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File #:

August 30, 2010

BY HAND

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
2010 AUG 30 PM 3:49
PA PUC
SECRETARY'S BUREAU

RE: Petition of Duquesne Light Company to Contest the Finding of Non-Compliance with the Alternative Energy Portfolio Standards Act and Modify the Alternative Compliance Payment or, in the alternative, Declare a Force Majeure for Duquesne Light Company for the 2008/2009 Alternative Energy Compliance Period - Docket No. P-2010-2153577

Dear Secretary Chiavetta:

As directed by Ordering Paragraph No. 3 of the Interim Order in the above-referenced proceeding, enclosed please find copies of the following written testimony:

- CEEP St. No. 1 - Direct Testimony of Wayne L. Williams, Ph.D
- CEEP St. No. 2 – Direct Testimony of Dina M. Deana
- OSBA St. No. 1 – Direct Testimony Brian Kalcic
- Duquesne Light Company St. No. 1 – Direct Testimony of Anthony F. Pekny
- Duquesne Light Company St. No. 2 – Direct Testimony Gary S. Page
- Duquesne Light Company St. No. 1-R – Rebuttal Testimony of Anthony F. Pekny

A copy of the Interim Order is also enclosed.

August 30, 2010

Page 2

Respectfully Submitted,



Andrew S. Tubbs

AST/jl

Enclosures

cc: Honorable Katrina L. Dunderdale (letter & certificate of service only)
Certificate of Service (letter & certificate of service only)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company to Contest :
the Finding of Non-Compliance with the :
Alternative Energy Portfolio Standards Act and :
Modify the Alternative Compliance Payment or, in :
the alternative, Declare a Force Majeure for : P-2010-2153577
Duquesne Light Company for the 2008/2009 :
Alternative Energy Compliance Period :

DIRECT TESTIMONY

OF

WAYNE L. WILLIAMS, Ph.D.

DIRECTOR OF THE BUREAU OF

CONSERVATION, ECONOMICS AND ENERGY PLANNING

ON BEHALF OF

THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

JULY 16, 2010

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SECRETARY'S BUREAU

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Wayne L. Williams. My Business address is 400 North Street, Harrisburg, PA,
3 17120.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by the Pennsylvania Public Utility Commission as the Director of
7 the Bureau of Conservation, Economics and Energy Planning (CEEP).

8
9 **Q. PLEASE DESCRIBE YOUR GENERAL DUTIES AS THE DIRECTOR OF**
10 **CEEP.**

11 A. As Director of CEEP, I have oversight responsibility for Alternative Energy
12 Portfolio Standards Act (AEPS Act) enforcement, electric reliability,
13 implementation of Act 129 Energy Efficiency and Conservation Programs and
14 energy market monitoring.

15
16 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

17 A. I received a Doctor of Philosophy Degree from the Pennsylvania State University
18 in Community Systems Planning and Development in December, 1998. I
19 completed two years of graduate study in Psychology at Texas A&M University
20 from 1976 to 1977 and received a Bachelor of Science Degree in Psychology from
21 Western Illinois University in 1975.

22
23 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

24 A. I was employed with the Penn State Consumer Services Information Service
25 Contract with the Pennsylvania Public Utility Commission (PUC) as a Research
26 Analyst and Research Project Manager from 1981-1984. I began my career with
27 the PUC in June of 1984 as a Senior Research Analyst. I became the Manager of

1 the PUC's Consumer Services Complaint and Compliance Evaluation Section in
2 1986 and served in that capacity until 1991 when I became the Manager of the
3 Consumer Services Planning and Program Evaluation Section. In 1992 I was
4 promoted to the Chief of the Consumer Services Policy Division. In August of
5 2005, I was promoted to my current position as Director of CEEP.

6
7 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

8 A. Yes, I am sponsoring the following Exhibit:
9 WLW – 1 January 4, 2010 Notice of Non-Compliance.

10
11 **Q. PLEASE DESCRIBE WHAT YOU BELIEVE IS THE PURPOSE OF THE
12 AEPS ACT.**

13 A. The purpose of the AEPS Act is to require Electric Distribution Companies
14 (EDCs) and Electric Generation Suppliers (EGSs) to supply an increasing amount
15 of electricity using alternative energy resources. AEPS Act compliance is verified
16 and tracked through an alternative energy credits program, in which EDCs and
17 EGSs meet their obligations by purchasing and reserving individual alternative
18 energy credits (AECs).

