



OFFICE OF SMALL BUSINESS ADVOCATE

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Small Business Advocate

January 15, 1998

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Mr. James H. McNulty III
Secretary and Prothonotary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
P. O. Box 3265
Harrisburg, PA 17105-3265

Re: Application of Duquesne Light Company
for Approval of its Restructuring Plan
Under Section 2806 of the Public Utility Code
Docket No. R-00974104

KJR

Dear Mr. McNulty:

Pursuant to the Sixth Interim Order of Administrative Law Judge John H. Corbett, Jr., enclosed please find: (1) two (2) copies of the OSBA Cross Examination Exhibit 1; (2) two (2) copies of the OSBA Cross Examination Exhibit 2; and (3) a revised index of testimony and exhibits of the Office of Small Business Advocate marked as "Revised Exhibit No. 9" to replace that index found at Exhibit No. 9 of the First Joint Stipulation of this proceeding. The two new Exhibits are a result of a special stipulation that was not objected to by the parties. The Revised Exhibit No. 9 includes the admittance of the two new Exhibits.

A copy of the Revised Exhibit No. 9 is being served today on all known parties in this proceeding. A Certificate of Service to that effect is enclosed.

Sincerely,

Angela T. Jones
Assistant Small Business Advocate

Enclosures

cc: Hon. John Corbett (Index only)
Parties of Record (Index only)

OSBA Cross Examination Exhibit #1

On-the-Record Data Request

Witness: Lahtinen

Page 1 of 1

DUQUESNE LIGHT COMPANY

On-the-Record Data Request

- 1. Provide the data underlying the table setting forth the cost allocation and universal rates, by class contained in Mr. Flynn's testimony.

Response:

See Attachments 1 and 2.

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Attachment 1
Duquesne Light Company
Universal Service Cost Allocation
Based on Class Distribution Charges

Rate Class	1996 MWh A	Total Class Distribution Charges (1) B	Percent Total Distribution Charges	Allocated Universal Service Charges (2) C=USC*B/B(total)	Average Charge per kWh D=C/A/1,000
RS	2,977,269	\$121,560,144	42.9%	\$5,266,035	\$0.0018
RH	309,038	\$9,879,739	3.5%	\$427,994	\$0.0014
RA	33,848	\$1,066,283	0.4%	\$46,192	\$0.0014
GS/GM	2,621,146	\$67,304,014	23.8%	\$2,915,637	\$0.0011
GMH	328,256	\$7,641,825	2.7%	\$331,051	\$0.0010
GLH	455,219	\$5,523,984	1.9%	\$239,300	\$0.0005
GL	2,884,888	\$38,034,761	12.7%	\$1,561,041	\$0.0005
L	1,509,474	\$16,552,965	5.8%	\$717,081	\$0.0005
HVPS	1,201,824	\$7,614,788	2.7%	\$329,876	\$0.0003
AL	13	\$410	0.0001%	\$18	\$0.0013
SE	28,618	\$3,082,439	1.1%	\$133,533	\$0.0047
MTS	11,639	\$261,784	0.1%	\$11,341	\$0.0010
SM	31,448	\$6,777,183	2.4%	\$293,590	\$0.0093
SH	837	\$53,340	0.019%	\$2,311	\$0.0028
Total	12,393,517	\$283,353,739		\$12,275,000	

(1) Class distribution charges shown in Exhibit JAL-1C, page 3 of 6.

(2) Total universal services charges USC = \$12,275,000.

**Duquesne Light Company
Universal Service Cost Allocation
By FERC Account for Year Ended
December 31, 1996**

FERC ACCOUNT	TOTAL	DISTRIBUTION	TRANSMISSION	PRODUCTION
901	529,095	529,095		
903	4,074,030	4,074,030		
904	6,137,500	6,137,500		
908	1,375,647	1,375,647		
926	105,819	39,652	2,511	63,656
931	52,909	19,826	1,255	31,828
	12,275,000	12,175,749	3,766	95,484

Note: Allocations are based on Exhibit JAL-1 (B), pages 15 and 17 of 23.

OSBA Cross Examination Exhibit #2

On-the-Record Data Request

Witness: Flynn

Page 1 of 1

DUQUESNE LIGHT COMPANY

On-the-Record Data Request

- 2. Provide the reasons Duquesne allocated universal costs in the manner chosen.

Response:

To ensure that the allocation of universal service costs was consistent with the allocation of total distribution costs contained in Mr. Lahtinen's exhibits

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FIRST JOINT STIPULATION
REVISED EXHIBIT No. 9

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P.A.P.U.C.
PROTHONOTARY'S OFFICE

OFFICE OF SMALL BUSINESS ADVOCATE
INDEX OF TESTIMONY AND EXHIBITS

<i>Statement/Exhibit</i>	<i>Description</i>
OSBA Statement No. 1*	Direct testimony and Exhibit of Brian Kalcic (recommending adjustments in Duquesne's distribution-related revenue requirements and its rate redesign plan, and offering comments on Duquesne's proposed Phase-In plan.)
OSBA Exhibit No. 1* (with Schedules BK-1, BK-2 and BK-3)	Schedules summarizing Duquesne's functionalized revenue requirements including OSBA's proposed adjustments
OSBA Statement No. 1R**	Rebuttal Testimony and Exhibit of Brian Kalcic (addressing issues raised by other witnesses regarding the pace of stranded cost recovery, the determination of CTC, allocation of universal service costs and proposals for phase-in)
OSBA Exhibit No. 1R** (Schedule BK-1R)	Amortization of DII recommended stranded costs over 4 versus 7 years
OSBA Statement No. 1S***	Surrebuttal Testimony of Brian Kalcic (responding to Co. witness Lahtinen regarding use of realized rather than claimed rate of return for unbundling rates and DII witness Baron regarding allocation of CTC revenue responsibility to all classes)
OSBA Cross Examination Exhibit No. 1#	Data underlying universal service coat allocation in response to on-the-record data request
OSBA Cross Examination Exhibit No. 2#	Duquesne's rationale for allocation of universal costs

* Served November 7, 1997

** Served December 2, 1997

*** Served December 11, 1997

Served January 13, 1998

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne :
Light Company For Approval :
Of Its Restructuring Plan : Docket No. R-00974104
Under Section 2806 Of The :
Public Utility Code :

CERTIFICATE OF SERVICE

I certify that I am serving a copy of the foregoing document on behalf of the Office of Small Business Advocate by first class mail upon the persons addressed below:

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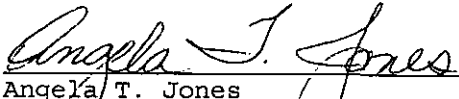
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Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Re: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

Dear Judge Corbett:

Enclosed is Duquesne Light Company's Objection
to Admission of Exhibits, which is being filed pursuant
to the Sixth Interim Order.

KJR

Sincerely,



John S. Moot
Counsel for
Duquesne Light Company

cc: Prothonotary James J. McNulty (w/enclosure and by
overnight mail)
All parties (w/enclosure and by facsimile)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Public Utility)
Commission,)

v.)

) Docket No. R-00974104
)

Duquesne Light Company)
Application to approve)
restructuring plan pursuant)
to 66 Pa. C.S. § 2806(d))

ORIGINAL

OBJECTION TO ADMISSION OF EXHIBITS

Pursuant to the procedures set forth in the Sixth Interim Order, Duquesne Light Company ("Duquesne") hereby objects to the admission into evidence of Enron Power Marketing, Inc. ("Enron") Cross-Examination Exhibits 6-10, which Enron requested be admitted into evidence by letter of January 12, 1998.¹ The exhibits at issue are data responses by the Office of Consumer Advocate ("OCA") and the Duquesne Industrial Intervenors ("DII") to requests served by Enron on December 22, 1997, after the close of the hearing in this case. Duquesne objects to the introduction of these exhibits for three reasons.

¹ On that date, Enron also proposed to move into evidence Exhibits 3-5, which are responses by Duquesne to on-the-record data requests. Duquesne does not object to the admission of these exhibits.

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First, the data requests are untimely. The Prehearing Order in this case provides that: "After rebuttal and surrebuttal testimony is filed, discovery will be limited to that testimony, unless related to a discovery dispute which arose before the filing of such testimony." Prehearing Order at 8. Enron's data requests violate this prescription. They were served after the filing of surrebuttal testimony and plainly do not relate to that testimony. Rather, they ask OCA and DII to revise exhibits that were attached to their initial testimonies.² Therefore, whatever the merit of these requests, the requests (and the responses thereto) are untimely.

Second, the data requests represent "friendly" cross-examination that is prohibited by the Prehearing Order. See Prehearing Order at 11. They ask OCA and DII to convert their stranded cost proposals into a format similar to that adopted in the PECO Order.³ Opinion and

² The data requests to OCA relate to exhibits attached to Ms. Smith's initial testimony (Exs. LS-4 and LS-5); the data requests to DII relate to exhibits attached to Mr. Baron's initial testimony (Exs. SJB-6 and SJB-7).

³ Duquesne is not conceding that the calculations have been performed correctly or that the OCA and DII proposals in this case are consistent with the
(continued...)

Order, Docket Nos. R-00973953 and P-00971265, Application of PECO Energy for Approval of Restructuring Plan (Entered Dec. 23, 1997). It cannot possibly be adverse to OCA and DII to ask them to perform such a calculation.⁴ The data responses should therefore be rejected for this reason as well.

Third, it is fundamentally unfair to permit Enron to dump into the record, at this late date, nearly 40 pages of complex calculations related to stranded cost recovery. Duquesne has not had a fair opportunity to review them for accuracy or completeness; however, based on a preliminary review, the calculations appear to be materially, and perhaps grossly, inaccurate. Duquesne has not had the opportunity to propound discovery related to the responses. Duquesne has not had an opportunity to submit an evidentiary response to them. It is therefore

³(...continued)

Commission's determinations in the PECO Order.


⁴ Neither the OCA nor the industrial intervenors in the PECO case have requested that the Commission reverse itself and reinstate the settlement that they reached with PECO. See Petition for Clarification of OCA at 2 (Jan. 7, 1998) ("While OCA was a signatory to the Partial Settlement and fully supported its terms, the purpose of this Petition for Reconsideration is **not** to seek reconsideration of the rejection of that Settlement by the Commission") (emphasis in original).

inconsistent with Duquesne's due process rights to admit them into evidence.

WHEREFORE, for each of the foregoing reasons, the Presiding Judge should deny the admission of Enron Cross-Examination Exhibits 6-10. In the alternative, if this objection is overruled, Duquesne requests a fair opportunity to submit an evidentiary response to Exhibits 6-10.

Respectfully submitted,

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Dated: January 15, 1998

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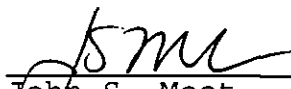
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Public Utility)	
Commission)	
)	
v.)	Docket No. R-00974104
)	
Duquesne Light Company)	
Application for Approval of)	
a Restructuring Plan Pursuant)	
to 66 Pa. C.S. § 2806(d))	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document, by facsimile, upon the participants on the attached service list in accordance with Section 1.54 of the Commission's regulations.

Dated this 15th day of January, 1998.



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ORIGINAL

January 15, 1998

Via Overnight Mail

RECEIVED

James J. McNulty
Prothonotary
Pennsylvania Public Utility Commission
North Office Building
Commonwealth Ave. and North St.
Harrisburg, Pa. 17120

JAN 15 1993

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Re: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

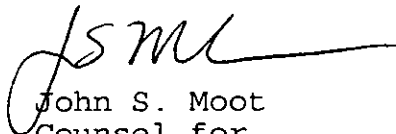
KJR

Dear Mr. McNulty:

Pursuant to the Presiding Judge's Sixth Interim Order (dated December 30, 1997), enclosed is the Second Joint Stipulation. The stipulation includes an index of testimony and exhibits from the Community Action Coalition and David Hughes, the two parties that were not included in the First Joint Stipulation.

DOCUMENT
FOLDER

Sincerely,



John S. Moot
Counsel for
Duquesne Light Company

cc: Judge Corbett (w/enclosure and by facsimile)
All parties (w/enclosure and by facsimile)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JAN 15 1993

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Public Utility)
Commission,)

v.)

Duquesne Light Company)
Application to approve)
restructuring plan pursuant)
to 66 Pa. C.S. § 2806(d))

Docket No. R-00974104

DOCUMENT
FOLDER

SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.

2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.

3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light: _____



John S. Moot

Counsel for Intervenor Party: _____

Name of Intervenor Party: _____

Dated: January 15, 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 1 of 2

Exhibit	Brief Description
CAAP Statement No. 1	Direct Testimony of John A. Wilson (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit JAW-1	DQE Response to Filing Requirement RP-P-5
CAAP Exhibit JAW-2	DQE Response to Filing Requirement RP-P-7
CAAP Exhibit JAW-3	DQE Response to Filing Requirement RP-P-2
CAAP Exhibit JAW-4	DQE Response to Filing Requirement RP-P-1
CAAP Exhibit JAW-5	DQE Response to Filing Requirement RP-P-3
CAAP Exhibit JAW-6	DQE Response to Filing Requirement RP-P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

Docket No. R-00974104

**Community Action Association of Pennsylvania
Index of Testimony and Exhibits**

Page 2 of 2

CAAP Statement No. 2	Direct Testimony of Craig R. Kuennen (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit CRK-2	Curriculum Vitae of Craig R. Kuennen, Ph.D. (abd)
CAAP Exhibit CRK-3	Final Order on Universal Service and Energy Conservation Programs
CAAP Exhibit CRK-4	DQE response to filing requirement No. RP-P-2
CAAP Exhibit CRK-5	DQE response to filing requirement No. RP-P-9
CAAP Exhibit CRK-6	DQE 150% of Poverty Household Estimate
CAAP Exhibit CRK-7	DQE response to filing requirement No. RP-P-5
CAAP Exhibit CRK-8	DQE response to filing requirement No. RP-P-7
CAAP Exhibit CRK-9	DQE response to filing requirement No. RP-P-3
CAAP Exhibit CRK-10	DQE LIURP Completions and Funding, 1988-1996
CAAP Exhibit CRK-11	Tentative Order on Universal Service and Energy Conservation
CAAP Exhibit CRK-12	Met-Ed/Penelec CAP Cost
CAAP Exhibit CRK-13	DQE response to filing requirement No. RP-P-10
CAAP Exhibit CRK-14	DQE response to filing requirement No. RP-P-1
CAAP Exhibit CRK-15	DQE response to filing requirement No. RP-P-8
CAAP Exhibit CRK-16	Met-Ed Response to Filing Requirement No. P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

Application For Approval of Restructuring Plan
Pursuant to 66 Pa. C.S. s. 2806 (d)
Docket No. R-00974104

DAVID HUGHES INDEX OF TESTIMONY AND EXHIBITS

Exhibit	Description	Date Identified	Date Admitted
DH Statement No. 1	Direct Testimony of David Hughes (<i>Economics of Nuclear Units</i>)		
Exhibit DH-1	PUC Order No. 138, March 13, 1972, (<i>capacity investigation</i>)		
Exhibit DH-2	Table showing Duquesne "Revenues by Customer", 1966-1991		
Exhibit DH-3	Table showing Duquesne "Sales By Customer", 1965-1995		
Exhibit DH-4	David Hughes Direct Testimony, PUC Docket No. C-00945953, March 20, 1996		
DH Statement No. 2	Direct Testimony of Jonathan Muehl (<i>Duquesne Mitigation Efforts</i>)		
DH Statement No. 1-SR	Prepared Surrebuttal of David Hughes		
Exhibit DH-5	Prefiled Testimony of Duquesne Light Company in Public Utilities Commission of Ohio Docket No. 95- 300-EI-AIR, December 4, 1995		
Exhibit DH-6	Duquesne Light Co. 1994 Resource Planning Report, pp. 30&31		


BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)
Commission)
)
v.) Docket No. R-00974104
)
Duquesne Light Company)
Application for Approval of)
a Restructuring Plan Pursuant)
to 66 Pa. C.S. § 2806(d))

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document, by facsimile, upon the participants on the attached service list in accordance with Section 1.54 of the Commission's regulations.

Dated this 15th day of January, 1998.



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Via Facsimile

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE
January 16, 1998

Judge John H. Corbett, Jr.
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

KJR

Re: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

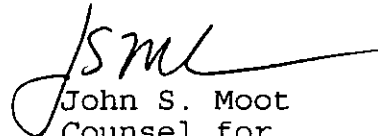
Dear Judge Corbett:

This letter is to confirm that Duquesne Light Company does not object to the request of Mr. Hughes to incorporate the record of his complaint case (Docket No. C-00945953) into the record of this case.

DOCKETED

FEB 02 1998

Sincerely,



John S. Moot
Counsel for
Duquesne Light Company

cc: Prothonotary James J. McNulty (by overnight mail)
All parties (by facsimile)

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January 16, 1998

VIA HAND DELIVERY

James J. McNulty, Acting Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

Dear Mr. McNulty:

On behalf of Enron Power Marketing, Inc. enclosed for filing is an original and three copies of its Motion for Reconsideration of the Seventh Interim Order with regard to the above referenced matter.

As indicated on the attached Certificate of Service, copies of the enclosed document are being served this day on the parties of record in the manner indicated. The Company has agreed to a response time by the close of business Monday, January 19, 1998.

If you should have any questions please feel free to contact me.

Very truly yours,



Robert J. Longwell
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

RJL/lww
Enclosure

cc: All Parties of Record w/enc.

DSH:10833.1

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :

v. :

Docket No. R-00974104

Duquesne Light Company :
Application to approve restructuring :
plan pursuant to 66 Pa. C.S. § 2806(d) :

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**ENRON POWER MARKETING, INC.'S
MOTION FOR RECONSIDERATION OF SEVENTH INTERIM ORDER**

1. Enron Power Marketing, Inc. (Enron) submits this Motion pursuant to 52 Pa. Code §5.103 requesting the Honorable Administrative Law Judge (ALJ) Corbett to reconsider his Seventh Interim Order (7th Order), which was issued on January 15, 1997 in response to the Objection to Admission of Exhibits (Objection) filed by Duquesne Light Company (Duquesne) on January 15, 1997. The 7th Order sustained Duquesne's Objection, which opposed the admission into evidence of certain data responses provided by the Office of the Consumer Advocate (OCA) and the Duquesne Industrial Intervenors (DII) in answer to Enron data requests served on those parties on December 22, 1997.

I. INTRODUCTION

2. The data requests made by Enron which were objected to by Duquesne were requests for calculations of Duquesne's unbundled rates, including the generation credit, to be made using the methodology endorsed by the Commission in its

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Order in the PECO Restructuring.¹ Enron argues that the data requests are admissible and should be placed on the record.

3. As an initial matter, Duquesne's objections were filed late, and should not have been given any consideration by the ALJ. Secondly, Enron's proposed exhibits are admissible as "on-the-record data requests" as referred to in the Sixth Interim Order, pursuant to an agreement with Duquesne's counsel. Admission of these exhibits does not deny the parties their due process rights, any more than would the usual practice of introducing them during cross examination of the witnesses, to which Duquesne could not have objected. Nor are the exhibits at issue the result of "friendly" cross-examination, as the responses provided by OCA and DII are not at all consistent with the positions they advocate in this proceeding.

4. Finally, given that the PECO Order will obviously have precedential value in this proceeding, it is appropriate to inquire into the result of the application of the PECO methodology applied to the data in this proceeding. The information is therefore relevant. Further, and most importantly, the information is clearly of interest to the Commission, as it reflects the approach that the Commission has taken, and will likely continue to take, to the recurring issue of determining unbundled rates. Enron

¹ Application of PECO Energy Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code and Joint Petition for Partial Settlement, R-00973953, P-00971265 (Opinion and Order entered December 23, 1997).

respectfully submits that the ALJ's ruling should be reversed and the interrogatory responses be admitted into the record for the following reasons.

II. ARGUMENT

A. Duquesne's Objections Were Untimely.

5. As an initial matter, Duquesne's objections are untimely, and should not have been considered. They did not comply with the procedure for making such objections, which were established in the Sixth Interim Order issued by ALJ Corbett on December 30, 1997. That Order canceled the January hearings and provided for the admission of on-the-record data requests by stipulation. The Order states that outstanding data requests which could not be included in the general stipulation filed on January 7, 1998 could be admitted into the record via a request filed with the ALJ by noon on January 12, 1998, and served upon the parties. If no objection to the admission of the data request response was received by the presiding ALJ by noon on January 13, *the request was deemed to be granted without further action.* Sixth Interim Order, at 3 (emphasis added). Duquesne's Objections were made after the exhibits were admitted, and Duquesne showed no good cause for the delay.² Therefore, the Objections should

² Outside counsel for Duquesne, Mr. Moot, issued a memo on January 14, 1998, reserving the right to submit a late response to Enron's filing to the ALJ. He evidently reserved that right based on the fact that Enron had delivered a copy to Duquesne's in-house counsel via Federal Express, but had sent Mr. Moot a copy via first class mail. This does not justify allowing the late filed Objections. Aside from the fact that service was proper pursuant to 52 Pa. Code §1.55, Mr. Moot knew that Enron intended to move into the record the exhibits at issue because counsel for Enron sent him a memo to that effect on January 9. That memo specifically listed which exhibits Enron intended to move into the
(continued...)

have been dismissed, and should not serve as the basis for refusing to admit Enron's exhibits.

B. Enron's Proposed Exhibits Do Not Violate The Sixth Prehearing Order, But Are Admissible as Data Requests Pursuant to That Order.

6. The 7th Order states that admission of Enron's proposed exhibits is improper for several reasons. Among these is the assertion that all parties, including Enron, agreed to waive cross examination,³ and that, since the proposed exhibits are answers to interrogatories they are not "responses to on-the-record data requests" as contemplated by the Sixth Interim Order.⁴ Had Enron believed that these responses to its interrogatories could not be entered into the record, it would not have agreed to waive cross examination. In light of that fact, Enron sent to Duquesne's counsel a memorandum dated December 24, 1997, in which it stated that its waiver of its right to cross examination was based upon the outstanding Intervenor interrogatories being treated as on-the-record data requests as per the December 22, 1997 waiver memo circulated to the parties by Mr. Moot. That memo asked Duquesne's counsel to respond if that assumption were not, in fact, the case.⁵

²(...continued)

record, copies of which had been served on Mr. Moot by the parties to which Enron had submitted the data requests. See, Attachment A.

³ Seventh Interim Order at 1.

⁴ Seventh Interim Order at 2.

⁵ See, Attachment B.

7. Not only did counsel for Duquesne not object to this, but in a December 29, 1997 memorandum to the Honorable ALJ, Mr. Moot states that the parties have agreed that “responses to on-the-record data requests will be admitted into the record by stipulation if so requested by the party that made the data request.” This provision is footnoted in the memo, and the footnote states that “. . . one intervenor has indicated that there are two outstanding data requests that have not yet been answered by other intervenor parties and has requested that these responses, when received, be stipulated into the record. Duquesne agrees with this procedure, provided any party has the opportunity to oppose introduction of these responses if it considers them objectionable . . .”⁶ The intervenor referred to is Enron, and the outstanding data requests mentioned are those which are at issue here. Admission of these data requests can hardly be denied on the ground that they are interrogatories, when counsel for Enron and Duquesne had entered into an agreement that they would be considered “on-the-record data requests” and would be stipulated into the record of this proceeding. Indeed, if the Stipulation is construed as not including the right to move the admission of data request responses into the record, Enron respectfully would be forced to withdraw its agreement to waive cross-examination on the OCA and DII witnesses at issue and respectfully requests that a hearing be held during which Enron can have the answers at

⁶ See Attachment C.

issue authenticated and entered into the record by cross-examining the OCA & DII witnesses.

C. Admission of Enron's Proposed Exhibits Does Not Deny The Parties Their Due Process Rights.

8. The 7th Interim Order states that admission into the record of Enron's cross-examination exhibits provided by other intervenor witnesses contravenes the terms of the First Joint Stipulation, and would deny other parties, including Duquesne, their due process right to cross-examine witnesses along these lines of inquiry.⁷ This is incorrect. The data reflected in the proposed exhibits are relevant and material, as they reflect recalculations of the OCA and DII positions on unbundling to conform to the Commission's recently established policy pronouncements in the PECO decision. The exhibits, in fact, speak for themselves. It is common practice in Public Utility Commission hearings to stipulate into the record otherwise relevant and material answers of other parties to interrogatories propounded upon them by the party who moves them into the record. Typically, this would be done during cross-examination, where a foundation for the exhibits would be laid. However, in this instance, the parties agreed to adopt an alternate procedure; specifically, that exhibits which would otherwise have been introduced in cross examination were to be introduced by being stipulated into the record. It was in reliance upon this procedure and upon the agreement with Duquesne's counsel that Enron agreed to waive its own right of cross examination.

⁷ Seventh Interim Order at 1-2.

9. The admission of these exhibits does not deny the parties their due process rights any more than would the usual procedure of introducing them during cross examination of the same witnesses. (Duquesne would not have had a right to keep the answers out of the record if the witnesses had been presented at the hearing.) The parties may still comment upon them in their briefs, just as they would have done had a hearing been held. It is noteworthy that the parties who actually provided the answers, OCA and DII, do not object to their being entered into the record. If Duquesne feels that this information prejudices it or believes that it is grossly inaccurate,⁸ Enron has no objection to Duquesne's being permitted to enter a limited statement on the record in response to the specific information contained in those exhibits. Further, Enron has no objection to DII and OCA placing additional information concerning the exhibits into the record, or Duquesne supplementing these exhibits with additional data responses.

