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**CO-OPS FILE TESTIMONY SUPPORTING THE BENEFITS OF ACQUISITION TO MEMBERS
--Co-ops expose numerous inaccuracies and misperceptions in consultant's report--**

Fredericksburg and Mount Crawford, Virginia – February 12, 2010 – Executives from Rappahannock Electric Cooperative (REC) and Shenandoah Valley Electric Cooperative (SVEC) filed formal testimony with the Virginia State Corporation Commission today rebutting inaccuracies and misconceptions about the proposed acquisition of Allegheny Energy's Virginia service territory. SVEC and REC use facts to demonstrate the benefits of the acquisition to the customers of Allegheny and the current members of REC and SVEC.

Pursuant to the official schedule established by the Virginia State Corporation Commission, REC and SVEC filed the testimony of six witnesses and experts specifically rebutting inaccuracies and misperceptions of a consultant and others, who questioned the benefits of the acquisition of Allegheny Energy's Virginia service territory.

SVEC and REC demonstrate that:

- Consumers will continue to have safe, reliable power provided by a local utility. Customers will have direct and immediate contact with the electric providers to consult with them about issues of concern.
- Once the transfer is completed, rates will remain consistent with current rate agreements in place through the middle of 2011.
- When current rates do expire in 2011, consumers will be served on rate schedules and terms & conditions that are approved through the Virginia State Corporation Commission.
- If the acquisition is approved and Allegheny's customers are served by the Cooperatives, rates will likely be lower than they would be under Allegheny. Even if the acquisition were not to take place, the artificially low rates currently paid by Allegheny's customers would likely increase when the Commission required rate freeze expires in 2011.

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- Allegheny buys power from the wholesale market. REC and SVEC, as electric cooperatives, purchase their power from another cooperative, Old Dominion Electric Cooperative (ODEC). ODEC is a generation and transmission cooperative which owns generation assets in Virginia and sells its electricity at cost to its members. Rates will likely be less volatile after 2011 than they otherwise could be if Allegheny were to continue to purchase electricity from the market.
- Because of the transition, rates will be fair and reasonable and should be comparable or less than what Allegheny would have charged.
- Three new SVEC Board of Director positions are being created to represent new members from the City of Winchester, Counties of Clarke, Highland, Frederick, Page, Shenandoah and Warren. REC already has representatives from Albemarle, Culpeper, Fauquier, Greene, Madison, Orange and Rappahannock counties, and will provide two new positions to represent members from Warren, Frederick and Clarke counties.

Examples of inaccuracies and misconceptions:

As witness Jack Gaines demonstrates, the report overstates the Cooperatives' revenue requirements over the next nine years by almost \$69 million. The report also includes inaccurate comparisons of power supply costs under Allegheny's ownership versus the Cooperatives' ownership. Each of these inaccuracies results in inflated customer rates.

Witness Dan Walker stated in his testimony, "The Liberty Report does not correctly reflect how cooperatives finance capital requirements, the fundamentals of credit analysis for cooperatives in general, or what credit profile is necessary for SVEC and REC to attract capital as a result of the Transaction."

Witness Greg Booth points out in his testimony, "Liberty failed to follow all necessary 'good and prudent utility practices' associated with engineering and operational planning processes which identify future growth and existing system capability to sustain adequate capacity, voltage, power factor, reliability, and other areas requiring future expenditures to meet existing and future customer requirements."

In addition, SVEC and REC attempts to alert Liberty to these problems in its report were ultimately disregarded. The Cooperatives were provided with a draft of Liberty's 134 page report for review in only one business day before filing it with the SCC. Though many misrepresentations and inaccuracies were pointed out to Liberty, most of the Cooperatives' constructive comments were ignored.

Executives Express Confidence

Asked if they were concerned with the report by Liberty Consulting Group, hired by the State Corporation Commission that examined the proposed acquisition, Kent D. Farmer, President and CEO of Rappahannock Electric Cooperative responded, "The consultant who prepared the report does not seem to understand the nature of electric cooperatives in general or the financial strength of our Cooperatives in particular; and therefore, many of the report's premises, and therefore conclusions, are based on these misunderstandings."

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Myron D. Rummel, President and CEO of Shenandoah Valley Electric Cooperative, added, "The Co-ops are confident that once the State Corporation Commission hears the evidence it will also see the benefits of this transaction for all the individuals and businesses that make up our service territories."

Background

On September 15, 2009, Rappahannock Electric Cooperative, Shenandoah Valley Electric Cooperative and Allegheny Energy filed an application with the Virginia State Corporation Commission to acquire the Virginia service territory of Allegheny Energy. The Virginia State Corporation Commission has the duty to examine the acquisition and determine as to whether or not it will serve the public interest.

The Transfer – Process

- The State Corporation Commission will evaluate the purchase/sale transaction and make a decision after receiving comments from the Commission staff and other possible respondents.
- The sale to the Cooperatives should meet the Commission's desire to have electricity providers using Virginia owned-generation and longer-term generation supply contracts.

The Transaction – Service Territory

- The Allegheny service area will be split between Rappahannock Electric Cooperative and Shenandoah Valley Electric Cooperative.
- The City of Winchester will NOT be split, and will be served by the Shenandoah Valley Electric Cooperative. Portions of Clarke, Frederick and Warren will be served by both Cooperatives.
- Operations staff has been working diligently to ensure a smooth transition for provision of power and customer service.

Allegheny in the Region after the Sale

- Allegheny will continue to work with local communities on transmission projects in the area and will work diligently to ease any concerns raised by citizens and businesses.

Cooperatives in the Region after the transaction

- Shenandoah Valley and Rappahannock are committed to the same excellent customer service they have always delivered.
- Employees of Allegheny Power will be offered employment at the Cooperatives.
- Approximately 50-60 new jobs will be created as a result of the proposed acquisition.

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- Customers will be able to pay their bills and speak to utility representatives at local service centers in their communities.

About Shenandoah Valley and Rappahannock Electric Cooperatives

Both Shenandoah Valley and Rappahannock are member-owned, not-for-profit utilities. A board of directors elected by its respective customers governs each Cooperative, thereby giving member-owners a voice in the leadership of the Cooperatives. All profits, called margins in the cooperative business model, are allocated back to the member-owners based on patronage.

Shenandoah Valley Electric Cooperative maintains over 5,239 miles of electric lines and serves more than 39,000 customers in the Virginia counties of Augusta, Rockingham and Shenandoah, and Hardy County in West Virginia. For additional information about SVEC please visit our Web page at www.svec.coop.

Rappahannock Electric Cooperative provides electric service to 103,000 connections in parts of 16 Virginia counties. With its general office in Fredericksburg, VA, Rappahannock maintains more than 12,500 miles of power lines through its service area, ranging from the Blue Ridge Mountains to the mouth of the Rappahannock River. For information about REC please visit our Web page at www.myrec.coop.

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