19
20 **Q. BRIEFLY DESCRIBE YOUR DUTIES IN IMPLEMENTING THE AEPS
21 ACT.**

22 A. I oversee the contract that the PUC has with Clean Power Markets (CPM) for
23 performing the credit administration services and I have responsibility for making
24 staff determinations as to EDC and EGS compliance with the AEPS Act.

1 **Q. WHEN DOES AN EDC'S AND EGS' COMPLIANCE OBLIGATION**
2 **BEGIN?**

3 A. EDC compliance obligations begin when an EDC has reached the end of its
4 cost-recovery period, more commonly known as the end of rate caps. EGS
5 compliance obligations begin when an EGS has retail sales of electricity to
6 customers in an EDC service territory that has reached the end of its cost recovery
7 period. The end of the cost recovery and the beginning of AEPS Act obligations
8 for each EDC is as follows:

9 Penn Power and UGI Electric, 2/28/2007.

10 Duquesne, Citizen's, Pike County and Wellsboro, 6/1/2008.

11 PPL, 1/1/2010.

12 Allegheny Power (West Penn Power), Met-Ed, Penelec and PECO, 1/1/2011.

13
14 **Q. WAS DUQUESNE LIGHT CO. THE FIRST EDC TO HAVE AN AEPS ACT**
15 **COMPLIANCE OBLIGATION?**

16 A. No, Duquesne was not the first EDC to have compliance obligations. Penn Power
17 and UGI Electric were the first Pennsylvania EDCs to have compliance
18 obligations. Duquesne's compliance obligations began on June 1, 2008 along with
19 compliance obligations for Citizen's, Pike County and Wellsboro EDCs.

20

21

1 **Q. WERE THERE EGSS THAT HAD COMPLIANCE OBLIGATIONS? IF**
 2 **SO, WHICH EGS AND WHEN DID THEIR OBLIGATIONS BEGIN?**

3 A. Several EGSS have had AEPS compliance obligations. The EGSS and the energy
 4 years for which they have had AEPS obligations are as follows:

	ENERGY YEAR OBLIGATIONS		
<u>EGS</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
5 Constellation New Energy	X	X	X
6 Dominion Retail	X	X	X
7 Sempra Energy Solutions	X	X	X
8 First Energy Solutions	X	X	X
9 Strategic Energy	X		
10 Con Edison Solutions		X	X
11 Direct Energy Services		X	X
12 Duquesne Light Energy		X	X
13 Duquesne Light Co. HPS			X
14 GDF Suez Energy Resources		X	X
15 Hess Corporation		X	X
16 Integrys Energy Services		X	X
17 Linde Energy Services		X	X
18 PEPCO Energy Services		X	X
19 Reliant Energy Services Solutions East		X	X
20 UGI Energy Services			X
21	<u>5</u>	<u>13</u>	<u>15</u>

22
 23
 24 To summarize, there were five EGSS that had AEPS compliance obligations in the
 25 2007 energy year, 13 EGSS had obligations in the 2008 energy year and 15 EGSS
 26 had obligations in the 2009 energy year.

27
 28 **Q. HOW MANY YEARS HAVE THE PUC AND CPM BEEN VERIFYING**
 29 **AEPS ACT COMPLIANCE?**

30 A. The PUC and CPM have been verifying compliance for the 2007, 2008 and 2009
 31 energy years.

32

1 Q. PLEASE BREAK OUT BY YEAR THE NUMBER OF EDCS AND EGSS
 2 THAT HAD COMPLIANCE OBLIGATIONS, WHAT THOSE
 3 OBLIGATIONS WERE AND WHETHER THERE WAS ANY EDC OR
 4 EGS THAT WAS DETERMINED TO BE NON-COMPLIANT AND THE
 5 REASON FOR THE NON-COMPLIANCE.