10. The 7th Order states that, since the challenged exhibits are not "on-the-record data requests", they should therefore have been included in the proposed index of the intervenors' testimony and exhibits that was attached to the First Joint Stipulation.⁹ It would have been impossible for Enron to enter the exhibits at that time, as they were not exhibits attached to Enron's filed testimony. Rather, Enron was relying on other parties to provide the exhibits. Although Enron served its data requests just after the

⁸ Objection to Admission of Exhibits of Duquesne Light, at 3.

⁹ Seventh Interim Order at 2.

PECO Motion was issued in December, it had not yet received the answers as of January 7, the date of the First Joint Stipulation.¹⁰

D. Enron's Proposed Exhibits Do Not Constitute Friendly Cross Examination.

11. The 7th Order states that the challenged exhibits are “friendly cross-examination”.¹¹ This is incorrect. Had these same questions been asked in the context of cross examination in a hearing, no objection could have been made on that basis.¹² Neither OCA nor DII advocate the Commission’s position on unbundling of rates which was adopted in the Commission’s Order in the PECO Restructuring; the OCA and DII positions on unbundling of rates in this proceeding, in fact, were not at all consistent with that decision. The calculations which were made by OCA and DII, based upon the methodology in that Order in response to Enron’s interrogatories at Enron’s request were not consistent with the positions advocated by those parties either in this case or in the West Penn proceeding.

¹⁰ The contention, made in Duquesne’s Objection, that Enron’s requests were “untimely” because they were filed after the surrebuttal testimony and do not relate to that testimony, is incorrect. Objection at 2. In fact, Enron’s questions relate to issues which have arisen since the filing of the direct testimony. Specifically, Enron’s questions concern aspects of the methodology used by the Commission to calculate unbundled rates in the PECO Restructuring. The Order in that case was not entered until December 23.

¹¹ Seventh Interim Order at 2.

¹² In fact, Enron asked approximately the same questions of the same witnesses in the West Penn hearings, and the answers were moved into the record. See Enron Cross Exhibit 2 and Cross Exhibit 3 in West Penn Power Company Application for Approval of Restructuring Plan, Docket No. R-00973091 C0001-C0005.

E. Admitting Enron's Proposed Exhibits to The Record in This Proceeding Serves The Public Interest.

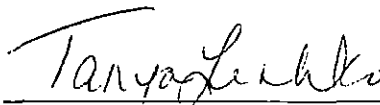
12. Admitting Enron's data requests into the record will serve the public interest by providing the Commission with a more complete record for review. In its interrogatories to the OCA and DII, Enron requested precisely the same information that the Commission mandated be filed as part of the Compliance Tariff in the PECO case. It is extremely unlikely that the Commission's concerns will change drastically for the purposes of this proceeding.

13. If Enron's Exhibits demonstrating the calculation of unbundled rates using the PECO methodology are admitted to the record, the parties will have the opportunity to comment on it in their briefs now. If those calculations are not admitted, the parties are denied the opportunity to respond with comments and argument, or, if they believe that it to be necessary, with additional information. Whether or not the parties can respond directly to the PECO methodology, however, the Commission is free to order that it be replicated by means of a compliance tariff. It is therefore in the best interests of the parties, as well as the decisionmaker and the general public, to have as complete and fully developed a record as possible. The PUC generally favors the development of the most complete record possible on which it may exercise its quasi-legislative ratemaking authority. In this case, it is obvious that the Commission will be interested in reviewing these calculations since they reflect the Commission's announced approach to

restructuring the rates of utility companies in response to the Electric Competition Act.
Keeping these relevant and probative exhibits out of the record serves no useful purpose.

WHEREFORE, for all of the foregoing reasons, Enron respectfully requests the Honorable Administrative Law Judge to grant this motion and direct relief in the form of admitting onto the record of this proceeding Enron's Proposed Exhibits as described above.

Respectfully submitted,



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Robert Longwell, Esq.
Tanya Leshko, Esq.
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Dated: January 16, 1998

ATTACHMENT "A"

M E M O R A N D U M

TO: John Moot
FROM: Dan Clearfield
DATE: January 9, 1998
SUBJECT: Admission of On-the-Record Data Requests/Interrogatories

I presently plan to move into the record the following:

Duquesne On-the-Record Responses 1, 2 and 6.

Office of Consumer Advocates Responses to Enron Power Marketing, Inc. Set I, Interrogatories Nos. 6 (i) and 7; and

DII Response to Enron Interrogatories Set I, questions 1, and 2.

If you have a concern about any of these, call me on Monday prior to my submitting them for the record and we can try to resolve the concern informally.

ATTACHMENT “B”

M E M O R A N D U M

TO: John Moot
FROM: Daniel Clearfield
DATE: December 24, 1997
SUBJECT: Duquesne Restructuring

It is my assumption that outstanding Intervenor interrogatories shall be treated as on-the-record data requests as per item (iii) of your December 22, 1997 waiver memo (attached), i.e., of both parties agree, the answer could be entered into the record (with opportunities by other parties to add to or supplement, or oppose if necessary). Enron's waiver of cross is based upon that assumption. If this is a problem, please advise.

DC/cfn
Attachment

ATTACHMENT "C"

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP AND AFFILIATES

MEMORANDUM

December 29, 1997

Via Facsimile

TO: The Honorable John H. Corbett, Jr.

FROM: John S. Moot

Re: Duquesne Light Company, Docket No. R-00974104

Duquesne Light Company hereby provides notice to the Presiding Judge that all parties have agreed that:

- (i) All pre-filed intervenor testimony will be admitted into the record by stipulation and without cross-examination;
- (ii) Responses to on-the-record data requests will be admitted into the record by stipulation if so requested by the party that made the data request¹; and
- (iii) Consistent with the foregoing two stipulations, the hearings scheduled for the week of January 5 should be cancelled.

Duquesne is willing to coordinate and prepare a formal, written stipulation to this effect if the Presiding Judge so desires.

cc: All parties (via facsimile)

¹ In addition, one intervenor has indicated that there are two outstanding data requests that have not yet been answered by other intervenor parties and has requested that these responses, when received, be stipulated into the record. Duquesne agrees with this procedure, provided any party has the opportunity to oppose introduction of these responses if it considers them objectionable. The same procedure would apply to the introduction into evidence of Duquesne's responses to on-the-record data requests.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document via Federal Express, facsimile or first class mail, postage pre-paid upon the participants, listed below, in accordance with the requirements of 52 Pa. Code § 1.54.

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Robert Longwell

Date: January 16, 1998



OFFICE OF CONSUMER ADVOCATE
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IRWIN A. POPOWSKY
Consumer Advocate

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January 16, 1998

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Secretary Bureau
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PROTHONOTARY'S OFFICE

Re: Application of Duquesne Light Company for
Approval of Restructuring Plan Under Section
2806 of the Public Utility Code,
Docket No. R-00974104

Dear Secretary McNulty;

KJR

Pursuant to the Administrative Law Judge's Sixth Interim Order, enclosed please find for filing an excuted copy of the Second Joint Stipulation regarding intervenor testimony. A copy of our testimony and exhibits with the First Joint Stipulation were filed with your office on January 9, 1998. Copies of all our testimonies have already been served on all parties of record. A copy of this Stipulation is being served upon all parties of record as evidenced by the attached Certificate of Service.

Sincerely,

Marisa A. Sifontes
Assistant Consumer Advocate

Enclosure

cc: All parties of record
Honorable John H. Corbett, Jr.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, v. Duquesne Light Company Application to approve restructuring plan pursuant to 66 Pa. C.S. § 2806(d)

Docket No. R-00974104

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SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

- 1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

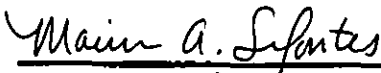
party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:



John S. Moot

Counsel for Intervenor Party:



Marisa A. Sifontes

Name of Intervenor Party:

Office of Consumer Advocate

Dated: January 15, 1998

CERTIFICATE OF SERVICE

Re: Application of Duquesne Light Company for
Approval of its Restructuring Plan Under
Section 2806 of the Public Utility Code
Docket No. R-00974104

I hereby certify that I have this day served a true copy of the foregoing document, executed copy of the Second Joint Stipulation, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 16th day of January, 1998.

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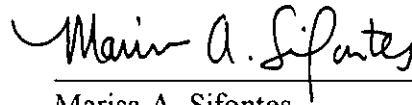
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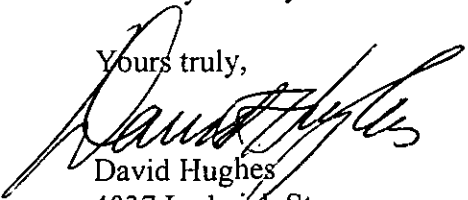
Re: *Application of Duquesne Light Company for Approval of Restructuring Plan Under Section 2806 of the Public Utility Code, Docket No. R-00974104*

Dear Secretary McNulty:

Pursuant to Administrative Law Judge John H. Corbett's Sixth Interim Order, enclosed please find for filing 2 copies of David Hughes' Direct and Surrebuttal Testimonies in the above captioned proceeding. Copies of these testimonies have already been served on all parties of record. Also enclosed is a signed copy of the Second Joint Stipulation.

Thank you for your attention to this matter.

Yours truly,



David Hughes
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DOCKETED

FEB 05 1998

DOCUMENT
FOLDER

Enclosures

cc: All parties of record w/o enclosures, via facsimile
Hon. John H. Corbett, Jr. w/o enclosures, via facsimile

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)
Commission,)
)
v.) Docket No. R-00974104
)
Duquesne Light Company)
Application to approve)
restructuring plan pursuant)
to 66 Pa. C.S. § 2806(d))

128463

SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by
the Presiding Judge on December 30, 1997, Duquesne Light
Company ("Duquesne") submits this Second Joint Stipula-
tion, which provides as follows:

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1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:

JSME
John S. Moot

Counsel for Intervenor Party:

David Hughes

Name of Intervenor Party:

Pro Se

Dated: January 15, 1998

BEFORE THE PENNSYLVANIA PUBLIC UTILITIES COMMISSION

APPLICATION OF DUQUESNE LIGHT COMPANY
FOR APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2808 OF THE PUBLIC UTILITY CODE

DOCKET NO. R-00974104

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PREPARED DIRECT TESTIMONY AND EXHIBITS OF:

DAVID HUGHES

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NOVEMBER 7, 1997

Q. Please state your name and address

A. David Hughes, 4037 Ludwick St., Pittsburgh, PA 15217

Q. On whose behalf are you testifying?

A. For myself

Q. Please describe your background and involvement with the restructuring issue?

A. I have a masters degree in education with training in research methods. I have been involved in electric utility regulatory issues since 1986. I was an intervenor in the Public Utilities Commission of Ohio (PUCO) Prudence and Rate Base cases dealing with the Perry 1 and Beaver Valley 2 generating units. I testified at the PA Public Utility Commission (PUC) in the Rate Base case (R-870651) also dealing with Perry 1 and Beaver Valley 2. I filed a Formal Complaint (C-945953) at the PA PUC in June, 1994 asking that the PUC investigate the just and reasonableness of Duquesne Light Company (Duquesne) rates. I averred that Duquesne's Perry 1 and BV 2 units were economic excess capacity and operating cost overruns at the plants, particularly at the Perry 1 facility, precluded Duquesne from giving rate payers rate relief.

Q. What was the outcome of the Formal Complaint?

A. I was granted a hearing and submitted testimony, but was never given a hearing. The PUC issued an Order on September 14, 1996, granting a stay in the proceeding, stating that I could raise my concerns in the instant restructuring proceeding.

Q. What is the purpose of your testimony today?

A. I will be discussing the history of the decision to build the Perry 1 and BV2 generating units, the PA PUC rate base case decision that found these units to be "economic excess capacity", and the subsequent operation of these units.

Q. Please discuss the historical issues you wish to address

A. First, let me review the various reasons Duquesne has proffered for its decision to build Perry 1 and BV2: (1) Duquesne has averred that the PUC "ordered" them to build Perry 1 and BV 2, (2) as a result of the Clean Air Act and the Fuel Use Act, the company had no alternative to building nuclear units, and (3) projected increase in steel industry load required the addition of the Perry and BV2 capacity.

Q. Please discuss the question of whether Duquesne was ordered to build these units.

A. In testimony before the PUC, James Lahtinen, Manager, Economic Analysis, Rates and Regulatory Affairs for Duquesne, stated that:

Moreover, book investments and regulatory assets reflect, in part, the result of prior regulatory actions (no matter how well intentioned) that *imposed* additional burdens and responsibilities onto IOU's. (emphasis added).¹

It is clearly inequitable to require IOUs to bear costs that were *imposed* under a previous regulatory arrangement...(emphasis added).²

In a supplemental brief filed May 1, 1996, Duquesne again made the argument that the company was ordered to build these units. Duquesne claims that the "Perry Unit 1 and other nuclear plants were commenced in the early 1970's" as a result of PUC Order 138, (Exhibit 1) dated March 13, 1972, and

Thus, it is clear that at the time Perry Unit 1 was constructed, the Company had no meaningful alternatives, as evidenced by the Commission's *orders*, other than to construct *that* facility. Simultaneous to *ordering* new construction, the Commission itself undertook to insure that excess capacity would not be constructed. (emphasis added).³

Duquesne, as a regulated public utility, was *legally required* to make the investment that was reasonably believed at the time to be necessary to provide generation capacity to serve the public. (emphasis added)⁴

The Commission was concerned (Order 138, p.4) as to "whether or not an electric energy shortage will develop..." However, there is nothing in these documents, or any other document that I could find, that indicate that the Commission ever *ordered* Duquesne to build Perry 1 and BV2. In fact, Order 138 was primarily concerned with the capacity on the PJM system as a result of the black outs on the east coast in the mid 1960's.

Q. Please discuss whether environmental laws required Duquesne to build these units.

A. Duquesne has stated that it decided to build Perry and BV2 because it had no other alternative, given the requirements of the Clean Air Act and the Fuel Use Act. James Lahtinen again:

During the late 1970s and early 1980s, the Fuel Use Act restricted the burning of natural gas and oil for electric production, thereby encouraging investments in baseload nuclear generation.⁵

¹ *Investigation Into Electric Power Competition*, PUC Docket No. I-00940032, November 10, 1994, p. 48.

² *Id.* p. 49

³ *David Hughes v. Duquesne Light Company*, PUC Docket No. C-00945953, May 1, 1996, p. 31

⁴ *Id.* p.32

⁵ *Id.* at 2, p.48

In a January 1997 issue of Executive Report magazine, DLC CEO David Marshall stated:

One of the differences between a company like PECO and Duquesne and Allegheny Power is the kinds of investment choices they had back in the time of the energy crisis. At the time, all of our customers and the PUC encouraged us to build these nuclear plants. They were the only real alternatives in the urban areas under the Clean Air Act.⁶

The problem with these statements is that the company is citing as reasons for deciding to build Perry and BV2, events that occurred several years **after** the decision was made to build the units. The "Energy Crisis" was in 1973-74. The Clean Air Act amendments dealing with power plants were passed in 1977. The Fuel Use Act was enacted in 1978. Duquesne's decision to build the plants had to have been made at least by 1971, the date the company publicly announced their plans to build Perry and BV2. In addition, there was an alternative at the time; and in fact, DLC was building the Bruce Mansfield coal facilities at the same time that it was constructing Perry and BV2. There is no available evidence that the environmental reasons, that DLC now gives for its decision to build these nuclear units, were part of the company's deliberations (in the late 1960's) about the type of plant to build. The response of company witness Irvin to David Hughes's Interrogatories (DHI), 01-01, in the instant proceeding, confirm this finding. The forming documents of CAPCO, including the "Memorandum of Understanding" dated September 14, 1967, make no mention of the need to build nuclear fueled generation because of environmental regulation.

Q. Please discuss the issue of demand for Perry 1 and BV2 capacity addition.

A. DLC claims that they decided to build Perry and BV2 for the expected increase in demand from the steel industry. Witness Clayton stated in his testimony in the instant proceeding:

Throughout the 1970's, various steel companies had informed Duquesne that they intended to add significant high load factor over the next several years. With these and other additions it was expected that the company's total load would approach 3300 megawatts. All indications were that the company was deficient in baseload capacity and would have to make significant capacity additions in order to fulfill its public service obligation to meet this demand. Consequently, Duquesne had approximately 3600 megawatts of capacity in service or under construction and over 400 megawatts on the drawing board (Perry Units No. 1 and No. 2 were under construction and Erie Nuclear Units No. 1 and No. 2, and Davis Bessie Units No. 2 and No. 3 were in the planning and design stages.⁷

⁶ Executive Report, January, 1997, p.21

⁷ DLC Restructuring Plan, August 1, 1997, Vol. 1, p.5.

David Marshall, again in the January 1997 Executive Report:

It was a time too when the steel industry was clamoring for more electric arc furnaces and our legal obligation was to be able to meet these forecasts.⁸

First, I would like to report that the company's response to the discovery in this regard was inadequate and has hampered the preparation of this part of my testimony. What I am about to say must, at this writing, be considered preliminary until the requested information is made available for review. In any event, the problem with the "steel industry" argument is that Duquesne made the decision to build these units long before the company knew of any plans on the part of the steel industry to add to their load. Indeed, the company's response to the relevant discovery (DHI 01-18) supports my contention that a potential increase in steel industry load was not a factor in the decision to build the two units. The company's treasurer Mr. Clayton states:

[Q]uotes from the Chairman's letters demonstrate that the Company expected significant industrial sales growth from at least as far back as 1975 and up until 1981 and that subsequent to 1981 the Company experienced significant loss of industrial load.⁹

With respect to steel industry additions, 200,000 Kw for the J& L Steel Corporation (1977 and 1978) and 170,000 Kw (two 85,000 Kva arc furnaces) for Crucible Steel (1980) are specifically mentioned in the Chairman's letters. This is a total of 370Mw of load expected to be in place by the early 1980's. Also in 1978 the Company predicted its average annual load growth to be 4%.¹⁰

Remember that the decision to build the units would have to have been made before they were publicly announced in 1971. In a "supplemental" response to DH 01-18, the company provided copies of correspondence between the company and various industrial customers. The supplemental response arrived too late for detailed analysis for this testimony, but a cursory review of the information indicates that most of the correspondence is from 1974 through 1982. Again, long after the decision to build Perry and BV2. I will address this response in detail in my surrebuttal.

As of this writing I have also not received a response to DH 01-17, wherein I asked for the company's long range forecasting data. I believe the data will show that Duquesne's own forecasting shows that there was no justification for the decision to build these two nuclear units. I will provide testimony in this regard upon reception of the requested information.

⁸ Id. at 6

⁹ Response to DH 01-18, p2

¹⁰ Id.

Q. Given this analysis, what would your conclusion be with regard to the reason the DLC decided to build Perry and BV2?

A. I can only speculate on what factors caused the CAPCO companies to decide to build these (and other) units. I can state, unequivocally, that Duquesne has presented no evidence that the reasons given today were part of the decision making process when Duquesne decided to build Perry and BV2. The Commission did not order the company to make this investment. Environmental regulation did not force the nuclear option as the only available alternative at the time. Therefore I can only conclude that the company freely chose to build these units.

Q. Are there any additional historical issues you would like to address?

A. Yes. I would like to address Duquesne's claim that the "collapse" of the steel industry left the Company with unneeded or excess capacity. In numerous documents, Duquesne has claimed that the loss of load due to the decline of steel production did two things: (a) it caused an increase in retail electric rates, and (b) it left the company with excess generation capacity. According to James Lahtinen:

Investors neither shared in the gain of superior projects nor absorbed the economic penalty for prudently conceived and constructed investments which failed to meet expectations. Duquesne lost significant load (600 mw) during the recession of the 1980s as numerous high load factor steel customers closed down at the time major investments in baseload nuclear units were well on the way to completion. Regulatory changes after Three Mile Island, double digit inflation, and interest rates ultimately caused these new plants to come on-line at significantly higher cost than originally anticipated. Higher cost spread over a diminished base of sales resulted in large increases in the price of electricity for retail customers (pp.48 & 49).

First of all, the company's shareholders have done very well over the years since these two units have been rate based. Jonathan Muehl's testimony (David Hughes, Statement 2) makes this clear. It is also clear that the primary cause of rate increases was not the loss of industrial load, but the inclusion in rates of Perry 1 and BV2. When announced, the two units were projected to cost \$795 million and go on line in 1978 (BV2) and 1979 (Perry 1). The units went into commercial operation in November of 1987 at a combined cost of \$9.436 billion. These cost overruns, more than any other factor, account for the company's high rates. Indeed, the rate increase in the base rate case (1988, R-870651) alone represented a dramatic increase in residential customer rates. If you take Lahtinen's argument to its logical conclusion, once the company's "base of sales" increase, rates should come down. Duquesne's sales did increase, but its base rates have not come down. As Exhibits Nos. 2 & 3 show, the loss of industrial load was eventually offset by

an increase in residential, commercial and off-system sales. With the exception of the 1982-83 recession, kWh sales have steadily increased. Revenues too, have increased steadily and appear not to have been significantly affected by either the 82-83 recession or the loss of industrial load. It is fair to assume that had there not been a decline in steel production, Duquesne's revenues might have increased at a higher rate than they did. But that assumes that the diversification of the region's economy would have occurred even though the economy was steel based. There is no way to predict what would have happened to the regional economy had the decline in steel production not occurred. The point is, and Jonathan Muehl's testimony (David Hughes Statement 2) makes this quite evident, Duquesne has done very well without the industrial load it had prior to 1982.

As mentioned above, I will address whether Duquesne's forecast of demand justified the addition of the Perry 1 and BV2 capacity when I receive the requested forecasting data.

Q. Please address the Commission's decision in the company's last rate case.

A. In its Opinion and Order for R-870651, the Commission determined that Duquesne failed to meet its burden of proof that the Perry 1 and BV2 capacity would provide an economic benefit to ratepayers. The Commission had three options available to deal with the fact that Perry 1 and BV2 were "economic excess capacity". At the time, Duquesne was in the process of a sale-leaseback arrangement on BV2. The Commission ordered a three year disallowance of the return on Duquesne's common equity investment in the leased plant, or a total \$147 million disallowance. The Commission disallowed a return on the company's investment in El Rama 1 & 2 to account for the Perry 1 excess capacity, or a \$31 million disallowance. The Commission could have disallowed a return on the Perry 1 investment and thus saved rate payers \$702 million.¹¹

Q. What is the significance of the Commission's decision in the base rate case?

A. The Commission rightly determined that Duquesne had failed to prove that these new units would provide an economic benefit to rate payers. We now have 10 years of op-

¹¹ The disallowance for BV2 was made in A-110150, September 25, 1987. A return on the investment in El Rama 1 & 2 was disallowed for the Perry capacity.

ration of Perry 1 and BV2, and unfortunately the predictions that these units would be uneconomical have turned out to be true. Section 1323 of the Public Utility Code requires that the unit(s) must “*produce annual economic benefits which will exceed the total annual cost of the plant during the test year or within a reasonable period following the test year.*” Clearly, what makes these units uneconomic is their exceedingly high construction costs. As mentioned above, cost to build Perry 1 and BV2 were 900% over projections. However, subsequent operation and maintenance (O&M) costs were supposed to off-set the high construction costs. At least for Perry, that never happened. The testimony I submitted in my complaint case details the poor operating performance of Perry in 1993 and 1994. (See Exhibit 4). Perry’s poor operating performance caused Duquesne to take the unusual step of intervening in Perry operator, The Cleveland Electric Illuminating Company’s (CEI) last rate case in Ohio. Duquesne submitted testimony in that case complaining that: “*Perry has consistently exceeded its budget and its financial performance continues to be a drain on the resources of all plant owners.*”¹² Duquesne’s own testimony in the Ohio case shows Perry O&M for the years 1993-1996 alone was \$250 million over budget.¹³

It was primarily Perry’s poor operating performance in 1993 and 1994 that caused me to file a Formal Complaint at the Commission in June, 1994. I wanted the Commission, under the auspices of section 1322 of the Public Utility Code, to conduct an investigation into the excessive outages at Perry to determine if rate relief, in excess of the ECR adjustment the Commission already made, was appropriate. The Commission had conducted a similar investigation into the extended outages at the Peach Bottom unit and ordered a rate adjustment in that case¹⁴

Q. How do your complaint issues fit into this restructuring proceeding?

A. The Commission agreed to give me a hearing on my complaint. I submitted testimony on March 20, 1996, supporting my complaint and was subsequently cross examined by Duquesne. Duquesne never responded to my testimony. Instead, the company appealed to the full Commission for “Review of a Material Question” and on September 14, 1996, the Commission granted a stay in the proceeding. The Commission ordered that I could raise my concerns in the instant restructuring proceeding. The Commission is now

¹² Pre-filed Testimony of Duquesne Light Company, PUCO Docket No. 95-300-EL-AIR, December, 4, 1995, p. 11.

