

ALLEGHENY ELECTRIC COOPERATIVE, INC.
EXHIBIT C – Rate Schedule SPP – Small Power Purchases
Effective - January 1, 2009

AVAILABILITY:

Available to any and all Alternative Energy Systems (AES) as defined by the Pennsylvania Alternative Energy Portfolio Standards Act of 2004 (Act 213) and Qualifying Facilities (QF) as defined under Section 201 of the Public Utility Regulatory Policies Act of 1978, as amended, which receive electric service under existing retail tariffs from any of Allegheny Electric Cooperative, Inc.'s (Allegheny) 14 member distribution cooperatives (Members) located throughout Pennsylvania and New Jersey. The installed capacity of such AESs/QFs is generally not to exceed 500 kW unless provided for otherwise in this Rate Schedule SPP.

PROVISIONS:

- A. In compliance with Section 210 of the Public Utility Regulatory Policies Act of 1978, as amended (PURPA), Allegheny will purchase: (1) at avoided cost, all excess energy (kWh) generated by an AES/QF which is not directly consumed by that AES/QF; or (2) as an alternative, the entire capacity and/or energy output of such AES/QF during any predetermined period at a mutually agreeable negotiated price; or (3) transmit the output of the AES/QF across its and/or its Members' systems for purchase by third parties. The AES/QF will be required to install metering equipment, satisfactory to Allegheny, to demonstrate the amount of generation the AES/QF provided to Allegheny. In the event of a purchase by Allegheny, any capacity and/or energy purchased will serve to offset similar purchases from Allegheny's existing wholesale power supplier(s) and this additional capacity and/or energy will be deemed used and useful by the Member to whose system it is delivered.
- B. At the option of the AES/QF, Allegheny will also purchase at avoided cost, firm, controllable generating capacity (kW) under this Rate Schedule, but only if the AES/QF can demonstrate or otherwise financially guarantee that such capacity will be or was available during: (1) the highest one-hour Penelec load peak in one or more months of the current year; and/or (2) the five (5) peak days/hours of PJM during the summer season of the previous year (5 CPs). Currently, the summer season is June 1 through September 30. To elect compensation under this option, the AES/QF will be required to install metering equipment, satisfactory to Allegheny, to demonstrate the amount of generation the AES/QF provided to Allegheny during the current year's monthly Penelec monthly load peaks and/or during the 5 CPs of the previous year by virtue of operating the AES/QF during those times. If this option is requested, the AES/QF will be required to compensate Allegheny for any and all costs associated with the equipment necessary to determine the expected availability, timing (controllability) and magnitude of the furnished generation. The avoided cost for providing generation to Allegheny during such Penelec current year's monthly load peaks and/or 5 CPs of the previous year's summer season is outlined in Sections F, G, H and I.

- C. At times when an AES/QF must purchase capacity, transmission, and associated energy from a Member to supply its electrical requirements, all such retail transactions will be conducted between the AES/QF and the Member to whose system it is interconnected.
- D. Allegheny recognizes that it is in the best interest of its Members and the AES/QF that the Member determines all technical requirements and specifications which govern the connection of an AES/QF with its system. These technical requirements for interconnection are designed to assure the integrity and safe operation of the interconnected system while maintaining the quality and reliability of service to all consumer-members of the Member.
- E. The avoided cost to Allegheny for capacity, transmission and energy provided by an AES/QF or in the alternative, the mutually agreed upon value of such products for longer term, firm supply arrangements, will be dependent upon and determined by, but not limited to, the following kinds of factors:
1. The specific times of the day, month and year that the AES/QF operates and the level at which it operates.
 2. Allegheny's need for and price of capacity and energy during the times of the AES/QF operation.
 3. The specific Member delivery point to which the AES/QF is connected and its voltage.
 4. Allegheny's specific power supply and transmission arrangements, including rate structure, for supplying the delivery point to which the AES/QF is connected.
- F. Capacity Payment: The annual payment for capacity will be equal to the product of: (1) the average generation provided to Allegheny by the AES/QF during the PJM 5 hours CPs during the previous calendar year's summer season as measured on the AES/QF meter required pursuant to Provision B of this Schedule SPP; and (2) the weighted cost of capacity purchased from PJM or third parties by Allegheny to meet its Capacity Obligation to PJM for that month.
- G. Transmission Payment: The monthly Transmission Payment will be equal to the product of: (1) the generation provided to Allegheny by the AES/QF, as measured on the AES/QF meter as required pursuant to Provision B of this Rate Schedule SPP; (a) during the Penelec monthly load peak if the AES/QF is located in the Penelec, Met-Ed or Jersey Central transmission zones of PJM; or (b) the Allegheny Power or PPL annual peak for those respective zones during the period November 1 through October 31 of the previous year; and (2) (a) the rates paid for transmission service under the Wheeling and Supplemental Power (WASP) Agreement in transmission zones covered by the WASP Agreement; or (b) the PJM Open Access Transmission Tariff for the Allegheny Power and PPL zones respectively.
- H. Energy Payment: The payment for energy will be equal to the product of: (1) the actual AES/QF energy delivered to Allegheny, as measured on the AES/QF meter required pursuant to Provisions A of this Rate Schedule SPP; and (2) (a) the avoided cost of energy to Allegheny in the prior usage month based on purchases under bilateral contracts, if any, and purchases/sales from the PJM energy market, excluding any energy costs incurred in serving Large Loads pursuant to Schedule LL; or (b) such alternative rate as mutually agreed upon by the parties.

- I. Renewable Energy Certificates: If the parties mutually agree that Allegheny will purchase the entire capacity and/or energy output of the AES/QF, then the value for renewable energy or other certificates generated by the AES/QF facility may be included in the negotiated rate. Otherwise, the AES/QF will retain ownership of any such renewable energy or other certificates.
- J. No AES/QF, other generator or consumer-member of a Member may be compensated under this or similar wholesale rate schedule of Allegheny if the AES/QF is also being compensated by PJM or another entity under a PJM or similar program for providing the same generation services during the same times.
- K. Allegheny will make direct payments to the AES/QF on a monthly basis or as otherwise mutually agreed upon longer period.
- L. If any AES/QF, which is also a Large Load, is connected to a delivery point served under Schedule LL, the payments received under Sections F, G, H and I will be tied to the specific power supply and transmission arrangements used to serve the AES/QF/Large Load.

This Rate Schedule SPP was reviewed and approved by the Allegheny Board of Directors on November ____, 2008 and supersedes all previous versions.

Secretary

November ____, 2008

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