6 A. The following tables contain the number of EDCs and EGSs that had compliance
 7 obligations by year, the number of AECs required by tier and then compliance
 8 status:

9 **2007**

<u>Number</u> <u>Entities</u>	<u># Solar</u> <u>AECs</u>	<u># Tier I</u> <u>AECs</u>	<u># Tier II</u> <u>AECs</u>	<u>Compliance</u> <u>Status</u>
2 EDCs	26	21,784	61,037	All 7 Entities In compliance
5 EGSs				

14 **2008**

6 EDCs	349	174,803	490,364	All 19 Entities In Compliance
13 EGS				

17 **2009**

6 EDCs	1,221	387,024	815,273	Of 6 EDCs, 5 are Compliant
15 EGSs				Of 15 EGSs, 14 are Compliant*

22 *For 2009, one EDC, Duquesne Light, was found to be non-compliant by staff for
 23 42,980 Tier I AECs. Also for 2009, one EGS was found to be non-compliant by
 24 staff for Tier I AECs.

26 To summarize, in 2007 all seven entities (EDCs and EGSs) were compliant. In
 27 2008, all 19 entities were compliant. In 2009, of 21 entities, 19 were compliant.
 28 Duquesne and one EGS were not compliant as determined by staff in 2009. For
 29 the 2007 to 2009 period, the overall record of compliance shows that in 47

1 instances, compliance was demonstrated in 45 instances and in 2 instances,
2 compliance was not demonstrated in the determination of staff.

3
4 **Q. PLEASE EXPLAIN THE TRUE-UP PERIOD AND WHAT YOU BELIEVE**
5 **IS ITS PURPOSE.**

6 A. The true-up period is defined in the AEPS Act as *“The period each year from the*
7 *end of the reporting year until September 1.”* The reporting period is defined as
8 *“The 12-month period from June 1 through May 31.”* Therefore, the true-up
9 period is the three-month period immediately following the reporting period or
10 energy year.

11
12 As I understand it, the true-up period is the time when an EDC or EGS obtains the
13 final sales figures on which to base its credit requirements for the immediate
14 preceding energy year and to make final adjustments to its AEC deposits in its
15 GATS reserve account to demonstrate compliance. While an EDC or EGS should
16 be aware of its sales figures throughout the energy year, the word “true-up”
17 connotes a time for tweaking or adjusting final figures.

18
19 **Q. PLEASE EXPLAIN WHAT PJM GATS IS.**

20 A. The AEPS Act of 2004, 73 P.S. §§1648.1 – 1648.8 (Act 213 or the Act), requires
21 the Commission or its designee to develop a registry of information regarding
22 alternative energy credits. Information in this registry is to be available to EDCs,
23 EGSs, state regulators and the general public. In a Final Order entered on January
24 31, 2006, the commission confirmed that GATS will serve as the credits registry
25 required by Act 213. The GATS registry is where EDCs and EGSs place AECs to
26 demonstrate compliance with the AEPS Act.

1 **Q. WHO IS THE AEC PROGRAM ADMINISTRATOR?**

2 A. The AEC Program Administrator services are provided by Clean Power Markets
3 (CPM) through a contract with the PUC.

4 **Q. PLEASE EXPLAIN THE DUTIES AND RESPONSIBILITIES OF THE**
5 **AEC PROGRAM ADMINISTRATOR.**

6 A. The AEPS Act at §1648.3(e)(2) states that *“The commission shall approve an*
7 *independent entity to serve as the alternative energy credits program*
8 *administrator. The administrator shall have those powers and duties assigned by*
9 *commission regulations. Such powers and duties shall include, but not be limited*
10 *to, the following:*

11 (i) *To create and administer an alternative energy credits certification,*
12 *tracking and reporting program. This program should include, at a*
13 *minimum, a process for qualifying alternative energy systems and*
14 *determining the manner credits can be created, accounted for, transferred*
15 *and retired.*

16 (ii) *To submit reports to the commission at such times and in such manner as*
17 *the commission shall direct.”*

18
19 In terms of verifying compliance with the requirements of the AEPS Act, the
20 credit administrator checks the detailed records contained in each EDC or EGSs
21 “My Compliance Report” in GATS to determine that the correct amount, correct
22 tier, correct vintage and correct RTO of origin are reflected in the AECs used to
23 demonstrate compliance each year.