¹³ Id.

attempting to determine how the retail electric generation industry should make the transition to a competitive generation market. In arguing against Duquesne's motion to have the complaint dismissed or made a part of the instant proceeding, I averred that the restructuring proceeding is prospective and that since my complaint dealt with rates in effect in 1994, it was not an appropriate subject for this proceeding. The Commission did not agree, so here we are. I believe the Commission can still make a determination as to the just and reasonableness of Duquesne's current rates.

The Commission has not conducted a full review of Duquesne's rates since the last rate base case in 1988. My complaint essentially asks that the Commission investigate Duquesne's rates to determine if the rates approved in 1988 are just and reasonable in 1994. I believe I presented sufficient evidence to warrant such an investigation and the Commission did agree to hear the case. It would seem to me appropriate, that before the Commission can determine the just and reasonable level of stranded cost recovery, the Commission should make a decision with regard to the issues I raised in my complaint.

Q. Please summarize your testimony

A. Duquesne has argued that its current rates are just and reasonable because: (1) it was ordered to build Perry 1 and BV2, (2) environmental laws required Duquesne to build Perry and BV2, and (3) an expected increase in industrial load justified the additional capacity. I have shown that the decision to build these units was freely made. I believe that, with the information requested in DHI 01-17, I will be able to show that even Duquesne's own long range forecast did not demonstrate the need for this additional capacity. I have also shown that the loss of industrial load has been off-set by substantial increases in other customer sales. In addition, in the base rate investigation, the Commission determined that these units represent economic excess capacity.

Q. Is there anything else you wish to add?

A. Yes. DLC argues that the Commission has already determined that the decision to build Perry 1 and BV2 was "prudent" and therefore has a right to a full return on this investment. As an intervenor in prudence cases, it is my understanding that when the Commission investigates the prudence of an investment, what the Commission is actually attempting to determine is whether the construction expenditures were prudently in-

¹⁴ PA PUC v. Philadelphia Electric Co., Docket No. M-880183, February 11, 1988.

curred. This enables the Commission to quantify the addition to rate base should it decide to rate base the unit(s). To be rate based, the unit must meet the "used and useful" standard, i.e. (a) the unit's production capacity must be needed, and (b) the unit must provide an economic benefit to rate payers; it will save rate payers money. As mentioned above, the Commission determined that both of these units failed the economic capacity test. Therefore, **these plants are not being made uneconomical as a result of deregulation, they were economical from their first day of operation.** In addition, just because a unit was rate based, does not mean that the investors have a guaranteed right to a return on that investment. The Commission has the authority to make a determination, at appropriate junctures, as to whether an investment should continue to be charged to rate payers. I believe we are at just such a juncture.

Q. Please state any recommendations you would like the Commission to consider

A. The Commission missed an opportunity to prevent the excessive cost overruns associated with the construction of Perry and BV2 from being charged to rate payers in 1988. I testified in the base rate case, asking the Commission not to charge rate payers for these excessive cost overruns. When it became clear that O & M costs would not be as low as projected, I filed my Formal Complaint in 1994, asking the Commission to investigate whether Duquesne's rates are just and reasonable. The Commission decided that the instant proceeding would be the appropriate place to make this determination. The investigation now underway presents yet another opportunity for the Commission to address the issue of the just and reasonableness of Duquesne's base rates. I believe that my testimony, along with the testimony of Jonathan Muehl, makes a strong case that it would be inappropriate for the Commission to continue to charge rate payers for Duquesne's uneconomic investment in Perry I and BV2, once the transition to retail choice begins. If the Commission determines that there should have been rate relief beginning in June, 1994, it can do one of three things: (1) order a refund to customers retroactive to June, 1994, or (2) order that Duquesne's future revenues for distribution include a disallowance equal to the relief warranted, or (3) reduce Duquesne's "stranded cost" recovery by an amount equal to the amount of relief the Commission determines to be appropriate.

Q. Does this conclude your testimony?

A. Yes.

*David Hughes
Exhibit No. 1*

In re: Investigation upon the Commission's own motion to determine the need for additional electric generating and transmission facilities during the next decade.

ORDER

BY THE COMMISSION, MARCH 13, 1972:

The threat of a continued shortage of electric power in Pennsylvania and nearby states is a matter of considerable concern to the

Commission. As a result of the northeast blackout on November 9, 1965,

this Commission has worked with commissions of other states and the

Federal Power Commission to stimulate the electric power utility companies

in the development of plans for increasing generating capacity to meet

anticipated load growth and future demands. Such demands presumably will

be further increased by the present shortage of natural gas, a matter

discussed in our February 1, 1972 order at Investigation Docket No. 124,

published in Pennsylvania Bulletin 256, promulgated after public notice and

hearings.

On February 14, 1966 an invitation was extended to all Pennsylvania

electric companies to attend a meeting in Harrisburg on March 3, 1966

to review in depth the present and future electric power supply situation

within each company's operating territory and participation in power pools.

This meeting revealed that load growth had exceeded the companies forecasts

and this conservative attitude had resulted in a serious installed capacity

situation with most companies, making them extremely dependent on the

resources of power pool interconnections.

Distribution of this order to all electric companies in Pennsylvania.

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In view of the influence of power pools, a joint meeting was held on March 31, 1966 in Philadelphia with the commissions of Delaware, District of Columbia, Maryland and New Jersey to analyze the purpose and operation of the PJM Interconnection. * Efforts to reassure commission representatives that capacity was capable of meeting expected loads and still maintain adequate reserves was not accepted with confidence. The companies and public were warned by the Commissions that according to our predictions a desperate situation was developing that within the near future could result in possible blackouts and customer load curtailment. The companies were told that immediate preparations should be made to increase installed capacity until a reliable reserve of 20% above forecasted loads was reached.

The companies reluctantly agreed to accept the commissions' proposals and institute construction programs that would hopefully reinforce existing capacity with new generation before another disastrous interruption occurred. Unfortunately the companies efforts were hopelessly late and another massive interruption occurred on June 5, 1967.

On June 19, 1967 another meeting was held in Philadelphia with member companies of the PJM Interconnection and representatives of the same commissions. The companies were told that excuses were unacceptable now that the condition we had feared was a reality and there was insufficient reliable capacity and transmission lines to meet customer demands. Emphasis was placed on the immediate need for protective devices to isolate local disturbances and prevent widespread cascading type interruptions that had been experienced twice already. The companies agreed to install automatic load shedding devices as a result of this meeting and conceded that additional capacity was needed and would be included in construction schedules under revision.

* DUQUENE IS NOT PART OF PJM

To reaffirm the commissions' suspicions, a joint meeting was held in Philadelphia on October 6, 1967 to explore the possibility of an independent engineering study of the PJM Interconnection. After considerable deliberation among the commissions a contract was signed with Commonwealth Associates, Inc., in February 1968 to begin a study and advance an opinion on the capacity-load-reserve picture for the PJM Interconnection.

On September 16, 1969 Commonwealth Associates presented to the Commissions and PJM member companies an analysis of the interconnection system with recommendations to avert the expected capacity deficiency. The picture presented was more dire than expected and the immediacy of the situation suggested that the companies must install combustion turbines to avert another interruption until the new base load capacity was installed. The companies were told that the commissions wanted 2000 megawatts of combustion turbine capacity immediately. After deliberation the companies responded that 1200 megawatts was more reasonable because the cost would exceed \$100,000,000 for this amount of generation.

The value of these conferences and recommendations has been demonstrated repeatedly because the combustion turbines have carried the electric companies through two perilous summers of capacity shortage without a major interruption and have reduced disturbances to minor voltage reductions for short periods of time. Capacity has now increased from 17,826 megawatts in 1965 with 9% reserve to 34,842 megawatts in 1972 with 21% reserve through the combined efforts of the commissions and cooperation of the electric utility companies.

The Commission is now concerned about whether current plans are satisfactory to meet projected future needs for electric power. At the same time, the Commission is aware of two possible changes in conditions

which may affect the demands for electric power during the next several decades:

1. A developing trend to conserve the use of electric service and a moratorium on the promotion of total electric residential living units.
2. Environmental regulations at both federal and state levels could limit the ability of the electric utility industry to meet forecasted demands for power.

It is incumbent upon the Commission to determine whether or not an electric energy shortage will develop and have an adverse affect upon the electric utility industry or if the industry's construction program calls for excessive capital investment at the expense of existing rate paying customers. It is hypothetical that such programs will attract prospective customers who may be denied energy from gas suppliers and further distort the demand for power.

Under the circumstances it appears that a required review by order will be more satisfactory and comprehensive than the past procedure whereby an informal review was held by the Commission and reports lacking uniformity were submitted by the participating electric companies. It is appropriate for the Commission to review the revised plans of electric utilities for plant construction because the amount of money actually being spent to meet environmental standards was unforeseen when plant additions were first projected. The Commission will consider the possible adoption of a system of regular review of plans for plant expansion by electric utility companies; THEREFORE,

IT IS ORDERED:

1. That each electric public utility subject to our jurisdiction continue to file with the Commission statements of its generating capacity and estimated customer demand requirements, as well as energy furnished during the prior calendar year. The reports are to be filed on or before

May 1, 1972 and May 1 of each succeeding year. The foregoing is to be furnished in the form to be prescribed by the Commission.

2. That each such company file with the Commission on or before May 1, 1972 and May 1 of each succeeding year a forecast of its expected annual load growth for the next ten years on an individual and not system basis in the form to be prescribed by the Commission.

3. That each such company file with the Commission on or before May 1, 1972 a schedule of generating plant and transmission line additions necessary for each such utility to meet forecasted load requirements during the said 10 year period.

4. That each such company file with the Commission on or before May 1, 1972 and May 1 of each succeeding year a summary of existing generating plants and the capital investment for pollution abatement equipment to bring each plant into compliance with federal, state and local pollution regulations. The summary shall include a statement of the estimated annual operating cost of this equipment.

5. That each such company file with the Commission on or before May 1, 1972 and May 1 of each succeeding year estimated construction costs of new and proposed generating plants and the capital investment necessary for pollution abatement equipment, including a statement of the estimated annual operating cost of this equipment.

6. That each such company file with the Commission on or before May 1, 1972 and May 1 of each succeeding year a copy of the company's report submitted to the Federal Power Commission on FPC Form 12*

7. That the Commission schedule public hearings at times and places to afford all interested persons an opportunity to present testimony on these matters. All interested persons will please notify the Commission in writing in advance.

FPC Form 714 Annual Electric Control and Planning Area report
FPC Form 715 Air Trans. planning & Eval report.

8. That Pennsylvania Department of Environmental Resources, Pennsylvania Department of Commerce, Pennsylvania State Planning Board, Pennsylvania Office of State Planning and Development, and other state and local government officials, as well as groups and individuals concerned with the issues raised herein, be and are hereby invited to submit written statements on or before May 1, 1972 and, if they so desire, set forth requests for the opportunity to testify at the hearings to be scheduled for the purposes aforesaid.

9. That this order be published in the Pennsylvania Bulletin forthwith.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

George J. Bloom
Chairman

ATTEST:
Will Peters
Secretary

March 13, 1972

Order 138

DAVID HUGHES, EXHIBIT NO. 2

Revenues by Customer (thousand of \$)

Year	Res.	Comm.	Industr.	Street	Misc.	Total
1966	43,332	37,546	42,570	3243	653	127,345
1967	45,336	39,376	41,596	2930	621	129,859
1968	48,011	42,214	43,445	3113	599	137,382
1969	50,937	44,926	47,090	3224	691	146,858
1970	57,744	51,565	50,021	3503	794	163,627
1971	66,197	62,278	59,209	3965	1310	192,909
1972	72,490	67,892	68,392	4389	1917	215,080
1973	79,113	75,047	80,274	4763	2557	241,754
1974	97,319	96,577	114,416	6054	2652	317,018
1975	121,497	123,701	138,577	7374	3277	394,426
1976	127,515	130,804	148,493	7289	3667	418,268
1977	143,299	147,433	171,174	8286	5054	475,246
1978	167,338	173,768	205,149	9942	5917	562,114
1979	176,744	185,701	232,389	10,370	6142	611,346
1980	196,400	209,686	250,295	11,052	7104	674,537
1981	223,146	243,304	300,166	12,383	7116	786,015
1982	238,496	263,374	225,292	13,240	6060	746,462
1983	267,110	290,370	221,107	14,357	7401	860,345
1984	280,647	314,129	244,970	14,689	7340	861,775
1985	286,260	335,012	225,692	25,447	N/A	872,411
1986	297,520	347,364	178,425	27,435	N/A	850,744
1987	299,562	345,585	165,550	25,289	N/A	835,986
1988	318,552	362,012	171,779	31,382	N/A	883,725
1989	346,142	403,506	181,781	43,015	N/A	883,725
1990	375,608	450,278	201,197	47,813	N/A	1,074,956
1991	442,349	509,711	208,491	58,540	N/A	1,213,151

Source: Duquesne Light Company Annual Reports

Sales by Customer (millions of kWh)

Year	Residential	Commercial	Ind.	Off -Syst.	Total
1965	1620	2278	4,153	8,134	
1966	1731	2342	4433	506	8,640
1967	1838	2453	4227	(11)	8,629
1968	1987	2701	4512	683	9,312
1969	2142	2909	4962	815	10,127
1970	2303	3137	4756	186	10,313
1971	2391	3333	4855	366	10,679
1972	2475	3456	5445	808	11,487
1973	2610	3634	6181	56	12,543
1974	2575	3564	6346	65	12,608
1975	2665	3699	5674	(444)	12,164
1976	2693	3769	5925	352	12,516
1977	2813	3909	6182	518	13,034
1978	2825	3702	5908	(389)	12,645
1979	2778	3866	6546	676	13,321
1980	2876	4020	6272	(24)	13,297
1981	2858	4065	6582	351	13,634
1982	2853	4163	3902	2596	11,038
1983	2905	4257	3717	327	11,317
1984	2918	4393	4148	1019	12,582
1985	2848	4537	3522	1981	12,989
1986	2957	4724	2734	2136	12,650
1987	3065	4899	2918	2486	13,466
1988	3156	5055	3302	2797	14,401
1989	3119	5145	3221	2170	13,739
1990	3078	5236	3296	1830	13,524
1991	3285	5450	3042	2979	14,840
1992	3069	5358	3059	4060	15,629
1993	3231	5490	3046	2821	14,672
1994	3219	5563	3256	3212	15,334
1995	3378	5729	3237	2975	15,403

Source: Duquesne Light Company Annual Reports

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DAVID HUGHES,)	
)	
Complainant)	
)	
v.)	Docket No. C-00945953
)	
DUQUESNE LIGHT COMPANY,)	
)	
Respondent)	

INITIAL HEARING TESTIMONY OF DAVID HUGHES
MARCH 20, 1996

TO THE HONORABLE COMMISSION:

I INTRODUCTION

I have been a Duquesne Light ratepayer for almost 30 years and have never been late on a bill payment. On June 14, 1994 I filed a formal complaint with the Pennsylvania Public Utility Commission (Commission) regarding what I consider to be unjust and unreasonable Duquesne Light Company(DLC) electric rates. As the graph in Fig. 1 shows, Duquesne's rates are high. The question then becomes: Why are Duquesne's rates so high? There is no doubt that the real reason Duquesne's rates are so high is the result of the company's \$1.4 billion investment in the Beaver Valley II and Perry nuclear units. And it is one of the great injustices of utility regulation that Duquesne ratepayers are forced to pay \$150 million for Perry II, abandoned by Duquesne in 1994 at 60% completion. However, this complaint cites the poor operating performance of the Perry I unit in 1993 and 1994 as a major factor in DLC rates being unjust and unreasonable.

The information I have obtained from Duquesne Light Company during the discovery process makes it perfectly clear that my concerns are justified. Indeed things are worse than I realized. There can be no doubt that the Perry Plant was not used

and useful for 205 days in 1993 and 105 days (190 minus 85 days for a scheduled refueling outage) in 1994. In addition, there can be no doubt that the Perry Plant is economic excess capacity, representing a financial drain on Duquesne and placing an undue burden on Duquesne ratepayers. Perry was particularly uneconomical in 1993 and 1994, with capacity factors nearly half of what they should be and operation and maintenance(O&M) costs about 50% to 90% above what they should average. The most telling indicator of Perry's poor performance is the fact that Perry's cost (\$0.0485) per kilowatt hour(KWh) was nearly double available alternative generating sources and almost three times more than available replacement power(\$0.0167). Finally, it is clear from the data, that Duquesne does not need the Perry Plant and there is no justification for continuing to charge ratepayers for this uneconomical and unneeded generating unit. One has to wonder then, why the DLC doesn't unload Perry. After reviewing the data, I submit that there are probably two reasons why DLC keeps Perry in the rate base: (1) DLC, like all nuclear utilities, is very concerned, and rightly so, about potential decommissioning costs when a big nuclear unit like Perry is closed. Thus it is easier to avoid dealing with that nightmare by keeping the plant in operation and continue to build up the fund for that contingency, and (2) keeping Perry in the rate base, regardless of operating performance, is the only way DLC can recapture its investment in Perry. Thus, DLC ratepayers pay unnecessarily high rates; rates that, considering all of the above, are unjust and unlawful. There is so much information that supports my complaint it becomes necessary to select out the most noteworthy.

II PERRY WAS NOT USED AND USEFUL IN 1993 and 1994

The Pennsylvania Public Utility Code (s.1315)states clearly that:

...no electric utility property shall be deemed used and useful until it is presently providing actual utility service to the customer

The Perry Nuclear Plant had five non-refueling outages in 1993, causing it to be out of service for 205 days. Its Availability Factor was 44% and its Capacity Factor was 38.8%, compared to the industry average of 71.2%. In 1994, Perry was down for 190 days. (85 days for scheduled refueling), with an Availability factor of 47% and a Capacity Factor of 44.3%.¹ This record is appalling, especially when Perry is compared to other Duquesne generating units and to similar nuclear generating units (See Fig. 2 and 2a) and to Duquesne's projections, (see bellow).²

¹ DLC Pre-filed testimony in Public Utility Commission of Ohio Case No. 95-300-EL-AIR. p.6.

² DLC Energy Cost Rate filings with the PA PUC for 1994 and 1995

	1993	Projected	Actual	1994	Projected	Actual
Capacity Factor		81.71%	38.81%		88.98%	44.80%
Availability Factor		74.59%	39.73%		85.79%	45.21%

In addition, Perry has a very high Forced Outage Rate (FOR) compared to similar plants (see Fig. 3). The 1993 industry average FOR for nuclear plants was 8.3%. The FOR average for plants similar to Perry was 14.3%. The Perry FOR was a whopping 37.8%. As Fig. 3 indicates, the Perry's FOR for 1994 is 1.3%. This figure is deceiving because Perry shut down on February 5, 1994 for a scheduled refueling outage that was to last 85 days and actually lasted 190 days. Thus the low FOR. If you consider that Perry was forced to remain out of service for 105 days beyond expectations then the FOR is really much higher.

The point is simple. Perry was not producing electricity for Duquesne's customers for 205 days in 1993 and 105 days in 1994. These were not scheduled refueling outages and **had Perry not had so many problems these outages would not have been necessary** (see the attached newspaper articles). Therefore, Perry was not used and useful for that time. Accordingly DLC ratepayers should not have to pay for Perry for the time it was unnecessarily out of service (205 days) in 1993 and (105 days) in 1994. An Energy Cost Rate (ECR) adjustment to ratepayers monthly bills of \$1.56 in 1994 and \$0.01 in 1995 is not sufficient relief. I request that the Commission remove Perry from rate base for the period it was not used and useful in 1993 and 1994 and adjust customer rates accordingly.

III PERRY IS ECONOMIC EXCESS CAPACITY

Section 1323 of the PA Public Utility Code states:

...a rebuttal presumption is created that a unit or units or a portion thereof shall be determined to be excess unless found ...to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or **within a reasonable period following the test year** (emphasis added). *66 Pa. C.S. s. 1323.*

In 1988 intervenors in the Perry ratebasing case predicted that Perry would not be an economic benefit to DLC ratepayers. However, because the plant was new, intervenors could only estimate their projections. Now we have eight years of Perry operation to examine and the evidence is overwhelming that Perry represents

economic excess capacity. By every available measurement, Perry's operating performance in 1993 and 1994 (that is in the little time that it was operating), particularly when compared to similar nuclear plants, is terrible. **And the double-edged sword here is the fact that while Perry's capacity factors were spiraling downward, O&M costs were skyrocketing.**

1) In the ratebase case (R-870651) Duquesne claimed that the addition of Perry would result in annual fuel savings of \$10.5 million (see Fig.4).³ And remembering that a generating unit can only be considered to not be economic excess capacity if its total annual economic benefits exceed its total annual costs, here are the actual annual savings attributed to Perry along with the annual cost of plant, Duquesne's share, (13.74 % of Perry):

	Annual Savings ⁴	Operation, Maintenance and fuel costs ⁵
1987\$	704,000	\$ 3,407,000
1988	1,973,200	29,979,000
1989	2,123,600	32,675,000
1990	4,600,200	32,155,000
1991	3,710,700	28,255,000
1992	6,253,300	26,305,000
1993	2,687,900	21,929,000
1994	<u>3,164,000</u>	<u>36,224,000</u>
Total	\$25,700,000	\$210,929,000

This represents a loss to Duquesne of \$185,759,000 to 1994.

2) Perry Operation and Maintenance(O&M) costs are too high. Estimates for Boiling Water Reactor(BWR) annual non-fuel O&M costs range from \$85 million⁶ to about \$120million.⁷ If you average these two estimates, (\$102.5 million), **Perry O&M costs are about 50%(1993) to 90%(1994) above what they are supposed to be.** In 1993, Perry's non-fuel O&M costs were \$148.4 million.⁸ Duquesne claims its share of these costs were \$15,363,000. In 1994, Perry's non-fuel O&M costs totalled a whopping \$190 million.⁹ Duquesne claims it's share of O&M costs for 1994

³ From DLC response to interrogatory 02-12

⁴ DLC response to interrogatory 01-05

⁵ DLC response to interrogatories 02-10 and 03-02

⁶ *A Comprehensive Assessment of the Strategic Planning Process of the Cleveland Electric Illuminating Company and the Toledo Edison Company*, Hagler Bailly Consulting, November 1, 1995, p.3-6.

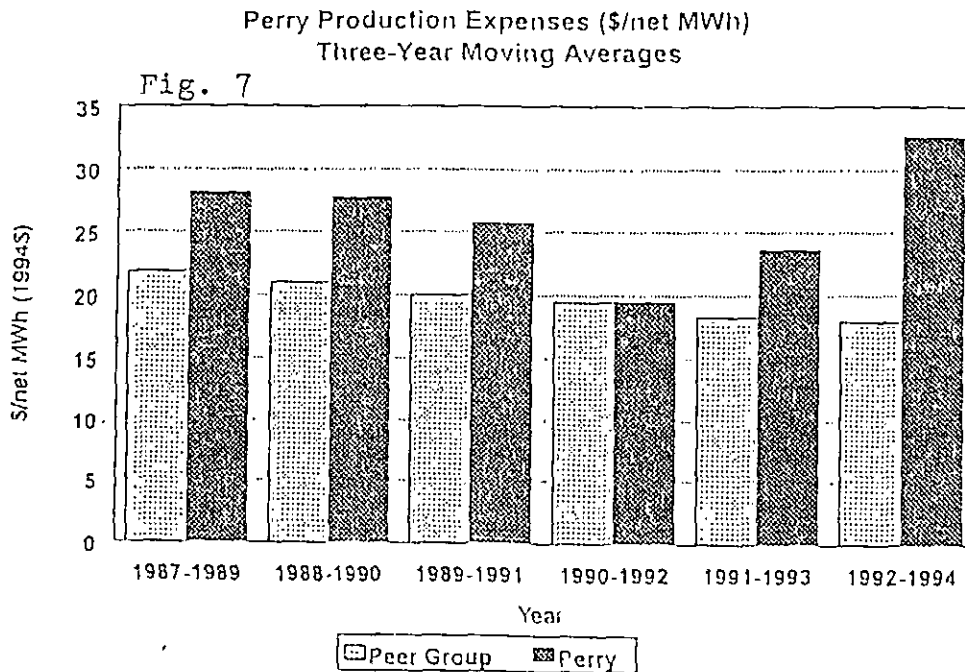
⁷ *An Analysis of Nuclear Plant Operating Costs: A 1995 Update*, U.S. Energy Information Agency, April 1995 p.15.

⁸ *Staff Report of Investigation, Public Utilities Commission of Ohio*, Case No. 95-300-EL-AIR, p.218.

⁹ Id

skyrocketed to \$28,468,000. And according to the Energy Information Agency(EIA), real O&M costs are probably 30% higher than reported. Fig.5 shows that according to the EIA, Perry ranks 52 out of 66 plants with one of the worst levels of O&M costs.¹⁰ If we include the 1994 record O&M costs, Perry's ranking would likely be even lower.

3) These exceedingly high O&M costs naturally have led to overly high costs per Megawatt Hour(\$/MWH). Fig. 6 shows that, according to a DLC survey, when measuring \$/MWH, Perry is one of the worst plants of its kind, ranking 17 out of 23 plants.¹¹ Perry's \$35.91/MWH three year (1992-1994) average is double that of Hope Creek (\$16.98/MWH), a General Electric Mark I reactor similar to the Perry reactor. And Perry is significantly higher than Clinton (\$24.49/MWH), A GE Mark III, just like Perry. As Fig.7 below graphically displays, for the same period, Perry's production costs are double what they should be.¹² These figures are worse for Perry if 1992 data is not averaged in.



