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January 13, 2009

Via Hand Delivery

Lynn M. Fraser
Acting Director
Alternative Dispute Resolution Office
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

RE: ADR 473 (RAD 08L-35) – Allegheny Energy, Inc.
Federal PAC and Mike Kriner, Treasurer

Dear Ms. Fraser:

On behalf of Allegheny Energy, Inc. Federal PAC (the "PAC") and Mike Kriner, Treasurer, the Respondents in the above-captioned Alternative Dispute Resolution ("ADR") matter, we hereby provide our proposed terms and stipulations to resolve this matter, pursuant to your letter dated December 12, 2008. As per your conversation with Daniel M. Dunlap on December 23, 2008, the PAC received an extension for providing a response until January 16, 2009. As set forth below, we believe this matter should be expeditiously resolved in a manner that reflects both the importance of the reporting requirements and the fact that this matter mainly involves the inadvertent misreporting of eleven (11) contributions, made by the PAC in 2005 and 2006. It is clear that the PAC did not intentionally violate the Federal Election Campaign Act of 1971, as amended (the "Act") or the Commission's regulations, as all of these contributions were within the contribution limits, properly reported by the recipient committees and were otherwise lawful. As further described below, the PAC has since established new reporting practices and procedures by hiring an outside vendor to assist with the PAC's reporting in an attempt to avoid reporting error reoccurrences.

I. Factual Summary

In preparing to respond to the FEC's request for proposed terms and stipulations in this ADR, the PAC discovered that it had inadvertently failed to make

certain amendments to its FEC reports originally filed in 2005 and 2006. In particular, the FEC sent the PAC several Requests for Additional Information ("RFAs") in 2006 regarding what appeared on the face of the reports to be excessive contributions and a reporting error. In response to these RFAs, the PAC conducted an internal review and determined that certain contributions made in 2005 and 2006 were improperly reported as being for the general election in the PAC's reports, when they were in fact given for the primary election. Indeed, such contributions were properly reported by the receiving candidate as being made for the primary election and were within applicable per election contribution limits under the Act. These errors are further described below. While the PAC corrected these errors in its internal reporting system, it did not at that time file the appropriate amendments to its reports with the FEC. Such amendments were filed on January 8, 2009, re-designating the contributions to the appropriate election. See Exhibit A.

In addition, in response to the FEC's RFAI on September 15, 2006 regarding the PAC's August 2006 monthly report, the PAC discovered that a mathematical reporting error had occurred in that report due to problems that occurred with the PAC's VOCUS reporting software, and an amendment was filed on October 26, 2006 correcting such error. See Exhibit B.

In an attempt to avoid the reoccurrence of reporting errors, the PAC took mitigating steps in 2006 by retaining an outside vendor, Comerica Bank, to assist the Treasurer of the PAC with the PAC's reporting responsibility. Since then, the PAC has filed all reports and amendments in a timely manner.

A. Incorrectly Reported Contributions

The following contributions were incorrectly reported for the general election, when in fact they were lawfully made for the primary election:

- Tim Murphy for Congress:
 - \$2,000 (2/18/05; 2005 Mid-Year Report);
 - \$1,000 (5/20/05; 2005 Mid-Year Report);
 - \$2,000 (7/29/05; 2005 Year-End Report)
- Friends of George Allen
 - \$2,000 (12/20/05; 2005 Year-End Report)
- Shelly Moore Capito for Congress
 - \$1,000 (4/11/05; 2005 Mid-Year Report);

- \$2,000 (12/20/05; 2005 Year-End Report);
- \$500 (3/06/06; 2006 April Quarterly Report);
- \$1,000 (3/13/06; 2006 April Quarterly)
- Alan Mollohan for Congress
 - \$1,000 (6/08/05; 2005 Mid-Year Report);
 - \$2,000 (12/20/05; 2006 Year-End Report);
 - \$2,000 (4/03/06; 2005 12-Day Pre-Primary)

In each of these cases, the contributions were made prior to the primary election and were within the applicable per election contribution limits under the Act, but were merely inadvertently marked as being for the wrong election on the PAC's reports. As described above, while these errors were previously corrected in the PAC's internal reporting system, the PAC inadvertently failed to file amended reports with the FEC. As noted above, the PAC has now filed amended reports for these periods and the reports show the contributions as being for the appropriate election.

In addition, the PAC requested that Comerica Bank conduct a further review of contributions made by the PAC from January 1, 2000 to December 31, 2008. This review identified a \$5,000 contribution to Murtha for Congress Committee on February 26, 2008 that Comerica incorrectly reported for the general election, when in fact such contribution was made for the primary election. Indeed, such contribution was properly reported by Murtha for Congress Committee as being made for the primary election and was within the applicable per election contribution limits under the Act. Accordingly, an amendment was filed on January 7, 2009, re-designating the contributions to the appropriate election. See Exhibit C. Please note that the PAC also gave \$5,000 to this candidate's general election on October 30, 2008.

B. Mathematical Reporting Error

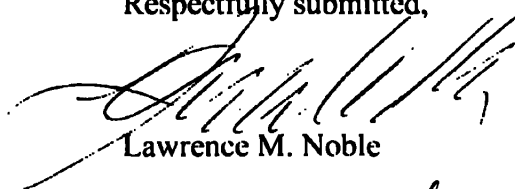
A mathematical error occurred in the 2006 August Monthly Report, which was corrected in an amendment filed with the FEC on October 26, 2006. Specifically, the error was the result of a VOCUS software problem with the interface between the PAC's reporting software and Allegheny Energy, Inc.'s payroll system that Mr. Kriner experienced when preparing the report.

II. Mitigating Steps Taken

As noted above, the PAC filed the appropriate amendments to its reports on January 7, 2009, shortly after it became aware that such amendments had not been properly filed. Further, it filed an amendment to the August 2006 monthly report on October 26, 2006 after becoming aware of the error. In addition, as mentioned above, the PAC hired an outside vendor, Comerica Bank, to assist with ensuring the reports are correct and to minimize further reporting errors. Finally, the PAC's Treasurer, Mr. Kriner, will attend the FEC's training for Corporate PACs as a further mitigating step.

In deciding the appropriate response to this matter, we urge the FEC to consider the nature of any violations and the efforts the PAC has taken as further described above. As noted, the PAC did not make excessive contributions, but rather made inadvertent reporting errors that were corrected once the PAC realized that proper amendments had not been filed. Moreover, the PAC and Mr. Kriner have taken major steps in a good faith effort to prevent this problem from happening again. Therefore, in keeping with the purpose of the FEC's ADR program, we respectfully request that the FEC accept the proposed settlement, in which the facts are stipulated that Allegheny Energy PAC accepts responsibility for the errors and the parties agree that the mitigating factors and remedial steps already taken and represent a fair resolution of the matter. Of course, we are prepared to discuss any and all of these issues as part our efforts to resolve this matter through the FEC's ADR program.

Respectfully submitted,



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PAC

Enclosures

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