24

25

1 **Q. COULD YOU EXPLAIN YOUR UNDERSTANDING OF THE RTO**
2 **ELIGIBILITY RESTRICTIONS CONTAINED IN THE AEPS ACT?**

3 A. My understanding of the RTO eligibility reductions contained in the AEPS Act are
4 based on the provisions contained in the AEPS update of Act 35. Act 35 stipulates
5 that credits from certified renewable generation facilities located in Pennsylvania
6 can be used by any Pennsylvania EDC or EGS. Credits from certified renewable
7 generation facilities located in the PJM RTO can be used by any Pennsylvania
8 EDC or EGS. Credits from certified renewable generation facilities located in the
9 MISO RTO can only be used by Penn Power or by EGSs serving in the Penn
10 Power service territory to meet obligations for sales to Penn Power customers.
11

12 **Q. CURRENTLY ARE THERE ANY EDCS THAT CAN USE AECS FROM**
13 **FACILITIES LOCATED IN THE MISO CONTROL AREA?**

14 A. Penn Power is the only EDC that can use AECs from facilities located in the
15 MISO control area. Penn Power is the only Pennsylvania EDC located in MISO.
16

17 **Q. ARE THERE EGSS THAT CAN USE AECS FROM FACILITIES**
18 **LOCATED IN THE MISO CONTROL AREA? If SO, PLEASE EXPLAIN.**

19 A. Any retail EGS having sales in the Penn Power service territory can use AECs
20 from facilities located in the MISO control area to demonstrate compliance in the
21 Penn Power service territory. This provision was clarified in Act 35 of 2007 that
22 amended the AEPS Act. Given that Penn Power is located in the MISO control
23 area, any EGS serving in the Penn Power service territory can use AECs from
24 facilities located in MISO.
25
26

1 **Q. DID YOU HAVE TO TAKE ANY ACTIONS AS DIRECTOR OF CEEP**
2 **RELATED TO AEPS ACT IMPLEMENTATION AND VERIFICATION IN**
3 **REGARDS TO DUQUESNE LIGHT FOR THE 2009 REPORTING YEAR?**
4 **IF SO, PLEASE EXPLAIN.**

5 A. I did have to take action, as the Director of CEEP, related to AEPS Act
6 implementation and verification in regards to Duquesne Light for the 2009
7 reporting year. One such action was to email Ms. Joan Jenkins of Duquesne on
8 July 21, 2009 to emphasize that we need her assistance in determining the sales
9 data for each EGS in Duquesne's service territory so that the credit administrator
10 could compute the AEC requirements for those EGSs. I took this action after Ms.
11 Deana was not successful in obtaining this data after several attempts and our
12 deadline for notifying the EGSs had passed.

13
14 I also took another action related to AEPS Act implementation and verification
15 related to Duquesne Light after September 1, 2009. On the morning of October 2,
16 2009, I had a telephone conversation with Ms. Dina Deana of CPM, the credits
17 administrator. Ms. Deana noted that when she checked the My Compliance
18 Report in GATS for Duquesne EDC and Duquesne's affiliated EGSs, there was a
19 large excess of AECs in one of the Duquesne accounts and large deficiencies in
20 the other two accounts. However, the total number of AECs across all three
21 accounts appeared to be sufficient to meet the compliance obligations for the three
22 accounts if they were redistributed properly. At first glance, this appeared to be an
23 AEC distribution error or oversight by Duquesne. Based on this assumption, I
24 asked Ms. Deana to contact Duquesne and give them the opportunity to
25 redistribute their AECs into the proper accounts. I also authorized GATS to allow
26 for this redistribution by Duquesne. Such authorization is needed because EDCs