4) Even Duquesne Light admits that Perry is uneconomical. Duquesne took the unusual step of intervening in the Cleveland Electric Illuminating Company(CEI) rate case (No. 95-300-EL-AIR) currently pending in Ohio. In recent testimony before the Public Utility Commission of Ohio(PUCO), Duquesne more than supports my complaint, they validate it. Duquesne complains to the PUCO that:

¹⁰ Id at 9, p.12
¹¹ Id at 1
¹² Id at 8, p.3-7

- (a) In 1993, Perry O&M and Capital costs "exceeded original projections by \$45 million."¹³
- (b) In 1994, Perry O&M and capital costs "exceeded original projections by \$97 million"¹⁴
- (c) Perry's fourth refueling outage scheduled for 90 (actually it was 85) days at a cost of \$28.7 million, lasted 190 days and eventually cost \$94 million.¹⁵

According to Duquesne, "Perry has consistently exceeded its budget and its financial performance continues to...be a drain on the resources of all plant owners".¹⁶ And as Fig. 8 makes clear, this excessive spending is projected to continue into 1997. According to Duquesne's PUCO testimony, **Perry will exceed its original O&M and capital cost projections by more than \$250 million**; Duquesne's share of that is \$35 million.¹⁷ Duquesne claims that ratepayers will not have to pay these costs. There are two major problems with this argument. First, when Duquesne requests its next rate increase, these costs will impact its financial condition and thus its revenue requirement. Ratepayers will have to pay whatever is left of these costs. But more importantly, if these extra costs didn't exist, if Perry wasn't draining Duquesne's financial resources, ratepayers would undoubtedly see relative benefits, including true rate reduction. Indeed, one of Duquesne's partners in Perry, Ohio Edison, did just that for its ratepayers last year. And what is truly frustrating about this is the fact that Duquesne really doesn't need Perry's 161(4) generating capacity.

IV DUQUESNE DOESN'T NEED PERRY

1) According to Duquesne's 1994 and 1995 Integrated Resource Plan(IRP), the Company has "abundant", "underutilized" and "reliable" base load generation sources¹⁸ and expects to have sufficient capacity through 2004.¹⁹

2) Perry represents only 6% of Duquesne's net system capacity (164MW of 2819MW). **On June 16, 1994, Duquesne experienced its all-time record peak demand of 2,535MW and Perry was out of service.**

¹³ Id. at 8.

¹⁴ Id.at 1, p.8

¹⁵ Id. p.9

¹⁶ Id.

¹⁷ Id. p.11

¹⁸ DLC 1994 Integrated Resource Plan (IRP) p.2 and 13-24; 1995 IRP, pp.3 and 15-3.

¹⁹ DLC 1995 IRP, pp. 5 and 23.

3) In 1993, when Perry was down 205 days, Duquesne was still able to sell 2.8 billionKWh (19% of sales) to other utilities.²⁰

4) In the base rate case No.R-870651 Duquesne claimed to have 400MW of tie-in capacity. Now according to its 1994 and 1995 Integrated Resource Plans(IRP), Duquesne has 6,000MW of interconneted and transfer capacity. Add to this 93MW of interruptable load and 65MW Demand Side Managemen(DSM) savings. But most important, Duquesne has 567MWs of "environmentally clean", "reliable" cold-reserve capacity with the Brunot Island Combined Cycle(BICC) and Phillips facilities, giving Duquesne 6,725MW total available generating capacity **above** its own 2,819MW system capacity. This is not an electric utility in desperate need of any generating capacity, particularly from a poor performer like Perry. With demand estimated to grow only 1.2% annually²¹ for the foreseeable future, Duquesne should have no problem meeting its responsibilities without the Perry burden.

5) Duquesne could close Perry today-**actually it is closed today**-and there will be no problem. It will be cheaper, in fact, if Duquesne unloaded Perry and either makes use of its cold reserve capacity, or buys power as needed, or even builds a new combined cycle(CC) facility.Examples using Duquesne's figures show that Perry is more expensive than either a new CC unit, or Brunot, or Phillips; and remember, Perry provides less generating capacity than these other units.²²

	Perry(1994) (161MW)	Phillips(1986) (300MW)	Brunot(1985) (267MW)	New CC Unit (300MW)
Installed cost/KW	\$4,219	\$345.12	\$205.30	\$500-\$550
Non-Fuel O&M/KW	\$159.00	\$ 25.21	\$ 4.33	\$ 15.62
Total cost/ Kwh	\$ 0.057	\$ 0.049 ²³	\$ N/A ²⁴	\$ 0.039

Unlike its opinion of the Perry Plant, DLC thinks very highly of its cold reserve units. In its 1994 IRP, Duquesne says: "The Phillips Power Station is a highly reliable, cost-competitive" unit that "has been carefully maintained while in cold reserve status" and

²⁰ DLC 1994 IRP, p.2.

²¹ Id

²² These figures are based on information in DLC FERC forms, DLC response to interrogatory 02-16 and from *Annual Energy Outlook*, Energy Information Agency, January 1996, p. 32.

²³ According to the EIA current coal prices for this region are \$0.015 which will reduce Phillips costs.

²⁴ Too small to measure.

"can be reactivated at a cost which, including remaining book value, is competitive with a new combined cycle facility".²⁵ DLC says: "The major competitive advantage offered by the Brunot Island facility in the marketplace is low price. The reactivation cost for the entire combined cycle plant, including book value, is substantially below the cost of a new simple cycle peaking turbine. The Brunot Island combustion turbines alone can be reactivated at a cost below most demand-side management or conservation programs."²⁶

6) Perry can't compete in terms of operating availability either:

	Perry		Phillips ²⁷
1993	44%	1985	79%
1994	47%	1986	86%

7) Ratepayers would be better off if Duquesne unloaded Perry and purchased power as needed. As Fig. 9 shows, in the winter of 1993-94, Perry's O&M cost three times available replacement power.²⁸ However, records indicate that DLC usually buys power in hot weather. According to DLC, Perry cost \$27,559,707 in 1993, even though it was out of service for 205 days. Replacement power costs for that time period were \$669,000. Perry cost DLC a record \$40,833,881 in 1994, even though the plant was down for 190 days. Replacement power costs for that period totalled \$3,000,000. As Fig. 10 clearly shows, DLC bought power only in June, July and August. Perry was down all of June and July and over half of August. Thus we are talking about costs of tens of millions of dollars for Perry v. a few hundred thousand or millions of dollars if Perry were out of the rate base, we had a very hot summer, and DLC did not reactivate its cold reserve units. To simplify, **replacement power costs in 1993(\$0.016) and 1994(\$0.017) were almost three times cheaper per KWh than Perry(\$0.04-\$0.06)**. We can see then that if Perry were permanently taken out of service, and Duquesne did not utilize any of its cold reserve capacity, it would still be cheaper for ratepayers were Duquesne to purchase power as needed.

8) Duquesne claims in its 1994 and 1995 IRP that it expects to have to purchase power less than 100 hours per year.

²⁵ Id. p.13-24.

²⁶ Id.

²⁷ Last two full years of operation

²⁸ *A Roll of the Dice: NRC's Efforts to Renew Reactor Licenses*, Public Citizen, April 1995, p.21.

V CONCLUSION

Whether Duquesne purchases power when necessary, or reactivates Brunot or Phillips, or builds a new CC generating unit, there is no question that more economical alternatives to Perry power exist. Duquesne admits in its testimony before the PUCO that Perry is uneconomical and a drain on the company's resources. Perry I, without doubt, represents economic excess capacity on the Duquesne system and (along with the prohibitive construction costs of Perry I and II and Beaver Valley II), is the main culprit in causing Duquesne's rates to be 85% above some surrounding service territories.

The information provided in this testimony, **most of which is information provided by Duquesne Light**, makes it abundantly clear that the Perry Nuclear Power Station does not provide an economic benefit to Duquesne ratepayers and that **Perry prevents Duquesne from giving its ratepayers true rate reduction**. The meager 1994 and 1995 ECR adjustments have not alleviated the burden Duquesne ratepayers bear as a result of this uneconomical electric generating source. Again, Perry was not used and useful for 205 days in 1993 and 105 days in 1994. Perry is economic excess capacity. Because of Perry, DLC rates are too high and thus unjust and unlawful.:

I respectfully ask the Commission to take the necessary action, now, to give DLC ratepayers just and lawful electric rates. I recommend the following remedies for the Commission's consideration.

VI SUGGESTED REMEDIES

- 1) Recognizing that with cheaper alternatives available, the Perry Plant will never be competitive, declare Perry economic excess capacity, and remove Perry from Duquesne's rate base.
- 2) Declare Perry not used and useful for 205 days in 1993 and 105 days in 1994 and disallow an equity return on Perry based on that timeframe; or
- 3) Reduce Duquesne Light rates by \$19.4 million, Duquesne's share of excessive O&M and capital costs for Perry in 1993 and 1994²⁹; or reduce DLC rates by the amount Perry I O&M costs were above average O&M costs for similarly constructed generating units, or \$12,562,009 (DLC share).³⁰

²⁹ \$19.4 million is 13.7% of \$141.4 million, the amount Perry I O&M went over budget/goal for 1993 and 1994, as shown in Fig. 9.

³⁰ Id at 10

- 4) Recognize that ECR adjustments are not performance incentives and (a) institute a Performance-based Incentive Plan (PIP) that has real rewards and penalties, and (b) require Duquesne to perform annual cost/ benefit analyses on their nuclear units. (According to the IRP, Duquesne currently does this for its fossil fuel units).
- 5) Perform annual Commission investigations to determine whether Duquesne has any economic excess capacity and disallow any unit that represents economic excess capacity.

To conclude, the information provided in this testimony proves conclusively that the Perry Plant does not provide an economic benefit to DLC ratepayers, and that for 205 days in 1993 and 105 days in 1994 the Perry plant was not used and useful. In addition, DLC really doesn't need Perry. It would be a prudent management decision if DLC were to unload Perry and either reactivate some of its cold reserve capacity or purchase power when necessary. This would permit DLC to give its ratepayers the true rate reduction they deserve.

It is only fair that DLC ratepayers get relief from the unfair burden the Perry Power Plant places on them. The ECR adjustments made in 1994 and 1995 are simply not sufficient relief considering the potential rate reductions that would be possible if DLC wasn't paying double what it should be paying for Perry. Considering all of this, I am convinced that the Commission should find that the Perry Plant is economic excess capacity and remove it permanently from DLC rate base. Short of that, the least the Commission should do is to declare the Perry Plant not used and useful for 205 days in 1993 and 105 days in 1994, and disallow a return on that basis. To do anything less would be to permit DLC to earn an excessive return on the fair value of its other used and useful property while Perry was out of service in 1993 and 1994. It is criminal that, for so long, DLC ratepayers have had to pay excessively high rates. It is especially unfair that we have to pay high rates for a generating unit like the Perry Plant. It is now time for the Commission to make a long overdue mid-course correction in the DLC nuclear investment saga. Enough is enough.

DAVID HUGHES, Complainant

Date

DAVID HUGHES STATEMENT 2

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

**APPLICATION OF DUQUESNE POWER COMPANY FOR
APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE**

DOCKET NO. R-00974104

**PREPARED DIRECT TESTIMONY AND
EXHIBITS OF**

JONATHAN D. MUEHL

**SUBMITTED ON BEHALF OF:
DAVID HUGHES**

NOVEMBER 7, 1997

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Q. Please state your name and address.

A. My name is Jonathan D. Muehl. My address is 856 Ridgefield Ave, Pittsburgh, PA 15216.

Q. On whose behalf are you testifying?

I am testifying on behalf of David Hughes.

Q. Please describe your background and experience in electric utility issues.

I have a joint masters degree in business and public policy from the Carnegie Mellon School of Industrial Administration and the Heinz School of Public Policy. I am also a Chartered Financial Analyst. I am co-founder of the Coalition for Improving Electric Rates and have spent the last year and a half analyzing Duquesne's financial status. I have published perspectives on the restructuring issue in the Pittsburgh Post Gazette.

Q. What is the purpose of your testimony today?

I will present the perspective of a consumer trained in matters of business and public policy on the issue of stranded cost mitigation.

Q. Is there an overarching theme to your testimony?

A. Yes. I will present evidence to support my view that Duquesne Light has had ample opportunity to mitigate a much greater portion of its stranded costs than it has. Revenue that could have been used to offset stranded cost mitigation (via accelerated depreciation, or by writing down the value of the stranded assets) has instead been used to provide the shareholders of Duquesne Light with a rate of return greatly in excess of that justifiable by sound public policy.

Q. How can it be argued that Duquesne Light has not mitigated its stranded costs as much as it could have?

There are a variety of ways in which one could approach the question of the extent to which Duquesne Light could have, but has not, mitigated its stranded costs. One approach would be to look at savings they have realized through a variety of steps to improve their operating efficiency (e.g., staff reductions), and then examine the extent to which those savings have been applied to stranded cost mitigation. After all, the rates allowed by the PUC should not permit companies to operate in an inefficient manner. When companies weed out inefficiencies, they are merely eliminating costs that should not have been allowed in their rate base in the first case. Those savings should therefore accrue to the consumers.

Q. Is this the approach you will be using?

Although the approach I just described has some theoretical justification, it would be difficult or impossible to accumulate all of the data necessary to support it. Instead, I will argue that a convenient proxy for the determination of the stranded costs Duquesne Light could have, but did not mitigate can be found in examining the total return of Duquesne Light stock over a recent period. Specifically, I will examine the total return of Duquesne Light stock over the ten years

period from September 30, 1987 through September 30, 1997, and compare it to what might be deemed a reasonable rate of return for shareholders.

Q. What is your justification for using this approach?

My logic is as follows. A regulated monopoly can manage its total return. It can do so in several ways. First of all, it has control over both its rates and its dividends. Every dividend it pays represents a transfer of wealth from its rate-payers to its shareholders. (Nor is it a voluntary transfer, given the regulated entity's monopoly status.) The publicly traded regulated entity also has control over the number of its shares that are outstanding. Not only can it pay out dividends as a way of transferring cash to its shareholder, it can buy back stock as well. In fact, in an environment where capital gains are treated more favorably than dividend income, the repurchase of stock may well represent a more favorable way of rewarding its shareholders.

Similarly, if a publicly traded company like Duquesne Light seeks to mitigate its stranded costs without jeopardizing its financial position, it has several alternatives other than raising rates. These alternatives in effect represent a reduction in the return to its shareholders to the potential future benefit of its rate-payers. As seen above, it can reduce its cash flow to its shareholders by 1.) not increasing its dividend, or 2.) reducing its dividend. In addition, it can preserve or augment cash for cash flow purposes by 1.) not buying back its stock from its shareholders, or 2.) issuing additional stock.

Q. Could you clarify the relationship between the mitigation of stranded costs and the shareholder's rate of return?

A. A simple and effective way for a company to mitigate its stranded costs is to accelerate the depreciation of its stranded assets, or to simply write down the value of those assets. Where those assets have a book value significantly in excess of their market value, either approach can bring their book value down to their market value rapidly. Stranded costs associated with the investment are thereby quickly reduced or eliminated.

Q. What effect will this have on the company's financial position?

A. The speed at which an asset is depreciated will have little immediate effect on cash flow, and thus will not effect the ability of the company to meet its financial obligations.

Q. Why do you say that there will be little immediate effect?

A. The speed at which a company depreciates its assets is a book entry only. The money required to construct the asset has already been borrowed and spent. However, from a psychological point of view, the company may find it harder to justify high dividends and/or stock buy-backs if its income statement is showing losses as a consequence of accelerated depreciation or a significant write down of asset value.

Q. What would be the longer term effect of depreciating the assets more rapidly?

A. Once the assets are fully depreciated, if there is no immediate need to replace them (as there would not be in an accelerated depreciation or write-down scenario), the company is going to

suddenly appear to be more profitable. It will cease to have a depreciation expense associated with that asset, and consequently net income will be higher.

For a regulated entity, this may mean enforced rate reductions. With an income statement that is suddenly much more profitable, the company may be required to lower its rates.

Q. What effect would this have on the company's ability to serve its customers?

Unless the regulators thought that the company was guilty of gross negligence, it seems reasonable to expect that the lower rates set by the regulators would still allow the company sufficient cash flow to continue serving its customers.

Q. What effect would this have on the company's ability to reward its shareholder?

If regulators were to reduce the company's rates, it is probable that the shareholder's total rate of return on their holdings would suffer in contrast to a scenario in which the rates weren't lowered.

Q. Would it be fair to the shareholders to force down their rate of return?

A. This gets to the question of what is a fair rate of return for the shareholders, and to the crux of my argument. Moving from the theoretical to the specific, the critical question with respect to Duquesne Light becomes: could Duquesne have mitigated its stranded costs to a greater degree than it has and still have provided its shareholders with a reasonable return?

To answer this question, we must look at the total return to Duquesne Light's shareholders. From September 30, 1987, to September 30, 1997, the total return to Duquesne Light's shareholders, annualized, was 19.63%. (This total return assumes reinvestment of dividends in Duquesne Light stock.) In contrast, here is the annualized total return for some other markets:

Market	Annualized Return
1.) S&P 500 Index Total Return (9/30/1987 - 9/30/1997)	14.75%
2.) S&P Electric UtilityCo. Index Total Return (9/30/1987 - 9/30/1997)	11.09%
3.) Lehman Aggregate Bond Index Total Return (9/30/1987 - 9/30/1997)	9.48%
4.) U. S. Government 10 Year Bond Yield on 9/30/87 plus 2% ¹	11.59%
5.) 90 Day Treasury Bill Yield (9/30/1987 - 9/30/1997) plus 2% ¹	7.59%
6.) <i>Duquesne Light Total Return</i> (9/30/1987 - 9/30/1997)	19.63%
¹ I've added 2% as a risk premium to Duquesne Light investors.	

Now let us consider an investor with \$1 invested in Duquesne Light stock on September 30, 1987. If we calculate the value of his investment on September 30, 1997 by $\$1 * ((1.1963)^{10})$, we can see that his dollar has grown in value to \$6.0035, for a profit of \$5.0035. Next let us consider the profit (calculated in the same manner) of the investors in the above markets.

Market	Profit
1.) S&P 500 Index Total Return (9/30/1987 – 9/30/1997)	2.9585
2.) S&P Electric Utility Co. Index Total Return (9/30/1987 – 9/30/1997)	1.8625
3.) Lehman Aggregate Bond Index Total Return (9/30/1987 – 9/30/1997)	1.4737
4.) U. S. Government 10 Year Bond Yield on 9/30/87 plus 2%	1.9940
5.) 90 Day Treasury Bill Yield (9/30/1987 – 9/30/1997) plus 2%	1.0784
6.) <i>Duquesne Light Total Return</i> (9/30/1987 – 9/30/1997)	5.0035

As of the end of September 30, 1987, the total investment of Duquesne Light's common shareholders in its stock (as measured by price per share times total common shares outstanding) was \$932,267,250. Let us now consider the profit that those shareholders realized in their stock, using the simplifying assumption that they held their stock for the ten year period, and reinvested all dividends. This number can be derived by multiplying \$932,267,250 by 5.0035, from the above table. The answer is \$4,664,599,185. (Remember that this is the profit only. It has the initial investment netted out of the amount the initial investment would have grown to.)

Now let's compare that profit with the profit that the total September 30, 1987 investment of \$932,267,250 in the above listed markets would have earned.

Market	Profit
1.) S&P 500 Index Total Return (9/30/1987 – 9/30/1997)	2,758,112,659
2.) S&P Electric Utility Co. Index Total Return (9/30/1987 – 9/30/1997)	1,736,347,753
3.) Lehman Aggregate Bond Index Total Return (9/30/1987 – 9/30/1997)	1,373,882,246
4.) U. S. Government 10 Year Bond Yield on 9/30/87 plus 2%	1,858,940,896
5.) 90 Day Treasury Bill Yield (9/30/1987 – 9/30/1997) plus 2%	1,005,357,002
6.) <i>Duquesne Light Total Return</i> (9/30/1987 – 9/30/1997)	4,664,599,185

Now, finally, let's look at the excess that the Duquesne Light investors earned in profit over investors in the other markets (that is, the difference between the Duquesne profit and the other markets' profit.)

Market	Duquesne Excess Profit
1.) S&P 500 Index Total Return (9/30/1987 - 9/30/1997)	1,906,486,526
2.) S&P Electric Utility Co. Index Total Return (9/30/1987 - 9/30/1997)	2,928,251,432
3.) Lehman Aggregate Bond Index Total Return (9/30/1987 - 9/30/1997)	3,290,716,939
4.) U. S. Government 10 Year Bond Yield on 9/30/87 plus 2%	2,805,658,289
5.) 90 Day Treasury Bill Yield (9/30/1987 - 9/30/1997) plus 2%	3,659,242,183

The evidence of the above table seems to me to be clear. By a variety of reasonable measures of a fair return to Duquesne Light shareholders, the total return they have achieved over the past ten years has excessive, considering Duquesne's status as a protected monopoly. This excess profit is money that should be netted out of Duquesne Light's calculation of stranded costs, as it represents a transference of wealth from rate-payers to shareholders in excess of that which would be reasonable for a regulated utility.

Which of the above markets is the most reasonable one to use in the determination of the amount that should be netted from Duquesne Light's stranded costs? In my view, given the protected status Duquesne Light has enjoyed as a monopoly, the first measure -- the S&P 500 -- is too generous. I believe a strong argument can be made for either the second or the fourth measure: the return of the S&P 500 Electric Companies Index total return, or the yield as of September 30, 1987 on the 10 year government bond plus 2%.

In any case, by any of the above measures, Duquesne Light has rewarded its investors very generously at the expense of its rate-payers. This excess reward to its investors could have, and should have, been used to mitigate its stranded costs. The situation is one which, in my view, demands correction.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company)
For Approval of its Restructuring Plan) Docket No. R-00974104
Under Section 2806 of the Public Utility)
Code)

SURREBUTTAL TESTIMONY

OF

DAVID HUGHES

DECEMBER 11, 1997

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1 Q. **Please state your name and address**

2 A. My name is David Hughes. I reside at 4037 Ludwick St., Pittsburgh, PA 15217

3 Q. **Have you testified previously in this proceeding?**

4 A. Yes, I submitted direct testimony on November 7, 1997

5 Q. **What is the purpose of your testimony today?**

6 A. I am submitting surrebuttal testimony to the rebuttal testimony of Mr. Donald Clayton
7 (Vol. I; pp.56-58) and Mr. Ralph Duckworth (Vol. II; pp. 1-10). Specifically, I will
8 address: (1) Mr. Clayton's contention that historical issues associated with the decision
9 to build the Perry 1 and Beaver Valley 2 (BV2) Nuclear Units are not relevant to the
10 instant proceeding, and (2) Mr. Duckworth's contention that these units are "used and
11 useful". My testimony is presented in the context of my main contention which is: the
12 Perry 1 BV2 generating units are not being made uneconomical by deregulation. These
13 investments have been uneconomical since at least November, 1987, the start of ope-
14 ration. I submit that this should be the PUC's primary consideration when determininig
15 "just and reasonable" stranded cost recovery for Duquesne Light.

16 Q. **Do you agree with Mr. Clayton's assertion that "historical issues" are not relevant
17 to this case?**

18 A. Yes, but only those historical issues prior to the PUC's March, 1988 rate base order. In
19 fact, it is Mr. Clayton, along with Mr. David Marshall, who introduced historical issues
20 into this restructuring proceeding. Mr. Marshall refers to the "late 1970's" predictions of
21 "rapid expansion" in steel production (Marshall Direct Testimony, Vol.I, p. 19). As I
22 indicated in my Direct Testimony, Mr. Marshall has justified the decision to build his
23 company's nuclear units on the expected growth in steel production (David Hughes
24 Direct Testimony, p.). Mr. Marshall has used a related historical issue-the "collapse" of
25 the steel industry-to explain why Duquesne had to curtail its planned capacity additions in
26 1980. Both Mr. Clayton and Mr. Marshall use this particular historical issue to claim
27 "\$340 million in stranded cost mitigation and \$700 million in avoided rate increases to
28 date" (Clayton, Direct Testimony, Vol. I, pp. 5-7 & 24) (Marshall, Direct Testimony, Vol.
29 I, pp. 19 & 20). In this instance, I fail to understand how Duquesne can count capacity

1 that was canceled 17 years ago as part of its stranded cost mitigation calculation. Mr.
2 Marshall has used these and other historical issues to (1) justify the decision to build
3 Perry 1 and BV2, and (2) support his argument that a “regulatory contract” exists which
4 required the building of these units and thus justifies continued return on the investment
5 (Marshall, p.23).

