. NUMBER; TIME OF HOLDING OFFICE; PRESIDING OFFICER. The business of the Company shall be managed by its Board of Directors. They shall be elected at each annual meeting of the shareholders or at special meetings of shareholders held as provided in the Charter. The Board shall consist of twelve directors. Each director shall be elected to serve until his successor shall be elected and shall qualify but the term of office of any director shall terminate upon the conditions and at the time specified in the Charter. Directors need not be shareholders or

residents of the State of Ohio.

SECTION 2. EXECUTIVE AND OTHER COMMITTEES. The Board may create an Executive Committee or any other Committee of the directors to consist of not less than three directors. Each other Committee shall have such authority as the Board shall give it. The Board may appoint one or more directors as alternate members of the Executive Committee or any other Committee to take the place of any absent member or members at any meeting thereof. The Executive Committee and each other Committee may act by a writing or writings signed by all its members or by means of conference telephone or similar communications equipment by which all persons participating can simultaneously hear each other. Participation in a meeting by these communications means constitutes presence in person at the meeting. The Executive Committee, except when the Board of Directors is in session, shall possess and exercise all of the authority and powers of the Board of Directors however conferred, other than that of filling vacancies among the directors or in any committee of the directors.

SECTION 3. VACANCIES. Vacancies in the Board of Directors (including those created by an increase in the number of directors) may be filled by a majority of the remaining directors, though less than a quorum, except that vacancies occurring at a time when the holders of Cumulative Preferred Stock are entitled to elect a majority of the Board of Directors shall be filled as provided in the Charter.

SECTION 4. PLACE OF MEETINGS. Meetings of the Board may be held at any place within or without the State of Ohio.

SECTION 5. CALLING AND NOTICE OF MEETINGS. Meetings of the Board may be called by the Chairman of the Board, the President, any Vice President, or any two directors. Notice need not be given of any meeting of the Board if the time and place of such meeting are specified in a resolution of the Board prior to the meeting and if notice of the adoption of such resolution is given, in the manner herein provided for giving notice of meetings, to each director who was absent from the meeting at which the resolution was adopted. Notice need not be given of any adjourned meeting other than by announcement at the meeting at which the adjournment is taken. Except as otherwise required by law, notice of the time and place of each other meeting of the Board shall be given to each director in writing at least two days, or given personally or by telephone at least 24 hours, before the time for the meeting. Such notice need not specify the purposes of the meeting.

SECTION 6. WAIVER OF NOTICE OF MEETING. No notice of the time, place or purpose of any meeting of stockholders or directors, or of any committee, or any publication thereof, whether prescribed by law, by the Charter, or by this Code of Regulations, need be given to any person who attends the meeting without protesting, prior to or at the commencement of the meeting, the lack of proper notice, or who, in writing executed either before or after the meeting and filed with records of the meeting, waives such notice, and such attendance or waiver shall be deemed equivalent to

notice.

SECTION 7. QUORUM. One third of the authorized number of directors, but not less than two directors, shall be necessary and sufficient to constitute a quorum for a meeting of the Board. If a quorum shall not be present, the directors present thereat may adjourn the meeting from time to time until a quorum shall be present. The act of a majority of the directors present at any meeting at which there is a quorum present or by a writing or writings signed by all its members or by means of conference telephone or similar communications equipment by which all persons participating can simultaneously hear each other shall be the act of the Board of Directors. Participation in a meeting by these communications means constitutes presence in person at the meeting.

SECTION 8. POWERS OF DIRECTORS. The Board may exercise all of the powers of the Company, except such as are by law or by the Charter or by the Regulations conferred upon or reserved to the shareholders.

SECTION 9. COMPENSATION OF DIRECTORS. In addition to reimbursement of his reasonable expenses incurred in attending meetings or otherwise in connection with his attention to the affairs of the Company, each director, as such, and as a member of the Executive Committee or of any other Committee of the Board, shall be entitled to receive such remuneration as may be fixed from time to time by the Board of Directors, in the form either of payment at the rate of a fixed sum per month or of fees for attendance at meetings of the Board and committees thereof.

ARTICLE III

OFFICERS

SECTION 1. OFFICERS. The Board shall, at its first meeting after each annual meeting of shareholders, choose a Chairman of the Board, a President, one or more Vice-Presidents, a Secretary and one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, and a Comptroller and one or more Assistant Comptrollers; and it may from time to time appoint such other officers and agents as it may deem proper. Any two or more of the offices, except those of President and Vice-President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law or by the Charter or these Regulations to be executed, acknowledged, or verified by two or more officers.

The Chairman of the Board shall be chosen from among the directors, but no other officer need be a director.

SECTION 2. TERM OF OFFICE. All officers shall hold office until

their successors are respectively chosen and qualified or until removed. The Board may fill any vacancy which may occur in any office. All officers and agents shall be removable with or without cause by the Board; provided, however, that the word "officer", as used by these Regulations, shall not be construed to mean "director".

SECTION 3. CHAIRMAN OF THE BOARD. The Chairman of the Board shall be the chief executive officer of the Company, shall preside at all meetings of shareholders and, at all meetings of the Board of Directors and of the Executive Committee. He shall have direct charge of the business of the Company, subject to the control of the Board, and shall do and perform all acts and things incidental to the position of chief executive officer. He shall have such other powers and duties as may from time to time be assigned to him by the Board of Directors.

SECTION 4. OTHER OFFICERS. Subject to the foregoing, the officers of the Company shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be assigned to them by the Board of Directors or the Chairman of the Board. The Treasurer and the Assistant Treasurers may be required to give bond for the faithful discharge of their duties, in such sum and with such surety or sureties as the Board of Directors may from time to time prescribe.