1 and EGSs are not permitted to change credits in their reserve accounts past the end
2 of the true-up period, which ended on September 1, 2009, absent my approval.
3 It is important to note that the initial review conducted by CPM for Duquesne
4 accounts that identified the apparent distribution error only involved the total
5 number of credits, not whether the credits were of the correct vintage or whether
6 they were from a resource from an eligible RTO. A much more thorough and time
7 consuming review would need to be conducted by CPM to determine the
8 eligibility of the credits. However, the first item to be addressed was to get
9 Duquesne to put the correct number of credits in the proper accounts. Further
10 review must await the proper distribution of the AECs into the three accounts.
11

12 **Q. COULD YOU PLEASE EXPLAIN WHY THE CREDITS HAD TO BE**
13 **DISTRIBUTED BETWEEN THE THREE ACCOUNTS BEFORE**
14 **FURTHER REVIEW COULD OCCUR?**

15 A. There were three Duquesne entities that had compliance obligations. Each entity
16 is responsible for demonstrating compliance by putting the required number of
17 credits into their respective reserve account. The review process starts with
18 checking whether the correct number of Tier I non-solar credits, solar PV credits
19 and Tier II credits are in each reserve account. This is a threshold requirement. If
20 this threshold requirement is not met for the absent credits, there is no information
21 to check regarding the further review for correct vintage and RTO of origin.
22

23 **Q. WHAT FURTHER ACTION DID YOU TAKE RELATING TO AEPS ACT**
24 **IMPLEMENTATION AND VERIFICATION?**

25 A. I took other action after the Program Administrator notified me on November 16,
26 2009 that Duquesne, which is in PJM, had utilized AECs from a facility located in
27 the MISO control area for AEPS Act compliance. On November 17, 2009 I asked

1 Ms. Deana whether in early October Duquesne was permitted to remove any
2 excess credits, once the distribution issue among the three accounts was corrected,
3 from their reserve account and if so, were any eligible credits inadvertently
4 removed that could be put back in to meet their obligation. This was not the case.
5 Duquesne did not have any excess credits removed.

6
7 By way of further explanation, several EDCs and EGSs have on occasion placed
8 significantly more credits into their reserve account than needed for compliance.
9 Once credits are placed into the reserve account, they cannot be removed by the
10 company without my permission. Eventually the credits placed into the reserve
11 account are retired by GATS and can never be used again. When we observe
12 significant excess credit balances in reserve accounts, I afford the EDC or EGS the
13 opportunity to remove the excess credits because they have a monetary value that
14 will be lost if they remain in the reserve account and are retired. The inquiry to
15 Ms. Deana noted above was to see if this was the case for Duquesne in October of
16 2009. If so, this raised the possibility that Duquesne was in compliance at the end
17 of the true-up period using eligible credits but inadvertently removed the eligible
18 credits to address the excess. If that was the case, I would have allowed Duquesne
19 to replace the ineligible credits with the eligible credits they removed by error.

20
21 Following up on the credit administrator's notification of November 16, 2009, I
22 consulted with staff from CEEP and the Law Bureau regarding the regulatory
23 implications of the EDC's use of AECs generated in the MISO RTO. Staff
24 conducted due diligence on the RTO restrictions in the AEPS Act and reviewed
25 credit transaction history that was provided by Duquesne in response to an inquiry
26 from Ms. Deana. Our review indicated that Duquesne had used ineligible credits

1 and that the AEPS Act's provisions for the payment of an Alternative Compliance
2 Payment (ACP) was the remedy provided in the statute.

3
4 In mid-December, I, in consultation with the Law Bureau's Prosecutory Staff and
5 drafted the AEPS Act non-compliance notice. On December 23, 2009 as a
6 courtesy, I talked with Mr. Gary Jack of Duquesne to see if Duquesne's staff
7 would be available to receive the notice during the holiday season as Duquesne
8 would have only fifteen days to file a petition challenging the non-compliance
9 determination. Based on that conversation and a follow-up conversation with Mr.
10 Jack shortly thereafter, I decided to issue the non-compliance notice on January 4,
11 2010 to avoid the possibility that Duquesne's representatives would be unavailable
12 to receive the notices.

13
14 On January 4, 2010, I sent Duquesne by email and regular mail a notice dated the
15 same day. The January 4 Notice stated that 42,980 of the Transferred Tier I AECs
16 were generated by a facility located in the MISO control area and that by
17 submitting the ineligible Tier I AECs, Duquesne failed to comply in part with its
18 AEPS Tier I compliance requirements for the 2008/2009 year. This letter is
19 attached as Appendix A.