6 As stated, Mr. Clayton makes these same arguments, based on the same historical issues,
7 in his Direct Testimony. Although, in his Rebuttal Testimony (Vol I. P. 58), Mr. Clayton
8 attempts to change the purpose of the former testimony, his Direct Testimony is clearly an
9 attempt to use historical issues to justify the additional capacity of Perry 1 and BV2. For
10 example, on page 5 he says:

11 Throughout the 1970's, various steel companies had informed Duquesne that they
12 intended to add significant high load factor load over the next several years. With
13 these and other additions, it was expected that the Company's total load would
14 approach 3300MW. All indications were that the Company was deficient in base
15 load capacity and would have to make significant capacity additions in order to
16 fulfill its public service obligation to meet this demand.

17 Mr. Clayton goes on to say that due to the subsequent “collapse” of the steel industry,
18 “Duquesne was left with *expensive* new nuclear generating units to serve the base load
19 that had just evaporated” (Clayton, p.6, emphasis added).

20 **Q. Are there additional historical issues that you wish to address?**

21 **A.** Yes. In his Direct Testimony (pp.23-25), Mr. Marshall refers to the regulatory history of
22 the Perry1 and BV2 units. He claims that the Pennsylvania Public Utility Commission
23 (PUC) determined that the company's investment in these units was “prudent” and
24 therefore the company deserves a return on and a return of this investment. In his Direct
25 Testimony (p.7) and Rebuttal Testimony (p. 57), Mr. Clayton makes the same historical
26 argument with regard to past PUC decisions.

27
28 **Q. Why do you think these historical issues are important?**

29 **A.** For the same reason that Mr. Marshall and Mr. Clayton do. Both of these gentlemen have
30 tied stranded cost recovery to historical issues; to the so called “regulatory contract”.

1 They have stated that the requirements of the "regulatory contract" caused Duquesne to
2 build Perry 1 and BV2. They can't have it both ways. They can not use historical issues to
3 justify stranded cost recovery for Duquesne, and attempt to deny me the right to use
4 historical issues to justify my position with regard to stranded cost recovery. Were this
5 strategy successful, it would essentially eliminate my opportunity to counter their
6 arguments. I believe certain historical issues are important, indeed critical, to an
7 investigation, the outcome of which, has historical consequences.

8 **Q. Are you suggesting that the PUC "relitigate" these issues?**

9 A. No. I have made this very clear both in my in my Formal Complaint (C-00945953) and in
10 my Direct Testimony in this proceeding. In fact, I submit that the PUC should ignore the
11 pre March, 1988 historical arguments that Duquesne makes to justify stranded cost
12 recovery and concentrate on the economics of Perry 1 and BV2 since they have been in
13 rates.

14 **Q. What are you proposing?**

15 A. I am proposing this: the PUC has had at least three opportunities to lessen the rate impact
16 of the Perry 1 and BV2 units: (1) within the prudence investigation, (2) in the rate base
17 proceedings, and (3) in my complaint case. The PUC did make some adjustments in the
18 first two, and has since made some ECR adjustments. These adjustments, however, are
19 insignificant in actual dollars, compared to the enormous burden Perry 1 and BV2 are for
20 Duquesne rate payers. The PUC can, and should, do more. Before it, is yet another,
21 opportunity to make real and fair adjustments that should be reflected in any stranded cost
22 recovery.

23 **Q. On what basis do you make this proposal?**

24 A. First, on the basis that this is exactly what the PUC "ordered" me to do. In its Opinion
25 and Order in C-00945953, dated September 19, 1996, the PUC indicated that it believes
26 the instant proceeding is the appropriate venue to investigate the issues I raised in my
27 complaint. Also, on the basis that: (1) a determination of "prudent" construction of a
28 facility by the PUC does not translate into a right to a return on, or even a return of, an
29 investment; (2) a decision by the PUC to rate base an asset does not translate into a

1 guarantee that those who invested in the enterprise will get a return on that investment at
2 any point in time; and (3) if a "regulatory contract" exists, it does not require a utility to
3 make a bad or uneconomic investment. It should not require customers to pay for
4 excessive cost overruns; and it certainly should not continue to cost rate payers over time,
5 when it has been proven that the investment will not, as required, provide an economic
6 benefit to rate payers.

7 Q. **Would you elaborate on each of these points?**

8 A. Yes. It is true that the PA PUC disallowed very little of the construction costs of the Perry
9 1 and BV2 units. But, as stated above, a determination of construction prudence does not
10 mean that the PUC can never again make an adjustment on recovery of an investment.
11 ALJ Meehan so ordered as such in my complaint case. (Order No. 4). In fact, the PUC
12 did make such an adjustment in the Perry1 and BV2 rate base case (R-870651), **after** the
13 PUC's prudence investigation. Because Duquesne is now claiming its investment in Perry
14 1 and BV 2 as stranded costs, the new Act requires the PUC to re-evaluate these costs to
15 determine how much of them should be born by rate payers. In addition, the PUC is not
16 required by Chapter 28 to order stranded or transition cost recovery based on the fact that
17 the cost in question was determined to be prudently incurred. Section 2804 (14) states:

18 *The transition to a competitive generation market shall be orderly, protect electric*
19 *system reliability, be fair to ratepayers and provide investors in Pennsylvania elect-*
20 *ric utilities with a fair opportunity to fully recover the amount of transition or strand-*
21 *ed costs that the Commission determines to be just and reasonable. (emphasis*
22 *added).*
23

24 There is no mention in this, or other relevant sections of the Act, i.e. 2803 (3)(II) or 2808
25 (C)(3), that pertain to stranded or transition cost recovery, of the word "prudent".

26 **Whether the Perry 1 and BV2 investment is prudent or not, is not relevant to this**
27 **case.**

28
29 I think the second point is essentially self explanatory. Although Duquesne would like
30 everyone to believe that once construction of a unit has been determined to be prudent,

1 and once the unit is rate based, it would be wrong not to let investors enjoy a return on the
2 investment. I do not think it unfair to shareholders, that after 10 years of a good return on
3 a bad investment, a change occurs, and the pendulum swings in favor of the customers.
4 Especially if there was no guarantee of a return on that investment in the first place.

5 It is true, that the PUC decided in March, 1988 to rate base Perry 1 and BV2. But the
6 PUC also decided that Duquesne failed to meet its burden of proof that these units would
7 provide an economic benefit to rate payers. Accordingly, the PUC made an economic ex-
8 cess capacity adjustment for Perry 1 and BV2. Relative to Perry 1, the PUC disallowed a
9 return on the capacity of EL Rama Unit 1 and part of Unit 2, or \$31 million. For BV2 the
10 PUC disallowed a return essentially equivalent to the annual lease premium for three
11 years, or nearly \$150 million. Duquesne has stated that these disallowances were off set
12 and thus did not materially effect the Company.

13 It is important to remind ourselves that the economic value of these units was a
14 determination based on projections. What I argued in my Formal Complaint, and am
15 arguing now, is that we now have 10 years of operation of these two units, and this is new
16 information that provides the PUC with its fourth opportunity to decide if additional
17 adjustments should be made with regard to the used and usefulness of Perry 1 and BV2.
18 Contrary to Mr. Clayton's claim (Clayton p.57), my initiative here is not an attempt to
19 "relitigate" prior PUC decisions. My issues have to do with the economics of Perry 1 and
20 BV2 since they were rate based by the PUC in 1988. Other than annual ECR adjustments,
21 The PUC has never made a decision with regard to the operating performance or
22 economics of these units. The key point here is this: an investigation into the economics of
23 Perry 1 and BV2 since March, 1988, shows that these units are not being made uneconom-
24 ical by deregulation; these units have been uneconomical investments since they started to
25 operate.

26 Q. **Would you address Mr. Duckworth's rebuttal of your testimony?**

27 A. I will address some specific assertions in Mr. Duckworth's testimony. Before I do, how-

1 ever, let me state, that although I focused on the Perry Plant in my Formal Complaint, I
2 believe, and stated as such in my Direct Testimony in this proceeding, that both Perry 1
3 and BV2 represent economic excess capacity on the Duquesne system. Bruce Biewald's
4 testimony will support this contention. It is evident that the investment in Perry 1 and
5 BV2 is *the* cause of Duquesne's high rates and represents the vast majority of Duquesne's
6 so called stranded costs. In any event, the PUC found Perry 1 and BV2 to be economic
7 excess capacity in 1988 and I am not aware that the PUC has since determined otherwise.
8 Mr. Biewald's testimony and Perry's operating performance, in particular, has confirmed
9 the PUC's initial judgement. Therefore, **the Competitive Transition Charge must be**
10 **adjusted downward to reflect these facts.**

11 Mr. Duckworth (pp. 4, 7&8) seems to argue that because rate payers do not pay for costs
12 above those already approved, there should be no disallowance relative to Perry. The issue
13 is not who pays for these excess costs, rather that they are more evidence that Perry is
14 uneconomical, regardless of who pays these costs. In fact, Perry has been such a problem
15 plant that Duquesne had to take the unusual step of intervening in the Ohio rate case of its
16 CAPCO partner, the Cleveland Electric Illuminating Company, because of the drain on its
17 resources Perry represents (PUCO Docket No. 95-300-EL-AIR).

18 On page 3 of his testimony, Mr. Duckworth provides a table showing a comparison of
19 Perry non-fuel O & M costs compared to other Boiling Water Reactors (BWR) and to the
20 "Current Approved Rate" for O&M expenditures. Mr. Duckworth claims this table shows
21 that "Duquesne's customers continue to pay a non-fuel O&M rate for Perry well below the
22 industry average for other boiling water reactor plants." There are a number of problems
23 with this assertion, beginning with the fact that Mr. Duckworth has established no basis
24 for the claim that the table represents industry averages for BWRs. Secondly, it is not clear
25 what Mr. Duckworth means by the "Current Approved Rate". It is my understanding that
26 the PUC fixes a rate and customers pay for total cost of service based on that rate. Mr.
27 Duckworth has not disclosed the basis for his calculation as shown in the "Current

1 Approved Rate" column. The correct measurement is to compare Perry's O&M costs with
2 appropriate industry averages, not with some calculation made by Mr. Duckworth that the
3 PUC itself has not established. Even if we assume his figures are relevant and accurate,
4 however, his own table supports my claim that Perry is too costly. His numbers show that
5 Perry's actual non-fuel O&M costs for the last three time periods far exceed the numbers
6 Mr. Duckworth provides for industry averages. (Respectively, 31%, 45% and 18% above
7 the "average BWR"). And remember, we are only talking about O&M costs here. It is
8 interesting to note that high construction costs, like those at Perry, were supposed to be
9 offset by lower O&M costs. Unfortunately, at Perry at least, that has not been the case. In
10 fact, as Mr. Duckworth's table shows, Perry's O&M costs seem to be heading in the
11 wrong direction.

12 Mr. Duckworth points to (p. 5) decreases in fuel costs to support his contention that Perry
13 is economical. He claims that when compared to Duquesne's fuel cost projections in the
14 rate base case, customers have experienced savings due to lower fuel costs. This argument
15 is without merit. Prices are set by the fuel market. Comparisons to Company projections
16 are meaningless because customers pay for fuel costs regardless of projections. I'm sure
17 that if fuel prices had gone up, Duquesne would be claiming that it was not its fault; and
18 it would be correct. But Duquesne can't have it both ways. There is no savings here attrib-
19 utable to Perry operations.

20 Mr. Duckworth points (p.6) to Perry's recently improved capacity factor as additional
21 evidence the plant is economical. He has to admit, however, that Perry's capacity factor is
22 still well below the industry average. The problem is, these arguments sound a lot like the
23 various arguments Duquesne has used since 1971, to justify its decision making in this
24 unfortunate enterprise. First we were told demand was going to grow at an 8% annual rate,
25 thus the need for 17 new generating units. That never happened. Then we were told Perry
26 1 and BV2 would only cost \$754 million. That proved not to be true. Then we were told
27 they would provide savings through lower O&M costs. That failed to materialize. Now we

1 are being told that: yes, things have been bad, but they are getting better, so just wait; and
2 meanwhile, keep paying for our mistakes. Duquesne rate payers have waited long enough
3 for the Company to make good on its promises.

4 Q. **Do you agree with Mr. Duckworth's argument that Perry is "used and useful"?**

5 A. No. Perry's power is obviously used; that is, when the plant is running. That does not
6 mean that Perry's power is needed. More important, it does not mean that Perry's power is
7 useful, i.e. economical. Mr. Duckworth lists (p. 8) 3 reasons why the Perry Plant is "used
8 and useful". They are: (1) Perry has provided capacity in meeting the needs of retail
9 customers, (2) Perry has provided energy in meeting the needs of Duquesne's retail
10 customers, and (3) The lifetime operating availability of Perry Unit 1 compares favorably
11 with the 1987 rate case projections and with industry averages. These are very weak
12 arguments presented to support Mr. Duckworth's claim that Perry is economical. First,
13 let's consider what used and useful actually means. I believe the PUC has made it perfectly
14 clear that the used and useful standard has two components: physical and economic
15 capacity; and that a utility seeking a return on an asset has the burden of proof with regard
16 to these two standards. Remember, that the PUC already decided (in R-870651) that
17 Duquesne failed to meet the economic capacity burden. Presenting figures that show that a
18 generator is improving on a very poor operating performance, yet is still well below
19 industry standards, is not, in my opinion, sufficient grounds for anything anywhere near
20 full recovery of stranded costs. In fact it is a strong argument for a significant stranded
21 cost disallowance. By nearly every measurement, Perry power-and as Bruce Biewald's
22 testimony shows-BV2 power- is uneconomical and therefore not useful.

23 Q. **Is Perry's power needed?**

24 A. I don't believe so, and I presented documentation in my complaint case Direct Testimony
25 (March 20, 1996) to support this claim. Duquesne has admitted (1994 and 1995 Integrated
26 Resource Plans) that it has "abundant", "underutilized" base load generation. 567MW to
27 be exact, and according to Duquesne, "highly reliable" and "cost competitive" capacity at
28 that. I quote from Duquesne's 1994 Integrated Resource Plan (pp. 13-24):

1 The Phillips Power Station is a highly reliable, cost-competitive [unit that] has been
2 been carefully maintained while in cold reserve status [and] can be reactivated at a
3 cost which, including remaining book value, is competitive with a new combined
4 cycle facility. The major competitive advantage offered by the Brunot Island facility
5 in the marketplace is low price. The reactivation cost for the entire combined cycle
6 plant, including book value, is substantially below the cost of a new simple cycle
7 peaking turbine. The Brunot Island combustion turbines alone can be reactivated
8 at a cost below most demand-side management or conservation programs.

9 **Frankly, I do not understand why Duquesne customers have to pay for the**
10 **uneconomic capacity of Perry 1 and BV2 (274MW), when more reliable and**
11 **economic capacity (567MW) has been readily available since 1988. Duquesne**
12 **customers would have double the capacity available to them at a fraction of the cost.**

13 Q. **Would you please summarize your testimony?**

14 A. Yes. In its Opinion and Order in my complaint case, the PUC granted a stay in that
15 proceeding, stating that the issues I raised are stranded cost issues, more appropriate for
16 investigation in the instant proceeding. The PUC also stated that it intended to look at the
17 economics of all of Duquesne's generating units. Following the PUC's instructions, I
18 filed Direct Testimony in this restructuring proceeding to support my argument that any
19 Duquesne's stranded cost recovery should reflect the uneconomic investment in Perry 1
20 and BV 2. These two units alone represent \$1.9 billion of Duquesne's \$2.3 billion of
21 Duquesne's stranded cost estimate, as put forth in the company's 1996 10K, (p. 12). Thus,
22 it is critical that the PUC conduct an extremely thorough investigation into the economics
23 of these nuclear units. Much is at stake here. Indeed, the likelihood of real electric power
24 competition depends a great deal on how the PUC deals with the stranded cost issue.

25 Again, Perry 1 and BV2 are uneconomical. The electricity these plants produce may be
26 used, but it is not useful. To argue that at some future point there is a chance that these
27 assets may become economical is not sufficient grounds for the PUC to continue to charge
28 Duquesne customers for these plants.
29

1 Q. **What is your recommendation?**

2 A. Because the investment in Perry 1 and BV2 was uneconomic from the point they were in-
3 cluded in rates, and not made uneconomic by deregulation, I recommend Duquesne's
4 Customer Transition Charge be reduced significantly below the recovery the PUC would
5 allow, were these generators economic.

6

7 **Thank You Mr. Hughes**

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THE LAW FIRM OF
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January 19, 1998

Via Hand Delivery

James J. McNulty, Secretary/Prothonotary
Pennsylvania Public Utility Commission
North Office Building - Filing Room
PO Box 3265
Harrisburg, PA 17105-3265

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PROTHONOTARY'S OFFICE

RE: Pennsylvania Public Utility Commission v. Duquesne Light Company;
Application for Approval of Restructuring Plan Under Section 2806 of the Public
Utility Code; Docket No. R-00974104; SECOND JOINT STIPULATION

Dear Mr. McNulty:

Pursuant to the Sixth Interim Order issued by presiding Administrative Law Judge John H. Corbett, Jr. in the above-captioned proceeding, enclosed please find an original and three (3) copies of the Second Joint Stipulation executed by counsel for the Mid-Atlantic Power Supply Association ("MAPSA"). MAPSA agrees to waive cross-examination upon the exhibits and testimony itemized in the indices and agrees that these exhibits and testimonies should moved into the record in this proceeding.

All parties to this proceeding have been served in accordance with the attached Certificate of Service. If you have any questions concerning the enclosed documents, please direct them to me. Thank you for your attention to this matter.

Very truly yours,



Todd S. Stewart

TSS/bes
Enclosures

cc: Attached Certificate of Service
Honorable John H. Corbett, Jr., ALJ (via facsimile and First Class mail)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Pennsylvania Public Utility)	PA.F.U.C.
Commission,)	PROTHONOTARY'S OFFICE
)	
v.)	Docket No. R-00974104
)	
Duquesne Light Company)	
Application to approve)	
restructuring plan pursuant)	
to 66 Pa. C.S. § 2806(d))	

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SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

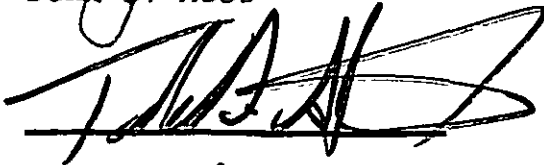
1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:


John S. Moot

Counsel for Intervenor Party:



Name of Intervenor Party:

MAPSA

Dated: January 15, 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 1 of 2

Exhibit	Brief Description
CAAP Statement No. 1	Direct Testimony of John A. Wilson (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit JAW-1	DQE Response to Filing Requirement RP-P-5
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CAAP Exhibit JAW-6	DQE Response to Filing Requirement RP-P-9

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PROTHONOTARY'S OFFICE

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 2 of 2

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

Application For Approval of Restructuring Plan
Pursuant to 66 Pa. C.S. s. 2806 (d)
Docket No. R-00974104

DAVID HUGHES INDEX OF TESTIMONY AND EXHIBITS

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Exhibit DH-6	Duquesne Light Co. 1994 Resource Planning Report, pp. 30&31		

CERTIFICATE OF SERVICE

RECEIVED

I hereby certify that this day a copy of the foregoing Second Joint Stipulation on behalf of Duquesne Light Company has been served upon the persons and in the manner indicated below.

98 JAN 20 11 41 AM
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Pittsburgh, PA 15217



Todd S. Stewart

DATED: January 19, 1998

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Public Utility Consulting

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(717) 743-8145 (Fax)
e-mail: sjrubin@ptd.net

January 19, 1998

James J. McNulty, Prothonotary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

ORIGINAL

Re: Duquesne Light Company Restructuring Plan
Docket No. R-00974104

Dear Mr. McNulty:

Pursuant to the Sixth Interim Order in the above-referenced matter, enclosed for filing please one (1) copy of the Second Joint Stipulation executed by the undersigned on behalf of System Council U-10, IBEW.

As shown on the enclosed Certificate of Service, I am serving a copy of this letter and the first two pages of the Second Joint Stipulation on each party of record. In addition, I am serving a copy of this letter and a complete copy of the Second Joint Stipulation on Administrative Law Judge Corbett. Thank you for your prompt attention to this matter.

Sincerely,


Scott J. Rubin, Esq.

128492

Enclosures

cc: All parties of record
Hon. John H. Corbett, Jr.

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18

ORIGINAL

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,

v.

Docket No. R-00974104

Duquesne Light Company Application to approve restructuring plan pursuant to 66 Pa. C.S. § 2805(d)

128494

SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:


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- 1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

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party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light: 
John S. Moot

Counsel for Intervenor Party: 

Name of Intervenor Party: System Council 4-10, IBEW

Dated: January 15, 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
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Page 1 of 2

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PENNSYLVANIA PUBLIC UTILITY COMMISSION
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**Community Action Association of Pennsylvania
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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

Application For Approval of Restructuring Plan
 Pursuant to 66 Pa. C.S. s. 2806 (d)
 Docket No. R-00974104

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In the Matter of Duquesne Light : Docket No. R-00974104
Company's Restructuring Plan :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Second Joint Stipulation (first two pages without exhibits) via First Class Mail upon the participants, listed on the following pages, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).


Scott J. Rubin, Esq.

Counsel for:
International Brotherhood of Electrical Workers
System Council U-10

Dated: January 19, 1998

128493
98 JAN 20 PM 2:52
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KJR

**Re: Pennsylvania Public Utility Commission v. Duquesne Light Company,
Docket No. R-00974104**

Dear Administrative Law Judge Corbett:

The Duquesne Industrial Intervenors ("DII") submit this letter in support of the Motion of Enron Power Marketing, Inc., for Reconsideration of the Seventh Interim Order in the above-referenced proceeding.

DII does not object to the admission of the Data Responses provided by DII in answer to the Enron Data Requests as cross-examination exhibits into the record of this proceeding. DII believes that admission of the exhibits will advance the record because both the DII and OCA calculations contained therein reflect Commission policy decisions that are relevant to this proceeding. In addition, DII is confident that the ALJ and the Commission will be able to assign the appropriate weight that should be given to the calculations in the exhibits in arriving at the decision in this proceeding.

For the foregoing reasons, DII respectfully requests that the ALJ reconsider the decision in his Seventh Interim Order to bar admission of the Enron exhibits.

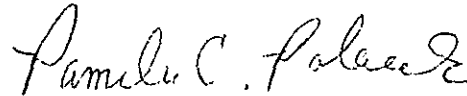
Honorable John H. Corbett, Jr.
January 19, 1998
Page 2

As evidenced by the attached certificate of service, all parties to this proceeding are being duly served with this document. In addition, the original and three copies of this letter will be filed with the Secretary of the Public Utility Commission.

Very truly yours,

McNEES, WALLACE & NURICK

By



James P. Dougherty
Pamela C. Polacek

Counsel to Duquesne Industrial Intervenors

cc: James J. McNulty, Secretary (via hand delivery on January 20, 1998)
Certificate of Service

K:\172\02497\CORBETT3

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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Dated this 19th day of January, 1998, in Harrisburg, Pennsylvania.

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January 19, 1998

James McNulty, Acting Secretary
Public Utility Commission
P.O. Box 3265
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DOCKETED
FEB 04 1998

98 JAN 21 AM 10:01
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PROthonDARY'S OFFICE

RE: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

Dear Secretary McNulty:

On January 23, 1998, the Harrisburg Office of Wolf, Block, Schorr and Solis-Cohen will move from its present location to Suite 300 of the Locust Court Building at 212 ^{KJR} Locust Street. Our mailing address will be:

Wolf, Block, Schorr and Solis-Cohen LLP
Locust Court Building, Suite 300
212 Locust Street
Harrisburg, PA 17101

Please note, our telephone and fax numbers **will not** change.

Very truly yours,

Daniel Clearfield
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

cc: All Parties of Record

DSH:10848.1

68

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document via Federal Express, facsimile or first class mail, postage pre-paid upon the participants, listed below, in accordance with the requirements of 52 Pa. Code § 1.54.

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January 20, 1998

Via Facsimile

Judge John H. Corbett, Jr.
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Re: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

KJR

Dear Judge Corbett:

Duquesne Light Company ("Duquesne") hereby agrees to withdraw its objection to the admission of Cross-Examination Exhibits 6-10 of Enron Power Marketing, Inc. ("Enron"), provided that the enclosed Exhibit DJC-27 is admitted into the record as well. Exhibit DJC-27 provides certain corrections to Enron Exhibits 6-10. Enron has stated that it "has no objection to Duquesne's being permitted to enter a limited statement on the record in response to the specific information contained in those exhibits." Enron Petition for Recon. at 7. Exhibit DJC-27 does so and thereby terminates this dispute, permitting the record to close today, as anticipated by the Sixth Interim Order. If Exhibit DJC-27 is not admitted, however, Duquesne continues to object to the admission of Enron Exhibits 6-10 and requests consideration of the attached Answer to Enron's Petition.