ARTICLE IV

CAPITAL STOCK

SECTION 1. CERTIFICATES FOR SHARES. Every holder of shares of the Company shall be entitled to one or more certificates signed by the Chairman of the Board or the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, which shall certify the number and class of shares held by him in the Company. When such certificate is countersigned by an incorporated transfer agent or registrar, the signature of any such officer may be facsimile.

Although any officer whose manual or facsimile signature is affixed to such a certificate ceases to be such officer before the certificate is delivered by the Company, such certificate nevertheless shall be effective in all respects when delivered.

SECTION 2. TRANSFER BOOKS. A book or books for the transfer of stock shall be kept by the Company or by one or more transfer agents appointed by the Board.

SECTION 3. CLOSING OF BOOKS; RECORD DATE. The Board may close the transfer books against transfers of shares during the whole or any part of a period of sixty days preceding the date of any meeting of the shareholders or any dividend or distribution payment date or any date for the allotment of rights; or, in lieu of closing the transfer books, may fix a date not earlier than the date on which it is fixed and not more than sixty days preceding the date of any meeting of shareholders, any dividend or distribution payment date or any date for the allotment of rights, as a record date for the determination of the shareholders entitled to notice of or to vote at such meeting, or to receive such dividend, distribution or rights, as the case may be, and only shareholders of record on such date shall be entitled to notice of or to vote at such meeting or to receive such dividend, distribution or rights.

SECTION 4. LOST OR DESTROYED CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of the lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall required, and/or give the Company a bond, in such sum as it may direct, to indemnify the Company against any claim that may be made against it with respect to the Certificate alleged to have been lost or destroyed.

SECTION 5. DIVIDENDS. The Board may from time to time declare and pay dividends from the surplus of the Company whenever they shall deem it expedient, in the exercise of their discretion, and in conformity with the provisions of the Charter.

ARTICLE V

FISCAL YEAR AND SEAL

SECTION 1. FISCAL YEAR. The fiscal year of the Company shall begin on the first day of January and shall end on the thirty-first day of December in each year.

SECTION 2. CORPORATE SEAL. The corporate seal shall have inscribed thereon "MONONGAHELA POWER COMPANY INCORPORATED 1924 OHIO".

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 6.1. The Corporation shall indemnify any person who was or is a party or is threatened with being made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including all appeals (other than an action, suit or proceeding by or in the right of the Corporation) by reason of the fact that he is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, decrees, fines, penalties and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action, suit or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

SECTION 6.2. The Corporation shall indemnify any person who was or is a party or is threatened with being made a party to any threatened, pending or completed action, suit or proceeding, including all appeals, by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action, suit or proceeding. The Corporation shall also indemnify any such person against amounts paid in settlement of such action, suit or proceeding up to the amount that would reasonably have been expended in his defense (determined in the manner provided for in SECTION 6.4) if such action, suit or proceeding had been prosecuted to a conclusion. However, indemnification under this Section shall be made only if the person to be indemnified acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; and no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been finally adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless, and only to the extent that, the court or body in or before which such action, suit or proceeding was finally determined, or any court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all

the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses or other amounts paid as such court or body shall deem proper.

SECTION 6.3. Without limiting the right of any director, officer or employee of the Corporation to indemnification under any other Section hereof, if such person has been substantially and finally successful on the merits or otherwise in defense of any action, suit or proceeding referred to in SECTIONS 6.1 and 6.2 or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 6.4. Any indemnification under SECTIONS 6.1 and 6.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because he has met the applicable standard of conduct set forth in SECTIONS 6.1 and 6.2. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who are or were not parties to or threatened with such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable, if a majority of a quorum of disinterested directors so directs, by independent legal

counsel (compensated by the Corporation) in a written opinion, or (3) if there be no disinterested directors, or if a majority of the disinterested directors, whether or not a quorum, so directs, by the holders of a majority of the shares entitled to vote in the election of directors without reference to default or contingency which would permit the holders of one or more classes of shares to vote for the election of one or more directors.

SECTION 6.5. Expenses of each person indemnified hereunder incurred in defending a civil, criminal, administrative or investigative action, suit, or proceeding (including all appeals) or threat thereof, may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors, whether a disinterested quorum exists or not, upon receipt of an undertaking by or on behalf of the director, officer or employee to repay such expenses unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation.

SECTION 6.6. The indemnification provided by this Article shall not be deemed exclusive of or in any way to limit any other rights to which any person indemnified may be or may become entitled as a matter of law, by the articles, regulations, agreements, insurance, vote of shareholders or otherwise, with respect to action in his official capacity and with respect to action in another capacity while holding such office and shall continue as to a person who has ceased to be a director, officer, or employee and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person.

SECTION 6.7. SECTIONS 6.1 through 6.6 of this Article shall also apply to such other agents of the Corporation as are designated for such purpose at any time by the Board of Directors.

SECTION 6.8. If any part of this Article shall be found, in any action, suit or proceeding, to be invalid or ineffective, the validity and the effect of the remaining parts shall not be affected.

SECTION 6.9. The provisions of this Article shall be applicable to claims, actions, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after the adoption hereof.

ARTICLE VII

AMENDMENTS

The Code of Regulations of the Company or any provisions thereof, may be adopted, repealed, amended, added to or changed at any regular or special meeting of shareholders by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power on such proposal, or, without a meeting, by the written consent of the holders of shares entitling them to exercise a majority of the voting power on such proposal.

May 1, 1994