20
21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 **A. Yes.**

APPENDIX A



COMMONWEALTH OF PENNSYLVANIA
 PENNSYLVANIA PUBLIC UTILITY COMMISSION
 Conservation, Economics and Energy Planning
 P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
 REFER TO OUR FILE

January 4, 2010

Mr. Gary A. Jack, Ass't. General Counsel
 Duquesne Light, Inc.
 411 Seventh Avenue
 Pittsburgh, PA 15219

RE: Pennsylvania Alternative Energy Portfolio Standards Act (AEPS) Non-Compliance

Dear Mr. Jack:

Pursuant to the Alternative Energy Portfolio Standards Act (AEPS Act) and Pennsylvania Public Utility Commission (PUC) regulations, Duquesne Light, Inc. (Duquesne) is required to derive the following percentages of its total annual sales to electric customers from designated sources for the 2008/2009 AEPS compliance year: 1.9937%-Tier I; .0063%-Tier I Solar Photovoltaic Technology; and 4.2%-Tier II. 73 P.S. §§1648.3(b) & (c) and 52 Pa. Code §75.61. On July 28, 2009, the AEPS Credit Administrator, Dina Deana, notified Duquesne via email of these requirements (spreadsheet attached).

Based on a review conducted by Clean Power Markets (CPM), the PUC's AEPS credit administrator, and Duquesne's sales of 5,763,952 MWh, Duquesne's alternative energy credit compliance obligations under the AEPS Act for the 2008/2009 compliance year are as follows:

Tier	Percentage of Sales	Credit Obligation	Reserve Account	Compliance Status
Tier I	1.9937	114,916	114,916	Non-compliant*
Tier I Solar	.0063	363	363	Compliant
Tier II	4.2	242,086	242,086	Compliant

*As outlined above, Duquesne has a requirement for 114,916 MWh credits for Tier I. While the above table shows that Duquesne had 114,916 MWh of Tier I credits in its reserve account, Commission staff has determined that 42,980 of these credits are ineligible for use by Duquesne for compliance with the AEPS Act. The 42,980 credits at issue were generated by Cadillac Renewable Energy, which is located in the Midwestern Independent System Operator control area, whereas, Duquesne is a part of the PJM Interconnection, LLC Regional Transmission Organization. The relevant portion of the AEPS Act specifically states the following:

Energy derived from alternative energy sources located outside the geographical boundaries of this Commonwealth but within the service territory of a regional transmission organization that manages the transmission system in any part of this

EXHIBIT

tabbles

WLW-1

Commonwealth shall **only** be eligible to meet the compliance requirements of electric distribution companies or electric generation suppliers located within the service territory of the same regional transmission organization.

73 P.S. § 1648.4 (emphasis added).

As the 42,980 credits generated by Cadillac Renewable Energy are ineligible for use by Duquesne for AEPS Act compliance, Duquesne has a 42,980 credit deficiency for Tier I compliance. The Commission is required to impose an alternative compliance payment of \$45 times the number of additional alternative energy credits needed to comply with the AEPS Act. 73 P.S. §§1648.3(f). **Therefore, an alternative energy compliance payment of \$1,934,100 is hereby imposed on Duquesne.**

You have fifteen (15) days from the date of this notice to file a petition with the Secretary of the PUC challenging this alternative compliance payment determination. Failure to respond within fifteen (15) days shall be deemed an acceptance of the determination. See 52 Pa. Code §75.65(c). If you accept this alternative compliance payment determination, payment is due within thirty (30) days of the date on this letter and payable to **PASEB ACP Payment**. See 52 Pa. Code §75.65(d).

Please remit payment to: Pennsylvania Public Utility Commission
 P. O. Box 3265
 Harrisburg, PA 17105-3265
 Attention: Dr. Wayne Williams, Director
 Bureau of Conservation, Economics & Energy Planning

The alternative compliance payments will be paid into a special fund of the PA Sustainable Energy Board and will be used solely for projects that will increase the amount of electric energy generated from alternative resources for compliance purposes. 73 P.S. §§1648.3(g) and 52 Pa. Code §§75.65(e) & (f).