Sincerely,


John S. Moot

cc: All parties (w/enclosures and via facsimile)
Prothontary (w/enclosures)

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EXHIBIT DJC-27

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JAN 20 1998

Corrected OCA Response to ENRON
(PAGE 1 OF 6)

Duquesne Light Company
Retail Cost of Service
\$000

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7-year Levelized CTC based on 7.57% ROE, including return on stranded generating plant

	1996	1999	2000	2001	2002	2003	2004	2005
Total Retail MWh {1}	12,393,680	13,190,847	13,409,923	13,630,334	13,858,512	14,095,579	14,344,614	14,600,619
OCA Proposed Rates c/kWh:								
T&D	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229
{2}								
Market Generation		2.161	2.222	2.231	2.523	3.268	3.386	3.622
Generation A&G	0.368	0.368	0.378	0.389	0.400	0.412	0.425	0.440
Avoidable Generation Component		2.529	2.600	2.620	2.923	3.680	3.811	4.062
CTC		2.691	2.691	2.691	2.691	2.691	2.691	2.691
Total Proposed Rate		7.449	7.520	7.540	7.843	8.600	8.731	8.982
OCA Proposed Revenue								
T&D	276,255	294,024	298,907	303,820	308,906	314,190	319,741	325,448
Market Generation		285,054	297,968	304,093	349,650	460,644	485,709	528,834
Generation A&G	45,609	48,542	50,690	53,022	55,434	58,074	60,965	64,243
Avoidable Generation Component		333,597	348,658	357,115	405,084	518,717	546,673	593,077
CTC		354,941	360,836	366,767	372,907	379,286	385,987	392,875
Total Proposed Revenue		982,561	1,008,401	1,027,702	1,086,897	1,212,193	1,252,401	1,311,400
Total Revenue @ Current Rates	1,106,756	1,177,943	1,197,506	1,217,189	1,237,565	1,258,735	1,280,974	1,303,835
Total Average Revenue c/kwh	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930
Average Rate Reduction c/kwh		1.481	1.410	1.390	1.087	0.330	0.199	-0.052
Difference (Proposed-Current)		(195,381)	(189,105)	(189,487)	(150,668)	(46,542)	(28,573)	7,565
Percent Change from Current		-16.6%	-15.8%	-15.6%	-12.2%	-3.7%	-2.2%	0.6%

Duquesne Light Company
Retail CTC (\$000)
using 7.57% ROE, including return on stranded generating plant

	(1) Level CTC	(2) Level CTC incl GRT	(3) Current Rates	(4) T&D, Gen	(5) Level CTC, T&D, Gen	(6) % Change in Rates	(7) Equal CTC Rate	(8) Equal CTC T&D, Gen	(9) % Change in Rates
1999	355,559	371,924	1,177,943	627,621	999,544	-15%	354,941	982,561	-17%
2000	355,559	371,924	1,197,506	647,565	1,019,489	-15%	360,836	1,008,401	-16%
2001	355,559	371,924	1,217,189	660,935	1,032,859	-15%	366,767	1,027,702	-16%
2002	355,559	371,924	1,237,565	713,991	1,085,914	-12%	372,907	1,086,897	-12%
2003	355,559	371,924	1,258,735	832,908	1,204,832	-4%	379,286	1,212,193	-4%
2004	355,559	371,924	1,280,974	866,415	1,238,338	-3%	385,987	1,252,401	-2%
2005	355,559	371,924	1,303,835	918,525	1,290,449	-1%	392,875	1,311,400	1%
5.93%									
NPV	1,989,814	2,081,396	6,907,528	4,144,030	6,225,426	-8.0%	2,081,396	6,225,426	-8.1%

PUC 99.9%

Col 5 = Col 2 + Col 4

Col 6 = (Col 5 - Col 3)/Col 3

Col 8 = Col 4 + Col 7

Col 9 = (Col 8 - Col 3)/Col 3

Corrected OCA Response
(PAGE 3 OF 6)

Duquesne Light Company
Calculation of Levelized CTC
using 7.57% ROE

Regulatory Assets & Transition Costs {3}

Year	Balance of Assets {4}	Base For Return	Return @ 10.13% {5}	Annual Amort	Annual Rev Req
1999	404,901	404,901	41,017	42,509	83,525
2000	362,393	362,393	36,710	46,815	83,525
2001	315,578	315,578	31,968	51,557	83,525
2002	264,021	264,021	26,745	56,780	83,525
2003	207,241	207,241	20,993	62,532	83,525
2004	144,709	144,709	14,659	68,866	83,525
2005	75,842	75,842	7,683	75,842	83,525

NPV= 404,901

Owned Generation {3}

Year	Balance of Assets {4}	Base For Return	Return @ 10.13% {5}	Annual Amort	Annual Rev Req
1999	1,318,725	1,318,725	133,587	138,447	272,034
2000	1,180,278	1,180,278	119,562	152,472	272,034
2001	1,027,807	1,027,807	104,117	167,917	272,034
2002	859,890	859,890	87,107	184,927	272,034
2003	674,963	674,963	68,374	203,660	272,034
2004	471,302	471,302	47,743	224,291	272,034
2005	247,012	247,012	25,022	247,012	272,034

NPV= 1,318,725

PUC allocation in 99.9%

Includes deferred taxes {4}

Includes net of tax regulatory assets plus deferred taxes at 10.13% discount rate

Duquesne Light Company
Retail Cost of Service
\$000

7-year Levelized CTC based on 7.57% ROE, including return on stranded generating plant

	1996	1999	2000	2001	2002	2003	2004	2005
Total Retail MWh	12,393,680	13,190,847	13,409,923	13,630,334	13,858,512	14,095,579	14,344,614	14,600,619
{1}								
OCA Proposed Rates c/kWh:								
T&D	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229
{2}								
Market Generation		2.161	2.222	2.231	2.523	3.268	3.386	3.622
Generation A&G	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Avoidable Generation Component		2.161	2.222	2.231	2.523	3.268	3.386	3.622
CTC		3.091	3.091	3.091	3.091	3.091	3.091	3.091
Total Proposed Rate		7.481	7.542	7.551	7.843	8.588	8.706	8.942
OCA Proposed Revenue								
T&D	276,255	294,024	298,907	303,820	308,906	314,190	319,741	325,448
Market Generation		285,054	297,968	304,093	349,650	460,644	485,709	528,834
Generation A&G		0	0	0	0	0	0	0
Avoidable Generation Component		285,054	297,968	304,093	349,650	460,644	485,709	528,834
CTC		407,704	414,476	421,288	428,341	435,668	443,365	451,278
Total Proposed Revenue		986,783	1,011,351	1,029,201	1,086,897	1,210,502	1,248,815	1,305,560
Total Revenue @ Current Rates	1,106,756	1,177,943	1,197,506	1,217,189	1,237,565	1,258,735	1,280,974	1,303,835
Total Average Revenue c/kwh	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930
Average Rate Reduction c/kwh		1.449	1.388	1.379	1.087	0.342	0.224	-0.012
Difference (Proposed-Current)		(191,160)	(186,155)	(187,988)	(150,668)	(48,233)	(32,159)	1,725
Percent Change from Current		-16.2%	-15.5%	-15.4%	-12.2%	-3.8%	-2.5%	0.1%

Duquesne Light Company
Retail Cost of Service
\$000

8 and 1/2 -year Levelized CTC based on 7.57% ROE, including return on stranded generating plant

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Retail MWh	12,393,680	13,190,847	13,409,923	13,630,334	13,858,512	14,095,579	14,344,614	14,600,619	14,859,305	15,124,538
{1}										
OCA Proposed Rates c/kWh:										
T&D	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229
{2}										
Market Generation		2.161	2.222	2.231	2.523	3.268	3.386	3.622	3.791	4.070
Generation A&G	0.368	0.368	0.378	0.389	0.400	0.412	0.425	0.440	0.456	0.471
Avoidable Generation Component		2.529	2.600	2.620	2.923	3.680	3.811	4.062	4.247	4.541
CTC		2.282	2.282	2.282	2.282	2.282	2.282	2.282	2.282	1.141
Total Proposed Rate		7.040	7.111	7.131	7.434	8.191	8.322	8.573	8.757	7.911
OCA Proposed Revenue										
T&D	276,255	294,024	298,907	303,820	308,906	314,190	319,741	325,448	331,214	337,126
Market Generation		285,054	297,968	304,093	349,650	460,644	485,709	528,834	563,316	615,569
Generation A&G		48,542	50,690	53,022	55,434	58,074	60,965	64,243	67,689	71,295
Avoidable Generation Component		333,597	348,658	357,115	405,084	518,717	546,673	593,077	631,005	686,863
CTC		300,957	305,955	310,984	316,190	321,599	327,280	333,121	339,023	172,537
Total Proposed Revenue		928,577	953,520	971,919	1,030,180	1,154,506	1,193,695	1,251,646	1,301,242	1,196,527
Total Revenue @ Current Rates	1,106,756	1,177,943	1,197,506	1,217,189	1,237,565	1,258,735	1,280,974	1,303,835	1,326,936	1,350,621
Total Average Revenue c/kwh	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930
Average Rate Reduction c/kwh		1.890	1.819	1.799	1.496	0.739	0.608	0.357	0.173	1.019
Difference (Proposed-Current)		(249,366)	(243,986)	(245,270)	(207,385)	(104,229)	(87,279)	(52,189)	(25,694)	(154,094)
Percent Change from Current		-21.2%	-20.4%	-20.2%	-16.8%	-8.3%	-6.8%	-4.0%	-1.9%	-11.4%

Duquesne Light Company
Retail Cost of Service
\$000

8 and 1/2 -year Levelized CTC based on 7.57% ROE, including return on stranded generating plant

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Retail MWh {1}	12,393,680	13,190,847	13,409,923	13,630,334	13,858,512	14,095,579	14,344,614	14,600,619	14,859,305	15,124,538
OCA Proposed Rates c/kWh: T&D {2}	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229	2.229
Market Generation		2.161	2.222	2.231	2.523	3.268	3.386	3.622	3.791	4.070
Generation A&G	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Avoidable Generation Component		2.161	2.222	2.231	2.523	3.268	3.386	3.622	3.791	4.070
CTC		2.621	2.621	2.621	2.621	2.621	2.621	2.621	2.621	1.310
Total Proposed Rate		7.011	7.072	7.081	7.373	8.118	8.236	8.472	8.641	7.609
OCA Proposed Revenue T&D	276,255	294,024	298,907	303,820	308,906	314,190	319,741	325,448	331,214	337,126
Market Generation		285,054	297,968	304,093	349,650	460,644	485,709	528,834	563,316	615,569
Generation A&G		0	0	0	0	0	0	0	0	0
Avoidable Generation Component		285,054	297,968	304,093	349,650	460,644	485,709	528,834	563,316	615,569
CTC		345,674	351,415	357,191	363,170	369,383	375,909	382,617	389,396	198,173
Total Proposed Revenue		924,752	948,290	965,103	1,021,727	1,144,216	1,181,359	1,236,900	1,283,927	1,150,868
Total Revenue @ Current Rates	1,106,756	1,177,943	1,197,506	1,217,189	1,237,565	1,258,735	1,280,974	1,303,835	1,326,936	1,350,621
Total Average Revenue c/kwh	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930	8.930
Average Rate Reduction c/kwh Difference (Proposed-Current)		1.919 (253,191)	1.858 (249,216)	1.849 (252,085)	1.557 (215,839)	0.812 (114,519)	0.694 (99,615)	0.458 (66,936)	0.289 (43,009)	1.321 (199,753)
Percent Change from Current		-21.5%	-20.8%	-20.7%	-17.4%	-9.1%	-7.8%	-5.1%	-3.2%	-14.8%

Corrected DII Response to Enron
(PAGE 1 OF 1)

Total Stranded Costs	1,454,660 {1}
Deferred Taxes	428,872 {2}
Stranded Costs w/GRT and Deferred Taxes	1,970,221
Levelization Cost of Capital	11.34% {3}

	7_years	8_years	8.5_years	9_years	10_years
Generation Rate Cap Revenues	821,504	821,504	821,504	821,504	821,504
Levelized CTC Revenue {4}	(422,759)	(387,555)	(372,863)	(360,587)	(339,377)
"Market" Rate Revenue	398,745	433,949	448,641	460,917	482,127
mWh Sales	12,393,517	12,393,517	12,393,517	12,393,517	12,393,517
Average Market Rate (\$/MWh)	32.17	35.01	36.20	37.19	38.90

Rate RA {5}	35.16	38.38	39.72	40.84	42.79
Rate RS	40.14	43.85	45.40	46.70	48.95
Rate RH	30.71	33.47	34.62	35.58	37.24
Rate GS/GM	37.57	41.03	42.47	43.69	45.78
Rate GMH	31.44	34.21	35.37	36.34	38.01
Rate GL	29.04	31.51	32.54	33.40	34.88
Rate GLH	27.62	29.96	30.94	31.76	33.16
Rate L	24.00	25.90	26.69	27.34	28.47
Rate HVPS	19.90	21.44	22.07	22.60	23.50
Rate AL	35.84	39.15	40.53	41.70	43.70
Rate SE	24.11	26.06	26.87	27.55	28.70
Rate SM	63.35	69.72	72.39	74.64	78.53
Rate SH	51.99	57.03	59.14	60.91	63.98
Traffic Signals	47.43	51.70	53.48	54.97	57.55
Total Retail*	32.17	35.01	36.20	37.19	38.90

* Calculated as a weighted average of all rate schedule values

NOTES TO EXHIBIT DJC-27

General Notes

Exhibit DJC-27 corrects certain errors contained in Enron Cross-Examination Exhibits 6-10. (Exhibits 6-10 represent calculations by the OCA and DII that translate the stranded cost estimates of each party into a CTC rate and/or revenue requirement using assumptions supplied by Enron.) Because of the limited time to review the calculations (and no opportunity for discovery), Exhibit DJC-27 does not purport to provide a complete response to Exhibits 6-10. The limited purpose of Exhibit DJC-27 is to correct certain errors that were both obvious and significant based on Duquesne's review to date. (Exhibit DJC-27 does not, for example, purport to make all the corrections that would be necessary to conform those exhibits to the Commission's December 23 order in the PECO Energy restructuring proceeding.)

Specific Notes on Corrections to OCA Calculations (Enron Exs. 6-8)

Note 1 – Total Retail MWH:

Duquesne has corrected the total retail MWH to reflect the retail forecast contained in Duquesne's 1997 IRP filing with the PaPUC.

Note 2 – T&D Rates:

Duquesne has corrected the transmission and distribution rates to reflect the effect of the Gross Receipts Tax ("GRT"). The OCA's calculation is based on the wrong portion of Data Response OSBA-2-24; the correct reference is page 3, "Basis for Retail Rates." A copy of the complete response is attached hereto. (Note: the T&D rates contained in DJC-27 do not include ancillary services or T&D losses.)

Note 3 – Regulatory Assets and Transition Costs:

Duquesne has restated total stranded costs on a consistent after-tax basis (per Ex. DJC-10) to permit consistent treatment of deferred tax balances in calculating CTC revenue requirements. Per Ex. DJC-10, Regulatory Assets net of tax are \$330,840,000 (jurisdictional @ 99.9% of \$330,509,000) and Generation Stranded Costs net of tax are \$1,020,300,000 (jurisdictional @ 99.9% of \$1,019,280,000) consistent with the Surrebuttal Testimony of Mr. Kahal.

Note 4 – Deferred Taxes

Deferred taxes have been "added back" for a proper determination of CTC revenue requirements. This is because the total stranded cost balance is computed net of accumulated deferred income taxes; hence, in computing a CTC revenue requirement, recognition must be made for the revenue requirement impact of deferred taxes. (Note: FAS 109 amortization should not be netted against deferred tax balances when computing CTC revenue requirements; this is unlike the calculation contained in Ex. DJC-12 (and referenced at Clayton rebuttal p. 44), which contains an error.)

The total of \$404,901,000 of Regulatory Assets and \$1,318,725,000 of Generation Stranded Costs (including deferred taxes) is based on the proportion of OCA allowed stranded costs to Duquesne claimed stranded costs per Ex. DJC-10. The OCA would allow 88.27% and 66.11%, respectively, of these claims and the deferred taxes associated with these categories are \$112,020,000 and \$452,920,000, respectively. (It should be noted that the methodology set forth here is different than, but is mathematically equivalent to, the methodology proposed by PECO and adopted by the Commission in the PECO restructuring case. See attached illustration.)

Note 5 – Cost of Capital

The grossed-up cost of capital of 10.13% is based on Ex. MIK-5, substituting a debt rate of 7.57% for the 11.50% rate for common equity. CTC Revenue Requirements for Regulatory Assets originally stated net of tax, and then restated including deferred taxes, are calculated at 10.13%.

Specific Notes on Corrections to DII Calculations (Exs. 9-10)**Note 1 – Total Stranded Costs**

Duquesne has restated total stranded costs on a consistent after-tax basis (per Ex. DJC-10) to permit consistent treatment of deferred tax balances in calculating CTC revenue requirements.

Note 2 – Deferred Taxes

Deferred taxes have been "added back" for a proper determination of CTC revenue requirements. This is because the total stranded cost balance is computed net of accumulated deferred income taxes; hence, in computing a CTC revenue requirement, recognition must be made for the revenue requirement impact of deferred taxes. (Note: FAS 109 amortization should not be netted against deferred tax balances when computing CTC revenue requirements; this is unlike the calculation contained in Ex. DJC-12 (and referenced at Clayton rebuttal p. 44), which contains an error.)

The amount of deferred taxes added back is \$428,872,000. This is based on the proportion of DII allowed stranded costs to Duquesne's claimed stranded costs per Ex. DJC-10. DII would allow 76.03% and 75.46% of generation stranded costs and regulatory assets, respectively. The deferred taxes associated with these categories are \$452,920,000 and \$112,020,000, respectively. (It should be noted that the methodology set forth here is different than, but is mathematically equivalent to, the methodology proposed by PECO and adopted by the Commission in the PECO restructuring case. See attached illustration.)

Note 3 – Cost of Capital

Duquesne has corrected the grossed-up cost of capital, which is now stated as 11.34%. Duquesne has used the methodology contained in Exhibit SJB-4, but substituted a debt rate of 8.51% for the 11.50% rate for common equity.

Note 4 – CTC Revenue Requirement

The levelized CTC revenue requirements have been recalculated using the adjustments described in Notes 1-3.

Note 5 – Average Market Rates

The average "market" rates for each class have been recalculated by applying the system-average market rate (which is computed based on the change in CTC revenue requirements described in Note 4) to each class using the DII weighting methodology.

Duquesne Light Company

**Stranded Cost Recovery for FAS 109 Regulatory Assets
Derivation of Rate Base**

**Duquesne Method vs. PECO Method
(\$ Millions)**

<u>Duquesne Method</u>		<u>PECO Method</u>	
Net Plant*	1,994.61	Net Plant*	1,994.61
Plus:		Plus:	
FAS 109 Regulatory Asset	236.48	FAS 109 Regulatory Asset	0
Other Regulatory Assets	249.98	Other Regulatory Assets	249.98
Less:		Less:	
FAS 109 Deferred Taxes	236.48	FAS 109 Deferred Taxes	0
Other Deferred Taxes	328.46	Other Deferred Taxes	328.46
Rate Base	<u>1,916.13</u>	Rate Base	<u>1,916.13</u>

* Includes PV of Beaver Valley 2 Lease Payments.

Item No.: OSBA-2-24
Witness: Lahtinen
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DUQUESNE LIGHT COMPANY

Office of Small Business Advocate Interrogatories Set II

24. Please provide a revised Exhibit JAL-1C that reflects the class and system average rates of return provided in response to Item 22 above.

Response:

A **revised** Exhibit JAL-1C is attached as requested. It should be emphasized that the same caveats discussed in relation to the response to OSBA-02-22 are equally applicable here. Finally, it must be pointed out that these results go beyond the adjusted cost of service results Mr. Lahtinen provided in Exhibit JAL-3. Those results adjust the equalized class rates of return contained in the cost of service study in proportion to the class return produced by the rate levels allowed in Duquesne's last base rate proceeding such that the overall return is maintained at 9.61%. Conversely, the results provided in this response produce a lower cost of service because the overall rate of return used in preparing this response is 9.03%.

COST OF SERVICE STUDY

Response To O&A-02-24

(1996)

Aloc #	Total Utility	FERC JURIS.	PA PUC JURIS.	BA	BS	BH	GS/GM	GMH	GI	GIH	I	HYFS	AI	SE	SM	SH	TRAFFIC SIGNALS	
Total Retail Production Cost																		
	858,885,566	814,564	858,071,002	2,864,581	238,312,754	27,731,298	208,202,247	24,621,749	173,902,621	29,300,153	79,004,455	67,374,946	1,099	2,589,118	3,499,665	68,541	597,774	
100	Production Energy (501,509, 518, 547, 555)	216,684,908	216,007	216,468,901	610,126	53,667,081	5,570,595	46,864,505	5,836,239	49,527,428	7,802,418	25,501,777	19,780,882	228	515,858	566,866	15,089	209,808
100	less: Off-System Sales	(33,975,902)	(33,153)	(33,942,749)	(120,196)	(9,599,265)	(1,189,517)	(8,552,282)	(994,175)	(6,662,737)	(1,161,381)	(2,603,161)	(47)	(85,972)	(94,483)	(2,513)	(19,827)	
100	less: Transmission Off-System Sales Loss Revenue	(262,562)	(263)	(262,292)	(754)	(26,160)	(2,438)	(16,853)	(7,888)	(52,862)	(2,214)	(22,240)	(21,082)	(0)	(682)	(750)	(20)	
	Net Production Energy	182,439,444	182,591	182,256,854	488,977	43,991,657	4,371,640	38,244,370	4,834,177	42,811,829	6,631,822	22,676,377	17,102,607	181	429,204	471,634	12,556	189,824
12.4	less: Transmission Loss - Energy	1,629,714	1,625	1,628,089	4,589	403,637	41,897	352,474	43,895	372,502	58,683	191,802	148,774	2	3,880	4,263	113	1,578
12.6	less: Distribution Loss - Energy	10,436,542	4,345	10,432,197	44,308	3,897,697	404,574	3,111,184	362,234	1,708,925	259,005	549,277	8	12	37,466	41,168	1,097	15,244
12	less: Spinning Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Net Production Energy Less Loss & Ancillary	170,373,189	176,621	170,196,568	440,079	39,690,323	3,925,170	34,780,712	4,428,048	40,730,402	6,314,135	21,935,298	16,953,824	167	387,858	426,203	11,345	173,002
	Production Capacity Cost	642,200,658	598,558	641,602,100	2,254,455	184,645,673	22,160,703	161,337,742	18,785,510	124,375,193	21,497,735	53,502,677	47,594,065	871	2,073,260	2,932,799	53,452	387,966
	less: Other Revenue	(17,725,476)	(17,296)	(17,708,179)	(62,707)	(5,008,006)	(620,580)	(4,461,788)	(518,668)	(3,475,999)	(605,901)	(1,462,429)	(1,386,277)	(24)	(44,852)	(49,292)	(1,311)	(10,344)
	Net Production Capacity Cost	624,475,182	581,261	623,893,921	2,191,748	179,637,666	21,540,124	156,875,954	18,266,842	120,899,194	20,891,834	52,040,248	46,207,788	846	2,028,408	2,883,506	52,141	377,623
129	less: Transmission Loss - Demand	2,653,834	2,479	2,651,355	9,320	762,361	91,645	666,779	77,631	514,296	88,932	220,986	197,228	4	8,474	11,880	220	1,600
129	less: Distribution Loss - Demand	18,456,812	17,243	18,438,969	64,816	5,301,873	637,347	4,637,145	539,886	3,576,692	618,485	1,371,635	25	58,931	82,617	1,527	11,131	
129	less: Reactive Power	4,021,675	3,757	4,017,918	14,124	1,155,297	138,880	1,010,451	117,643	779,374	134,770	334,887	298,884	5	12,841	18,003	333	2,425
129	less: Regulation & Frequency Control	5,187,040	4,844	5,182,194	18,216	1,490,069	179,124	1,303,250	151,733	1,005,214	173,822	431,928	385,492	7	16,562	23,219	429	3,128
129	less: Operating Spinning Reserve	8,913,265	8,327	8,904,938	31,302	2,560,493	307,801	2,239,468	260,733	1,727,332	298,692	742,213	662,419	12	28,460	39,899	738	5,375
129	less: Operating Reserve Supplemental (O.S.)	2,882,219	2,232	2,877,982	34,723	2,840,278	341,435	2,484,125	289,222	1,916,078	331,330	823,315	734,802	13	31,520	44,252	818	5,263
	Total Net Retail Production Cost	575,355,937	535,371	574,820,566	2,019,246	165,527,295	19,843,893	144,534,686	16,829,993	111,380,209	19,245,803	47,950,059	42,557,328	780	1,871,569	2,663,630	48,075	348,000
Generation Products & Schedule																		
12.4	add: Transmission Loss - Energy	1,629,714	1,625	1,628,089	4,589	403,637	41,897	352,474	43,895	372,502	58,683	191,802	148,774	2	3,880	4,263	113	1,578
12.4	add: Transmission Loss - Demand	2,653,834	2,444	2,651,188	7,472	657,284	68,225	573,970	71,479	606,584	95,560	312,331	242,265	3	6,318	6,943	185	2,570
12.6	add: Distribution Loss - Energy	10,436,542	4,345	10,432,197	44,308	3,897,697	404,574	3,111,184	362,234	1,708,925	259,005	549,277	8	12	37,466	41,168	1,097	15,244
12.6	add: Distribution Loss - Demand	18,456,212	7,684	18,448,528	78,356	6,892,774	715,457	5,501,886	640,583	3,022,101	458,030	971,353	14	21	66,256	72,802	1,940	26,957
	Ancillary Services																	
1	add: Reactive From Generation	4,021,675	3,757	4,017,918	14,124	1,155,297	138,880	1,010,451	117,643	779,374	134,770	334,887	298,884	5	12,841	18,003	333	2,425
1	add: Regulation & Frequency Control	5,187,040	5,062	5,181,978	14,594	1,258,069	109,454	1,406,109	135,991	1,107,378	194,914	518,796	426,677	2	2,979	3,274	87	3,654
1	add: Spinning Reserve	8,913,265	8,898	8,904,567	25,078	2,161,831	188,083	2,416,219	233,683	1,902,887	334,934	891,484	733,190	3	5,120	5,626	150	6,279
1	add: Reserve Supplemental (O.S.)	2,882,219	2,648	2,877,571	27,819	2,398,055	208,635	2,680,239	259,212	2,110,816	371,532	788,827	813,306	3	5,622	6,241	165	6,265
	Subtotal Generation Products	61,185,501	43,464	61,142,037	216,341	18,824,644	1,875,206	17,052,531	1,864,724	11,610,566	1,907,427	4,758,827	2,663,118	50	140,540	158,319	4,071	65,673
	Net Production Energy Less Loss & Ancillary	170,373,189	176,621	170,196,568	440,079	39,690,323	3,925,170	34,780,712	4,428,048	40,730,402	6,314,135	21,935,298	16,953,824	167	387,858	426,203	11,345	173,002
	Total Net Retail Production Cost	575,355,937	535,371	574,820,566	2,019,246	165,527,295	19,843,893	144,534,686	16,829,993	111,380,209	19,245,803	47,950,059	42,557,328	780	1,871,569	2,663,630	48,075	348,000
	Subtotal Generation Products	61,185,501	43,464	61,142,037	216,341	18,824,644	1,875,206	17,052,531	1,864,724	11,610,566	1,907,427	4,758,827	2,663,118	50	140,540	158,319	4,071	65,673
	Total Retail Production Cost	806,914,626	755,456	806,159,170	2,675,666	224,042,262	25,644,268	196,367,930	23,122,766	163,721,177	27,467,364	74,644,184	62,174,271	997	2,399,967	3,248,152	63,491	586,675
	add: Gross Receipts Tax	21,264,524	23,022	21,241,542	85,880	10,069,444	692,620	3,219,516	583,721	2,632,511	700,162	1,852,971	740,262	23	83,102	329,275	4,453	63,388
	Total Retail Production Cost W/GRT	828,679,200	778,483	827,900,717	2,765,646	234,111,706	26,336,959	200,287,446	23,706,537	166,353,689	28,167,527	76,497,154	62,914,532	1,020	2,483,069	3,577,426	67,944	630,063
	Net Production Energy Less Loss & Ancillary	170,373,189	176,621	170,196,568	440,079	39,690,323	3,925,170	34,780,712	4,428,048	40,730,402	6,314,135	21,935,298	16,953,824	167	387,858	426,203	11,345	173,002
	Total Net Retail Production Cost	575,355,937	535,371	574,820,566	2,019,246	165,527,295	19,843,893	144,534,686	16,829,993	111,380,209	19,245,803	47,950,059	42,557,328	780	1,871,569	2,663,630	48,075	348,000
	Net Reactive Power, Reg./Frea. Ctrl & Spinning Res.	18,121,980	17,517	18,104,463	53,226	4,525,128	436,417	4,832,728	487,317	3,789,639	664,618	1,745,162	1,458,751	19	20,741	26,903	520	12,359
	Total Basic Service	763,851,106	729,509	763,121,596	2,513,122	209,792,816	24,205,480	184,148,177	21,745,358	155,900,250	26,224,555	71,630,524	60,969,903	957	2,280,368	3,116,735	59,990	533,361
	Total Basic Service (\$/kWh)	0.0616	0.0570	0.0616	0.0742	0.0705	0.0783	0.0703	0.0662	0.0540	0.0576	0.0475	0.0507	0.0736	0.0797	0.0991	0.0717	0.0458

Exhibit JAL-1C
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COST OF SERVICE STUDY

Response To UBA-02-24

(1996)

Alloc #	Total Utility	PERC JURIS.	PA PUC JURIS.	EA	ES	RH	GS/GM	GMH	GI	GLH	I	NYE3	AI	IE	SM	SH	TRAFFIC SIGNALS
Total Retail Production Cost																	
	858,885,566	814,564	858,071,002	2,864,581	238,312,754	27,731,298	208,202,247	24,621,749	173,902,621	29,300,153	79,004,455	67,374,946	1,099	2,589,118	3,499,665	68,541	597,774
	216,684,908	216,007	216,468,901	610,126	53,667,081	5,570,595	46,864,505	5,836,239	49,527,428	7,802,418	25,501,777	19,780,882	228	515,858	566,866	15,089	209,808
100	(33,975,902)	(33,153)	(33,942,749)	(120,194)	(9,599,265)	(1,189,517)	(8,552,282)	(194,175)	(6,662,737)	(1,161,381)	(2,803,161)	(2,657,193)	(47)	(85,972)	(94,483)	(2,513)	(19,827)
100	(267,562)	(263)	(267,299)	(954)	(76,160)	(9,438)	(67,853)	(2,888)	(52,862)	(9,214)	(22,240)	(21,082)	(0)	(1682)	(1,750)	(20)	(152)
Net Production Energy																	
	182,439,444	182,591	182,256,854	488,977	43,991,657	4,371,640	38,244,370	4,834,177	42,811,829	6,631,822	22,676,377	17,102,607	181	429,204	471,634	12,556	189,824
12.4	1,629,714	1,625	1,628,089	4,589	403,637	41,897	352,474	43,895	372,502	58,683	191,802	148,774	2	3,880	4,263	113	1,578
12.6	10,436,542	4,345	10,432,197	44,308	3,897,697	404,574	3,111,184	362,234	1,708,925	259,005	549,277	41,168	8	37,466	41,168	1,097	15,244
12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Production Energy Less Loss & Ancillary																	
	170,373,189	176,621	170,196,568	440,079	39,690,323	3,925,170	34,780,712	4,428,048	40,730,402	6,314,135	21,935,298	16,953,874	167	387,858	426,203	11,345	173,007
Production Capacity Cost																	
	642,200,658	598,558	641,602,100	2,254,455	184,645,673	22,160,703	161,337,742	18,785,510	124,375,193	21,497,735	53,502,677	47,594,065	871	2,073,260	2,932,799	53,452	387,966
	(17,725,476)	(17,296)	(17,708,179)	(62,707)	(5,008,006)	(620,580)	(4,461,788)	(518,648)	(3,475,999)	(605,901)	(1,462,429)	(1,386,277)	(24)	(44,852)	(49,292)	(1,311)	(10,344)
Net Production Capacity Cost																	
	624,475,182	581,261	623,893,921	2,191,748	179,637,666	21,540,124	156,875,954	18,266,842	120,899,194	20,891,834	52,040,248	46,207,788	846	2,028,408	2,883,506	52,141	377,623
129	2,653,834	2,479	2,651,355	9,320	762,361	91,645	666,779	77,631	514,296	88,932	220,986	197,278	4	8,474	11,880	220	1,600
129	18,456,212	17,243	18,438,969	64,816	5,301,873	637,347	4,637,145	539,886	3,576,692	618,485	1,536,860	1,371,635	25	58,931	62,617	1,527	11,131
129	4,021,675	3,757	4,017,918	14,124	1,155,297	138,880	1,010,451	117,643	779,374	134,770	334,887	298,884	5	12,841	18,003	333	2,425
129	5,187,040	4,846	5,182,194	18,216	1,490,069	179,124	1,303,250	151,733	1,005,214	173,822	431,928	385,492	7	16,562	23,219	429	3,128
129	8,913,265	8,327	8,904,938	31,302	2,560,493	307,801	2,229,468	260,733	1,727,332	298,692	742,213	662,419	12	28,460	39,899	738	5,378
129	9,887,219	9,237	9,877,982	34,723	2,840,228	341,435	2,484,125	289,223	1,916,078	331,330	822,315	734,802	13	31,570	44,259	818	5,211
Total Net Retail Production Cost																	
	575,355,937	535,371	574,820,566	2,019,246	165,527,295	19,843,893	144,534,686	16,879,993	111,380,209	19,245,803	47,950,059	42,557,328	780	1,871,569	2,663,630	48,075	348,000
Generation Products & Schedule																	
12.4	1,629,714	1,625	1,628,089	4,589	403,637	41,897	352,474	43,895	372,502	58,683	191,802	148,774	2	3,880	4,263	113	1,578
12.4	2,653,834	2,446	2,651,388	7,472	657,284	68,225	573,970	71,479	606,584	95,560	312,331	242,265	3	6,318	6,943	185	2,570
12.6	10,436,542	4,345	10,432,197	44,308	3,897,697	404,574	3,111,184	362,234	1,708,925	259,005	549,277	41,168	8	37,466	41,168	1,097	15,244
12.6	18,456,212	7,684	18,448,528	78,356	6,892,774	715,457	5,501,686	640,583	3,022,101	458,030	971,353	14	21	66,256	72,802	1,940	26,957
Ancillary Services																	
1	4,021,675	3,757	4,017,918	14,124	1,155,297	138,880	1,010,451	117,643	779,374	134,770	334,887	298,884	5	12,841	18,003	333	2,425
1	5,187,040	5,062	5,181,978	14,594	1,258,069	109,454	1,406,109	135,991	1,107,378	194,914	518,796	426,677	2	2,979	3,274	87	3,654
1	8,913,265	8,498	8,904,567	25,078	2,161,831	188,083	2,416,219	233,683	1,902,887	334,934	891,484	733,190	3	5,120	5,626	150	6,279
1	9,887,219	9,468	9,877,521	27,819	2,398,055	208,635	2,480,239	259,217	2,110,816	321,532	988,827	813,306	3	5,672	6,241	166	6,265
Subtotal Generation Products																	
	61,185,501	43,464	61,142,037	216,341	18,824,644	1,875,206	17,052,531	1,864,724	11,610,566	1,907,427	4,758,827	2,663,118	50	140,540	158,319	4,071	65,673
Net Production Energy Less Loss & Ancillary																	
	170,373,189	176,621	170,196,568	440,079	39,690,323	3,925,170	34,780,712	4,428,048	40,730,402	6,314,135	21,935,298	16,953,874	167	387,858	426,203	11,345	173,007
Total Net Retail Production Cost																	
	575,355,937	535,371	574,820,566	2,019,246	165,527,295	19,843,893	144,534,686	16,879,993	111,380,209	19,245,803	47,950,059	42,557,328	780	1,871,569	2,663,630	48,075	348,000
Subtotal Generation Products																	
	61,185,501	43,464	61,142,037	216,341	18,824,644	1,875,206	17,052,531	1,864,724	11,610,566	1,907,427	4,758,827	2,663,118	50	140,540	158,319	4,071	65,673
Total Retail Production Cost																	
	806,914,626	755,456	806,159,170	2,675,666	224,042,262	25,644,268	196,367,930	23,122,768	163,721,177	27,467,364	74,644,184	62,174,271	997	2,399,967	3,248,152	63,491	586,675
	21,764,524	23,022	21,741,547	89,980	10,062,444	692,690	3,219,516	583,721	2,632,511	700,162	1,852,921	740,262	23	83,102	329,225	4,453	43,388
Total Retail Production Cost W/GRT																	
	828,679,200	778,483	827,900,717	2,765,646	234,111,706	26,336,959	200,287,446	23,706,537	166,353,689	28,167,527	76,497,154	62,914,532	1,020	2,483,069	3,577,426	67,944	630,063

Exhibit JAL-1C
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COST OF SERVICE STUDY

Response To CUSA-02-24

(1996)

Alloc #	Total Utility	FERC JURIS.	PA PUC JURIS.	RA	RS	RH	GS/GM	GMH	GI	GIN	I	HYPS	AI	SE	SM	SH	TRAFFIC SIGNALS
Transmission Cost	39,392,813	36,764	39,356,049	110,566	9,571,079	854,916	10,377,584	1,019,795	8,095,478	1,420,555	4,698,922	3,073,220	15	41,689	64,342	1,008	26,879
less: Off-System Revenues	(2,254,574)	(2,124)	(2,252,450)	(6,123)	(527,858)	(45,925)	(590,853)	(57,059)	(464,631)	(81,781)	(295,002)	(179,024)	(1)	(1,250)	(1,374)	(37)	(1,533)
less: Other Revenues	(6,246,853)	(5,864)	(6,240,989)	(16,966)	(1,462,561)	(127,245)	(1,637,104)	(158,095)	(1,287,375)	(226,596)	(817,375)	(496,031)	(2)	(3,464)	(3,806)	(101)	(4,248)
add: Gross Receipts Tax	867,621	918	866,723	3,587	401,440	22,616	156,260	23,223	104,251	22,913	23,873	29,512	1	3,313	13,127	128	1,730
Total Retail Transmission Cost	31,759,076	29,674	31,729,402	91,064	7,982,100	709,362	8,305,867	827,914	6,448,422	1,140,092	3,660,418	2,427,677	13	40,288	72,289	1,048	22,828
less: Dispatch Out Of Account 561	(828,636)	(809)	(827,827)	(2,331)	(200,978)	(17,485)	(224,628)	(21,725)	(176,905)	(31,136)	(82,878)	(68,162)	(0)	(476)	(523)	(14)	(584)
add: Scheduling Out Of Account 561	828,636	809	827,827	2,331	200,978	17,485	224,628	21,725	176,905	31,136	82,878	68,162	0	476	523	14	584
Total Transmission Cost With Products	31,759,076	29,674	31,729,402	91,064	7,982,100	709,362	8,305,867	827,914	6,448,422	1,140,092	3,660,418	2,427,677	13	40,288	72,289	1,048	22,828
Distribution Cost	254,358,451	74,216	254,284,236	948,161	111,138,157	8,861,597	60,552,564	6,788,676	31,038,210	4,497,491	14,241,249	5,901,996	378	3,140,648	6,907,191	51,071	216,847
less: Off-System Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less: Other Revenues	(14,108,307)	(4,118)	(14,104,188)	(50,463)	(5,443,764)	(480,974)	(3,584,237)	(433,803)	(2,003,068)	(306,830)	(975,566)	(128,998)	(20)	(210,327)	(472,457)	(3,308)	(10,372)
add: Gross Receipts Tax	13,521,512	14,306	13,507,206	55,901	6,255,767	430,342	2,435,048	362,625	1,635,480	434,985	1,151,181	452,827	14	51,628	204,566	2,767	26,955
Total Retail Distribution Cost	253,771,657	84,403	253,687,253	953,599	111,950,160	8,810,966	59,403,374	6,717,547	30,670,622	4,625,645	14,416,864	6,232,895	372	2,981,949	6,639,300	50,529	233,430
less: Cust. Charges for RS, RA, RH, GM, GMH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Distribution Cost	253,771,657	84,403	253,687,253	953,599	111,950,160	8,810,966	59,403,374	6,717,547	30,670,622	4,625,645	14,416,864	6,232,895	372	2,981,949	6,639,300	50,529	233,430
Retail Production Cost (\$/kWh)	0.0685	0.0622	0.0685	0.0839	0.0808	0.0876	0.0785	0.0741	0.0590	0.0634	0.0518	0.0535	0.0807	0.0903	0.1194	0.0838	0.0555
Basis For Retail Rates																	
Transmission																	
Reactive Power	4,021,675	3,757	4,017,918	14,124	1,155,297	138,880	1,010,451	117,643	779,374	134,770	334,887	298,884	5	12,841	18,003	333	2,425
Regulation & Frequency Control	5,187,040	4,846	5,182,194	18,216	1,490,069	179,124	1,303,250	151,733	1,005,214	173,822	431,928	385,492	7	16,562	23,219	429	3,128
Operating Spinning Reserve	8,913,265	8,327	8,904,938	31,302	2,560,493	307,801	2,239,468	260,733	1,727,332	298,692	742,213	662,419	12	28,460	39,899	738	5,375
Gross Receipts Tax	494,590	510	494,080	2,136	234,406	16,729	91,463	13,396	56,472	15,448	37,424	15,748	1	1,957	7,961	103	836
Total Retail Transmission Cost	30,320,220	28,437	30,341,783	86,987	7,626,370	675,827	7,944,937	791,118	6,172,172	1,091,947	3,499,100	2,326,236	13	37,226	66,867	984	21,898
Total	48,986,790	45,878	48,940,913	152,765	13,066,636	1,318,412	12,589,568	1,334,623	9,740,565	1,714,680	5,045,552	3,688,778	38	97,097	155,949	2,587	33,663
\$/kWh	0.0039	0.0036	0.0039	0.0045	0.0044	0.0043	0.0048	0.0041	0.0034	0.0038	0.0033	0.0031	0.0029	0.0034	0.0050	0.0031	0.0029
Distribution																	
Loss Demand	18,456,212	17,243	18,438,969	64,816	5,301,873	637,347	4,637,145	539,886	3,576,692	618,485	1,536,860	1,371,635	25	58,931	82,617	1,527	11,131
Loss Energy	10,436,542	4,345	10,432,197	44,308	3,897,697	404,574	3,111,184	362,234	1,708,925	259,005	549,277	8	12	37,466	41,168	1,097	15,244
Gross Receipts Tax	817,539	651	816,888	3,663	414,233	27,853	155,646	22,797	84,994	22,322	51,736	16,038	1	3,260	12,148	181	2,017
Total Distribution Cost	246,026,428	80,658	245,945,820	924,029	109,205,324	8,546,969	57,426,298	6,480,804	29,430,752	4,427,126	13,825,257	6,014,463	361	2,907,014	6,478,221	49,079	228,025
Total	275,736,770	102,896	275,633,874	1,038,866	118,819,126	9,616,743	65,330,272	7,405,720	34,801,363	5,326,937	15,963,130	7,402,144	399	3,006,671	6,614,203	51,884	258,416
\$/kWh	0.0222	0.0080	0.0222	0.0307	0.0399	0.0311	0.0249	0.0226	0.0121	0.0117	0.0106	0.0062	0.0307	0.1051	0.2103	0.0620	0.0220

COST OF SERVICE STUDY

(1996)

Production COS Summary

Response To O&A-02-24

	Total Utility	FERC JURIS.	PA PUC JURIS.	BA	RS	RH	GS/GM	GMM	GL	GLH	I	HVPS	AL	SE	SM	SH	TRAFFIC SIGNALS
Production Plant In Service	2,540,456,720	2,478,928	2,537,977,792	8,987,346	717,759,219	88,942,914	639,473,919	74,336,747	498,188,283	86,839,176	209,598,804	198,684,465	3,499	6,428,296	7,064,716	187,920	1,482,487
less Accumulated Depreciation	<u>(1,147,480,150)</u>	<u>(1,119,761)</u>	<u>(1,146,360,389)</u>	<u>(4,056,937)</u>	<u>(324,079,084)</u>	<u>(40,141,870)</u>	<u>(288,716,978)</u>	<u>(33,568,587)</u>	<u>(225,135,020)</u>	<u>(39,230,046)</u>	<u>(94,793,551)</u>	<u>(89,287,455)</u>	<u>(1,529)</u>	<u>(2,903,033)</u>	<u>(3,190,441)</u>	<u>(84,865)</u>	<u>(670,941)</u>
Net Production Plant	1,392,976,569	1,359,166	1,391,617,403	4,930,409	393,680,135	48,801,044	350,756,941	40,768,160	273,053,263	47,609,130	114,805,253	108,897,009	1,920	3,525,263	3,874,275	103,055	811,546
Additions To Net Production Plant																	
Land/Plant Held For Future Use	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CWIP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deductions To Net Production Plant																	
ADIT	(255,524,503)	(249,336)	(255,275,167)	(903,966)	(72,193,738)	(8,946,066)	(64,319,638)	(7,476,947)	(50,108,830)	(8,734,468)	(21,081,890)	(19,984,103)	(352)	(646,572)	(710,584)	(18,901)	(149,112)
Production Rate Base	1,137,452,066	1,109,831	1,136,342,236	4,026,443	321,486,397	39,854,978	286,437,303	33,291,213	222,944,433	38,874,662	93,723,363	88,912,906	1,568	2,878,691	3,163,691	84,153	662,434
Adjustments To Production Rate Base	257,757,955	251,515	257,506,440	911,868	72,824,759	9,024,261	64,881,833	7,542,300	50,546,814	8,810,813	21,266,160	20,158,777	355	652,223	716,795	19,067	150,415
Rate Base Adjusted For Ratemaking	1,395,210,021	1,361,346	1,393,848,676	4,938,311	394,311,156	48,879,239	351,319,136	40,833,513	273,491,247	47,685,475	114,989,523	109,071,683	1,923	3,530,915	3,880,486	103,220	812,849
Return on Rate Base	125,987,465	122,930	125,864,535	445,929	35,606,297	4,413,795	31,724,118	3,687,266	24,696,260	4,305,998	10,383,554	9,849,173	174	318,842	350,408	9,321	73,400
Production O & M Expense	434,393,221	428,804	433,964,417	1,367,926	114,578,579	13,033,117	101,057,302	12,166,723	92,777,386	15,275,551	44,067,266	37,031,839	523	1,064,173	1,169,461	31,119	343,451
Production Depreciation/Amortization	239,826,705	233,991	239,592,713	849,352	67,803,020	8,408,327	60,413,391	7,020,575	46,989,103	8,195,552	19,741,930	18,739,744	331	607,041	667,140	17,746	139,461
Taxes	58,678,176	28,839	58,649,336	201,374	20,324,857	1,876,058	15,007,436	1,747,185	9,439,872	1,523,051	4,811,705	1,754,190	72	599,063	1,312,656	10,356	41,461
Production Revenue Requirement	<u>858,885,566</u>	<u>814,564</u>	<u>858,071,002</u>	<u>2,864,581</u>	<u>238,312,754</u>	<u>27,731,298</u>	<u>208,202,247</u>	<u>24,621,749</u>	<u>173,902,621</u>	<u>29,300,153</u>	<u>79,004,455</u>	<u>62,374,946</u>	<u>1,099</u>	<u>2,589,118</u>	<u>3,499,665</u>	<u>68,541</u>	<u>597,774</u>
less Off-System Sales Revenue	(34,245,464)	(33,416)	(34,212,048)	(121,150)	(9,675,425)	(1,198,954)	(8,620,135)	(1,002,062)	(6,715,599)	(1,170,596)	(2,825,401)	(2,678,275)	(47)	(86,654)	(95,233)	(2,533)	(19,984)
less Other Revenue	<u>(17,725,476)</u>	<u>(17,296)</u>	<u>(17,708,179)</u>	<u>(62,707)</u>	<u>(5,008,006)</u>	<u>(620,580)</u>	<u>(4,461,788)</u>	<u>(518,668)</u>	<u>(3,475,999)</u>	<u>(605,901)</u>	<u>(1,462,429)</u>	<u>(1,386,277)</u>	<u>(24)</u>	<u>(144,852)</u>	<u>(49,292)</u>	<u>(1,311)</u>	<u>(10,344)</u>
Total Retail Production Cost	<u>806,914,626</u>	<u>763,852</u>	<u>806,150,774</u>	<u>2,680,724</u>	<u>223,629,323</u>	<u>25,911,764</u>	<u>195,120,324</u>	<u>23,101,019</u>	<u>163,711,023</u>	<u>27,523,656</u>	<u>74,716,625</u>	<u>63,310,394</u>	<u>1,027</u>	<u>2,457,612</u>	<u>3,355,140</u>	<u>64,696</u>	<u>567,447</u>