Furthermore, Commission staff notes that as Duquesne purchased the 42,980 credits at issue after the AEPS Act language referenced above became effective, the costs related to the purchase of these credits may not have been prudently or reasonably incurred. As such, a copy of this letter is being sent to the Commission's Bureau of Audits, the Office of Consumer Advocate, the Office of Small Business Advocate and the Office of Trail Staff.

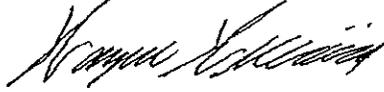
Mr. Gary A. Jack,
Ass't. General Counsel

-3-

January 4, 2010

Thank you for your attention to this matter. If you have any questions, please contact me at 717-787-2139.

Very truly yours,



WAYNE WILLIAMS, Ph.D.

Director

Bureau of Conservation, Economics & Energy Planning

Enclosure

cc: Ms. Dina Deana, PA AEPS Credit Administrator (w/o enc.)
Bureau of Audits
Office of Consumer Advocate
Office of Small Business Advocate
Office of Trail Staff

Duquesne Calculations

EDC/EGS	Total MWH
DUQUESNE POWER, L.P.	5,763,952
DUQUESNE LIGHT COMPANY - HPS	223,840
CONSTELLATION NEWENERGY, INC.	183,412
DIRECT ENERGY BUSINESS, LLC	798,723
DOMINION PEOPLES PLUS - 3	98,410
DOMINION PEOPLES PLUS - 4	904,474
DUQUESNE LIGHT ENERGY LLC	2,261,222
FIRSTENERGY SOLUTIONS CORP	1,905,411
HESS CORPORATION	50,424
INTEGRYS ENERGY SERVICES, INC	36,186
LINDE ENERGY SERVICES, INC.	306,941
PEPCO ENERGY SERVICES, INC	448,747
RELIANT ENERGY SOLUTIONS	345,739
SEMPRA ENERGY SOLUTIONS	30,070
SUEZ ENERGY RESOURCES	246,160

EDC/EGS	Duquesne 2008/2009 AEC TOTAL			
	P. V.	Tier I	Tier II	Total RECs
DUQUESNE POWER, L.P.	363	114,916	242,086	357,365
DUQUESNE LIGHT COMPANY - HPS	14	4,463	9,401	13,878
CONSTELLATION NEWENERGY, INC.	12	3,657	7,703	11,372
DIRECT ENERGY BUSINESS, LLC	50	15,924	33,546	49,521
DOMINION PEOPLES PLUS - 3	6	1,962	4,133	6,101
DOMINION PEOPLES PLUS - 4	57	18,032	37,988	56,077
DUQUESNE LIGHT ENERGY LLC	142	45,082	94,971	140,196
FIRSTENERGY SOLUTIONS CORP	120	37,988	80,027	118,135
HESS CORPORATION	3	1,005	2,118	3,126
INTEGRYS ENERGY SERVICES, INC	2	721	1,520	2,244
LINDE ENERGY SERVICES, INC.	19	6,119	12,892	19,030
PEPCO ENERGY SERVICES, INC	28	8,947	18,847	27,822
RELIANT ENERGY SOLUTIONS	22	6,893	14,521	21,436
SEMPRA ENERGY SOLUTIONS	2	600	1,263	1,864
SUEZ ENERGY RESOURCES	16	4,908	10,339	15,262
Duquesne TOTAL	857	271,217	571,356	843,430

2008/2009 Target AEPS Percentages	
PV %	0.0063%
Tier I %	1.9937%
Tier II %	4.2000%

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

FIRST CLASS MAIL

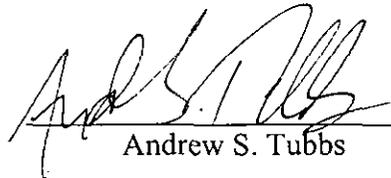
Robert F. Young
Kriss E. Brown
PA Public Utility Commission
Law Bureau
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400 North Street, 3rd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

David Evrard
Tanya McCloskey
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
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