COST OF SERVICE STUDY
(1996)
Transmission COS Summary

Response To O&A-02-24

	Total Utility	FERC JURIS.	PA PUC JURIS.	RA	RS	RH	GS/GM	GMH	GI	GLH	I	HVPS	AI	SE	SM	SH	TRAFFIC SIGNALS
Transmission Plant In Service	319,052,035	300,545	318,751,491	866,546	74,698,884	6,498,929	83,613,495	8,074,563	65,751,458	11,573,153	41,746,625	25,334,295	92	176,906	194,401	5,172	216,971
less Accumulated Depreciation	<u>(120,291,943)</u>	<u>(113,069)</u>	<u>(120,178,874)</u>	<u>(326,006)</u>	<u>(28,102,747)</u>	<u>(2,444,987)</u>	<u>(31,452,722)</u>	<u>(3,037,761)</u>	<u>(24,736,602)</u>	<u>(4,353,979)</u>	<u>(15,969,661)</u>	<u>(9,531,110)</u>	<u>(35)</u>	<u>(66,554)</u>	<u>(73,136)</u>	<u>(1,946)</u>	<u>(81,628)</u>
Net Transmission Plant	198,760,093	187,476	198,572,617	540,539	46,596,138	4,053,943	52,160,773	5,036,801	41,014,856	7,219,174	25,776,964	15,803,185	58	110,351	121,265	3,226	135,344
Additions To Net Transmission Plant																	
Land/Plant Held For Future Use	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CWIP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deductions To Net Transmission Plant																	
ADIT	(23,699,224)	(22,324)	(23,676,900)	(64,367)	(5,548,642)	(482,741)	(6,210,821)	(599,779)	(4,884,026)	(859,655)	(3,100,944)	(1,881,835)	(7)	(13,141)	(14,440)	(384)	(16,117)
Transmission Rate Base	175,060,869	165,151	174,895,718	476,172	41,047,496	3,571,202	45,949,953	4,437,022	36,130,830	6,359,519	22,676,020	13,921,351	51	97,211	106,824	2,842	119,227
Adjustments To Transmission Rate Base	(3,139,380)	(2,957)	(3,136,423)	(8,527)	(735,015)	(63,948)	(822,733)	(79,451)	(646,975)	(113,876)	(410,775)	(249,282)	(11)	(1,741)	(1,913)	(51)	(2,135)
Rate Base Adjusted For Rotemaking	171,921,489	162,194	171,759,295	467,646	40,312,480	3,507,254	45,127,220	4,357,570	35,483,854	6,245,642	22,265,245	13,672,068	50	95,470	104,912	2,791	117,092
Return on Rate Base	15,524,510	14,646	15,509,864	42,228	3,640,217	316,705	4,074,988	393,489	3,204,192	563,982	2,010,552	1,234,588	5	8,621	9,474	252	10,573
Transmission O & M Expense	13,466,871	12,957	13,453,913	37,358	3,220,411	280,181	3,601,302	348,110	2,834,671	498,941	1,515,141	1,092,210	4	7,627	8,381	223	9,354
Transmission Depreciation/Amortization	6,594,369	6,232	6,588,136	17,969	1,548,967	134,763	1,733,028	167,435	1,363,431	239,983	844,917	525,336	2	3,668	4,031	107	4,499
Taxes	2,418,207	1,692	2,416,515	8,934	805,755	89,783	607,315	73,965	416,934	69,506	166,994	119,646	4	18,761	37,034	362	1,523
Transmission Revenue Requirement	<u>38,003,957</u>	<u>35,527</u>	<u>37,968,430</u>	<u>106,489</u>	<u>9,215,349</u>	<u>821,432</u>	<u>10,016,633</u>	<u>982,999</u>	<u>7,819,228</u>	<u>1,372,411</u>	<u>4,537,604</u>	<u>2,971,779</u>	<u>14</u>	<u>38,677</u>	<u>58,920</u>	<u>945</u>	<u>25,950</u>
less Off-System Sales Revenue	(2,254,574)	(2,124)	(2,252,450)	(6,123)	(527,858)	(45,925)	(590,853)	(57,059)	(464,631)	(81,781)	(295,002)	(179,024)	(1)	(1,250)	(1,374)	(37)	(1,533)
less Other Revenue	<u>(6,246,853)</u>	<u>(5,884)</u>	<u>(6,240,969)</u>	<u>(16,966)</u>	<u>(1,462,561)</u>	<u>(127,245)</u>	<u>(1,637,104)</u>	<u>(158,095)</u>	<u>(1,287,375)</u>	<u>(226,596)</u>	<u>(817,375)</u>	<u>(496,031)</u>	<u>(2)</u>	<u>(3,464)</u>	<u>(3,806)</u>	<u>(101)</u>	<u>(4,248)</u>
Total Retail Transmission Cost	<u>29,502,529</u>	<u>27,519</u>	<u>29,475,010</u>	<u>83,399</u>	<u>7,224,931</u>	<u>648,262</u>	<u>7,788,677</u>	<u>767,845</u>	<u>6,067,221</u>	<u>1,064,034</u>	<u>3,425,228</u>	<u>2,296,724</u>	<u>12</u>	<u>33,963</u>	<u>53,740</u>	<u>807</u>	<u>20,169</u>

COST OF SERVICE STUDY
(1996)
Distribution COS Summary

Response To OSBA-02-24

	Total Utility	FERC Juris.	PA PUC Juris.	RA	RS	RH	GS/GM	GHH	GL	GLH	L	HVPS	AL	SE	SM	SH	TRAFFIC SIGNALS
Distribution Plant In Service	1,341,646,934	391,641	1,341,255,293	4,798,858	517,681,488	45,738,804	340,847,492	41,253,080	190,484,233	29,178,404	92,772,657	12,267,266	1,901	20,001,345	44,928,857	314,587	986,322
less Accumulated Depreciation	<u>(427,490,128)</u>	<u>(117,207)</u>	<u>(427,372,921)</u>	<u>(1,511,411)</u>	<u>(167,150,662)</u>	<u>(14,294,375)</u>	<u>(106,571,085)</u>	<u>(12,675,266)</u>	<u>(56,717,659)</u>	<u>(8,743,828)</u>	<u>(26,836,462)</u>	<u>(3,743,172)</u>	<u>(592)</u>	<u>(8,754,443)</u>	<u>(19,958,992)</u>	<u>#####</u>	<u>(312,854)</u>
Net Distribution Plant	914,156,806	274,434	913,882,372	3,287,446	350,530,826	31,444,429	234,276,407	28,577,814	133,766,575	20,434,575	65,936,195	8,524,094	1,309	11,246,902	24,969,860	212,473	673,468
Additions To Net Distribution Plant																	
Land/Plant Held For Future Use	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CWIP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deductions To Net Distribution Plant																	
ADIT	(108,945,787)	(31,802)	(108,913,985)	(389,682)	(42,037,302)	(3,714,129)	(27,677,847)	(3,349,875)	(15,467,896)	(2,369,375)	(7,533,420)	(996,139)	(154)	(1,624,170)	(3,648,359)	(25,545)	(80,092)
Distribution Rate Base	805,211,019	242,631	804,968,388	2,897,765	308,493,524	27,730,300	206,598,560	25,227,939	118,298,679	18,065,201	58,402,775	7,527,955	1,155	9,622,732	21,321,501	186,928	593,376
Adjustments To Distribution Rate Base	(3,423,006)	(999)	(3,422,007)	(12,244)	(1,320,785)	(116,696)	(869,620)	(105,251)	(485,991)	(74,444)	(236,695)	(31,298)	(5)	(51,030)	(114,629)	(803)	(2,516)
Rate Base Adjusted For Ratemaking	801,788,013	241,632	801,546,381	2,885,521	307,172,739	27,613,604	205,728,940	25,122,688	117,812,688	17,990,757	58,166,080	7,496,657	1,150	9,571,702	21,206,871	186,125	590,859
Return on Rate Base	72,401,458	21,819	72,379,638	260,563	27,737,698	2,493,508	18,577,323	2,268,579	10,638,486	1,624,565	5,252,397	676,948	104	864,325	1,914,980	16,807	53,355
Distribution O & M Expense	108,272,036	16,781	108,255,256	430,603	57,858,192	3,904,535	23,957,356	2,343,615	8,833,528	1,015,326	3,486,208	3,100,161	173	1,015,945	2,176,803	20,499	112,311
Distribution Depreciation/Amortization	42,910,032	12,332	42,897,699	149,630	15,972,086	1,429,271	10,202,401	1,266,816	6,001,675	917,571	2,948,905	393,559	61	1,088,050	2,486,127	10,071	31,477
Taxes	23,029,747	19,537	23,010,210	79,846	6,825,345	770,286	5,838,407	672,922	4,324,651	741,510	1,962,132	1,512,896	29	97,393	168,251	2,243	14,299
Distribution Revenue Requirement	<u>246,613,273</u>	<u>70,470</u>	<u>246,542,803</u>	<u>920,641</u>	<u>108,393,321</u>	<u>8,597,600</u>	<u>58,575,487</u>	<u>6,551,932</u>	<u>29,798,340</u>	<u>4,298,972</u>	<u>13,649,642</u>	<u>5,683,564</u>	<u>367</u>	<u>3,065,713</u>	<u>6,746,161</u>	<u>49,620</u>	<u>211,442</u>
less Off-System Sales Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less Other Revenue	<u>(14,108,307)</u>	<u>(4,118)</u>	<u>(14,104,189)</u>	<u>(50,463)</u>	<u>(5,443,764)</u>	<u>(480,974)</u>	<u>(3,584,237)</u>	<u>(433,803)</u>	<u>(2,003,068)</u>	<u>(306,830)</u>	<u>(975,566)</u>	<u>(1,28,998)</u>	<u>(20)</u>	<u>(210,327)</u>	<u>(472,457)</u>	<u>(3,308)</u>	<u>(10,372)</u>
Total Retail Distribution Cost	<u>232,504,966</u>	<u>66,352</u>	<u>232,438,614</u>	<u>870,178</u>	<u>102,949,557</u>	<u>8,116,626</u>	<u>54,991,250</u>	<u>6,118,129</u>	<u>27,795,272</u>	<u>3,992,141</u>	<u>12,674,076</u>	<u>5,554,566</u>	<u>347</u>	<u>2,855,385</u>	<u>6,273,705</u>	<u>46,312</u>	<u>201,070</u>

Item No.: OSBA-2-22
Witness: Lahtinen
Page 1 of 1

DUQUESNE LIGHT COMPANY

Office of Small Business Advocate Interrogatories Set II

22. Reference the Company's response to OSBA-1-008. Note that class (and system) expense levels (including income taxes) are unchanged from the unitary (9.61%) rate of return case. Please provide a schedule showing actual class and system average rates of return at adjusted 1996 revenue-related expenses correspond to (i.e., change with) class revenue levels.

Response:

Duquesne's response to OSBA-01-008 was a standard calculation and comparison showing realized returns given the adjusted revenues and the results from the allocated cost of service. You are correct in noting that the class and system expenses (including income taxes) remain unchanged from the results filed by Mr. Lahtinen using a return on rate base of 9.61%. However, this is what was intended. The intent of Duquesne's response to OSBA-01-008 was to show the "realized" rates of return provided by the adjusted revenue levels given the results from the allocated cost of service. This is a standard calculation and comparison.

The current request asks that Duquesne re-run these calculations so that class and system rates of return provided by the adjusted revenue amounts reflect changes to income and other revenue-related expenses. This calculation can not be performed as requested because income taxes are an **input** to the allocated cost of service model and are not derived in the process.

However, in order to be responsive to your question, a proportional relationship was assumed between income taxes and equity return. Given this assumption, it was then possible to iterate the cost of service model results to solve for a level of income tax "consistent" with the "realized" return. This calculation produced results that were within .003% of the adjusted revenues for 1996. **The attached schedule provides the class rates of return calculated in manner described above.**

While Mr. Lahtinen believes that these results respond to the question, he does not believe they reflect either standard calculation procedures or comparisons.

COST OF SERVICE STUDY

Response To O&A-02-22

(1996)

	PA PUC JURIS.	BA	BS	BH	GI/GM	GMM	GL	GML	I	HVPS	AL	SE	SM	SH	TRAFFIC SIGNALS
1. Cost of Service at 9.03% ROR (a.)	1,104,179,925	3,783,769	350,530,461	35,827,300	264,411,074	30,956,712	201,946,458	33,742,891	93,893,952	72,391,355	1,424	5,485,005	10,229,552	119,212	860,758
2. Adjusted Revenues (b.)	1,104,215,124	3,400,589	379,338,751	26,251,345	278,720,764	27,562,659	205,894,834	29,786,549	84,614,690	51,401,337	1,342	3,136,712	12,305,786	167,041	1,632,725
3. less expenses (c.)	(890,425,887)	(3,035,049)	(283,546,248)	(28,603,292)	(210,034,645)	(24,607,378)	(163,407,521)	(27,248,346)	(76,247,450)	(60,630,646)	(1,142)	(4,293,218)	(7,954,690)	(92,833)	(723,429)
4. plus Income tax expenses (d.)	84,076,061	290,153	27,955,956	2,736,127	21,453,158	2,494,072	14,181,456	2,334,067	6,940,830	3,386,732	105	715,217	1,517,942	12,961	57,284
5. equals Revenues available for Inc. Taxes & Return	297,865,298	655,693	123,748,459	384,180	90,139,277	5,449,353	56,668,769	4,872,270	15,308,070	(5,842,577)	305	(441,288)	5,869,037	87,169	966,579
6. Rate Base (e.)	2,367,154,351	8,291,477	741,796,375	80,000,097	602,175,296	70,313,771	426,787,789	71,921,874	195,420,848	130,240,408	3,123	13,198,087	25,192,269	292,136	1,520,801
7. Inc. Taxes & Returns (from Adj. Revenues) as % of Rate Base	12.56%	7.91%	16.68%	0.48%	14.97%	7.75%	13.28%	6.77%	7.83%	-4.49%	9.78%	-3.34%	23.30%	29.84%	63.56%
8. Revenues available for return to rate bases	213,789,237	365,540	95,792,503	(2,351,947)	68,686,119	2,955,281	42,487,313	2,538,203	8,367,240	(9,229,309)	200	(1,156,506)	4,351,096	74,208	909,296
9. Returns (from Adj. Revenues) as % of Rate Base	9.03%	4.41%	12.91%	-2.94%	11.41%	4.20%	9.96%	3.53%	4.28%	-7.09%	6.41%	-8.76%	17.27%	25.40%	59.78%

Notes

- a. The cost of service was recalculated using a 9.03% weighted rate of return. State and federal income taxes were revised in proportion to the change in equity returns.
- b. The 1996 revenues adjusted for ECR
- c. The expenses of the recalculated cost of service (with the 9.03% ROR).
- d. The income tax expenses recalculated in the cost of service with the 9.03% ROR.
- e. The cost of service rate base in the filed and recalculated cost of service.

% Error in adjusting ROR AND Taxes to make COS fit adjusted Revenues 0.0032%

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)
Commission,)
)
 v.) Docket No. R-00974104
)
Duquesne Light Company)
Application to approve)
restructuring plan pursuant)
to 66 Pa. C.S. § 2806(d))

ANSWER TO MOTION FOR RECONSIDERATION

Pursuant to 52 Pa. Code § 5.103, Duquesne Light Company ("Duquesne") hereby answers the Motion of Enron Power Marketing Inc. ("Enron") for Reconsideration of the Seventh Interim Order. Duquesne's response is limited to the following four points.

1. Enron states that "Duquesne's objections were filed late" and therefore should be overruled. Enron Pet. at 2. This argument is based on the premise that Enron timely filed the exhibits on January 12¹ and that Duquesne's response was therefore due by noon January 13. Yet Enron did not serve the undersigned until

¹ This may or may not be true. Enron's filing letter, dated January 12, 1998, does not indicate that the filing was sent by facsimile by noon that day, as required by the Sixth Interim Order.

January 14 and thus Enron's argument is nothing more than a contention that Duquesne should have responded to the exhibits before it received them. This is hardly fair to Duquesne and the only basis for it is the suggestion, in a footnote, that "Mr. Moot knew that Enron intended to move into the record the exhibits at issue." Pet. at 3 n.2. This is certainly a novel proposition, given that the time period for responding to a motion commences from the date of service of the motion, not from the date counsel "knew" the opposition "intended" to file it. See 52 Pa. Code § 5.103(c). The Sixth Interim Order plainly contemplated the filing and service of such exhibits "no later than noon on Monday, January 12, 1998," something Enron failed to do. Sixth Interim Order ¶ 4a. At bottom, Enron's procedural argument is a meritless effort to cover up its own failure to serve Duquesne on a timely basis (and perhaps its failure to file the exhibits themselves on a timely basis, see n.1 supra).

2. Enron asserts that the exhibits are not "friendly cross-examination" because the calculations "are not at all consistent with the positions [OCA and DII] advocate in this proceeding." Pet. at 2. This is not correct. The calculations are consistent with the OCA and DII positions in this case because they implement

each party's stranded cost estimates. The fact that these estimates are incorporated into a different recovery methodology (per Enron's request) does not transform the calculations into evidence that is "adverse" to OCA and DII. See Duquesne Objections at 3 n.4.² DII's active support for the admission of the exhibits should amply bear this out. See Letter from P. Polacek to Judge Corbett (Jan. 19, 1998).

3. Enron asserts that "admission of these exhibits does not deny the parties their due process rights any more than would the usual procedure of introducing them during cross-examination." Pet. at 7. This is a telling response. Enron apparently does not contend that Duquesne's due process rights have been protected; rather, the argument is merely that Duquesne is no "worse off" than if the exhibits were admitted at trial. This, of course, misses the point: the place or method of admission of the exhibits is not relevant to Duquesne's due process objections. It is the fact that Duquesne has had no fair opportunity to analyze the calculations,

² The fact that similar responses were apparently introduced into evidence in the West Penn case (Pet. at 8 n.12) is not relevant here, as no objection to them was raised in that case and, hence, no ruling on the matter at issue here was made.

conduct discovery on them, or file a complete evidentiary response.³ Thus, the same due process objections would lie at trial.⁴

4. Enron's final contention is that "it is obvious that the Commission will be interested in reviewing these calculations" because they "us[e] the methodology endorsed by the Commission in its Order in the PECO Restructuring." Pet. at 9, 1. This assumes too much. First, whether the calculations are consistent with the PECO Order can only be determined upon a detailed review of them after opportunity for any necessary discovery. Second, and in any event, if the Commission had wanted intervenors in the various restructuring proceedings to recalculate their proposed CTCs in the manner proposed by Enron here, it would have ordered each record reopened (or supplemented) for that purpose.

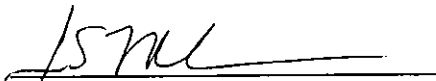
³ The corrections filed herewith in an effort to settle the dispute (Ex. DJC-27) do not represent a complete response to Enron Exhibits 6-10.

⁴ It also is irresponsible to suggest, as Enron does, that no due process issue is presented because the calculations "speak for themselves" and thus can simply be responded to "on brief." Pet. at 6, 9. Complex stranded cost calculations do not "speak for themselves" and that is precisely why the parties have conducted intensive discovery and submitted detailed responsive testimony on the critical stranded cost calculations presented in this case.

WHEREFORE, the Petition should be denied. In the alternative, if the Petition is granted, Duquesne Exhibit DJC-27 should be admitted into the record as well.

Respectfully submitted,

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Dated: January 20, 1998

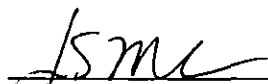
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)
Commission)
)
v.) Docket No. R-00974104
)
Duquesne Light Company)
Application for Approval of)
a Restructuring Plan Pursuant)
to 66 Pa. C.S. § 2806(d))

CERTIFICATE OF SERVICE

I hereby certify that I have this day served true copies of the foregoing documents, by facsimile, upon the participants on the attached service list in accordance with Section 1.54 of the Commission's regulations.

Dated this 20th day of January, 1998.



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E-MAIL ADDRESS: PPOLACEK@MWN.COM

January 20, 1998

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
Harrisburg, PA 17120

DOCKETED

VIA HAND DELIVERY

FEB 01 1998

Re: Application of Duquesne Light Company for approval of Restructuring Plan Under Section 2806 of the Public Utility Code; Docket No. R-00974104

KJR

Dear Secretary McNulty:

Enclosed for filing are the original and three (3) copies of the Second Joint Stipulation executed on behalf of the Duquesne Industrial Intervenors ("DII") in the above-referenced proceeding. The First Joint Stipulation and two copies of the DII testimony and exhibits were filed with your office on January 9, 1998. Copies of the testimony and exhibits have previously been served on all parties of record.

As evidenced by the attached Certificate of Service, all parties are being duly served with the Second Joint Stipulation. Please date stamp the enclosed copy of this letter and return it for our filing purposes.

Very truly yours,

MCNEES, WALLACE & NURICK

By *Pamela C. Polacek*
Pamela C. Polacek

**DOCUMENT
FOLDER**

Counsel to the Duquesne Industrial Intervenors

PCP/clc

Enclosures

c: Administrative Law Judge John H. Corbett, Jr. (via First Class Mail)
Certificate of Service

RECEIVED
98 JAN 20 PM 2:37
PAJUC
PROTHONOTARY'S OFFICE

108

ORIGINAL

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**DOCUMENT
FOLDER**

Pennsylvania Public Utility)
Commission,)

v.)

Docket No. R-00974104

Duquesne Light Company)
Application to approve)
restructuring plan pursuant)
to 66 Pa. C.S. § 2806(d))

PROTHONOTARY'S OFFICE
F.A.P.U.C.

98 JAN 20 PM 2:37

RECEIVED

**DOCKETED
FEB 03 1998**


SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

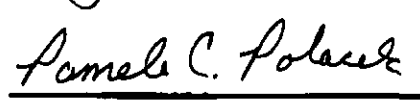
1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:


John S. Moot

Counsel for Intervenor Party:


Pamela C. Polacek

Name of Intervenor Party:

Duquesne Industrial Intervenor

Dated: January 15, 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 1 of 2

Exhibit	Brief Description
CAAP Statement No. 1	Direct Testimony of John A. Wilson (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit JAW-1	DQE Response to Filing Requirement RP-P-5
CAAP Exhibit JAW-2	DQE Response to Filing Requirement RP-P-7
CAAP Exhibit JAW-3	DQE Response to Filing Requirement RP-P-2
CAAP Exhibit JAW-4	DQE Response to Filing Requirement RP-P-1
CAAP Exhibit JAW-5	DQE Response to Filing Requirement RP-P-3
CAAP Exhibit JAW-6	DQE Response to Filing Requirement RP-P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 2 of 2

CAAP Statement No. 2	Direct Testimony of Craig R. Kuennen (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit CRK-2	Curriculum Vitae of Craig R. Kuennen, Ph.D. (abd)
CAAP Exhibit CRK-3	Final Order on Universal Service and Energy Conservation Programs
CAAP Exhibit CRK-4	DQE response to filing requirement No. RP-P-2
CAAP Exhibit CRK-5	DQE response to filing requirement No. RP-P-9
CAAP Exhibit CRK-6	DQE 150% of Poverty Household Estimate
CAAP Exhibit CRK-7	DQE response to filing requirement No. RP-P-5
CAAP Exhibit CRK-8	DQE response to filing requirement No. RP-P-7
CAAP Exhibit CRK-9	DQE response to filing requirement No. RP-P-3
CAAP Exhibit CRK-10	DQE LIURP Completions and Funding, 1988-1996
CAAP Exhibit CRK-11	Tentative Order on Universal Service and Energy Conservation
CAAP Exhibit CRK-12	Met-Ed/Penelec CAP Cost
CAAP Exhibit CRK-13	DQE response to filing requirement No. RP-P-10
CAAP Exhibit CRK-14	DQE response to filing requirement No. RP-P-1
CAAP Exhibit CRK-15	DQE response to filing requirement No. RP-P-8
CAAP Exhibit CRK-16	Met-Ed Response to Filing Requirement No. P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

Application For Approval of Restructuring Plan
 Pursuant to 66 Pa. C.S. s. 2806 (d)
 Docket No. R-00974104

DAVID HUGHES INDEX OF TESTIMONY AND EXHIBITS

Exhibit	Description	Date Identified	Date Admitted
DH Statement No. 1	Direct Testimony of David Hughes (<i>Economics of Nuclear Units</i>)		
Exhibit DH-1	PUC Order No. 138, March 13, 1972, (<i>capacity investigation</i>)		
Exhibit DH-2	Table showing Duquesne "Revenues by Customer", 1966-1991		
Exhibit DH-3	Table showing Duquesne "Sales By Customer", 1965-1995		
Exhibit DH-4	David Hughes Direct Testimony, PUC Docket No. C-00945953, March 20, 1996		
DH Statement No. 2	Direct Testimony of Jonathan Muehl (<i>Duquesne Mitigation Efforts</i>)		
DH Statement No. 1-SR	Prepared Surrebuttal of David Hughes		
Exhibit DH-5	Prefiled Testimony of Duquesne Light Company in Public Utilities Commission of Ohio Docket No. 95- 300-E1-AIR, December 4, 1995		
Exhibit DH-6	Duquesne Light Co. 1994 Resource Planning Report, pp. 30&31		

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1:54 (relating to service by a participant).

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Certificate of Service
Docket No. R-00974104
Page 2

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Docket No. R-00974104
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Certificate of Service
Docket No. R-00974104
Page 5

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Pamela C. Polacek, Esq.

Dated this 20th day of January, 1997, in Harrisburg, Pennsylvania.

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

ORIGINAL

IN REPLY PLEASE
REFER TO OUR FILE

January 20, 1998

JAMES McNULTY SECRETARY
PA PUBLIC UTILITY COMMISSION
PO BOX 3265
HARRISBURG PA 17105-3265

DOCUMENT
FOLDER

RECEIVED
98 JAN 20 PM 2:14
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PROTHONOTARY'S OFFICE

Re: Application of Duquesne Light Company For Approval of Restructuring Plan
Docket No. R-00974104

Dear Secretary McNulty:

Enclosed for inclusion in the record of this proceeding please find two (2) copies of OTS Cross Examination Exhibit No. 6. This document has previously been served upon ALJ Corbett and all parties. *KJR*

In addition, in accordance with ALJ Corbett's Sixth Interim Order, this letter constitutes acknowledgement that OTS Exhibit Nos. 4 and 4-SR (Attachments to Testimonies of Paul Metro), which were admitted into evidence on December 17, 1997, as attachments but were not separately identified for the record, have been included in the record of this proceeding. These documents have also previously been provided to ALJ Corbett and all parties.

Finally, enclosed for filing at this docket is an copy of the Second Joint Stipulation, executed by OTS in this matter. By copy of this latter, copies of the Second Joint Stipulation, executed by OTS, are being provided to ALJ Corbett and all parties.

DOCKETED

FEB 05 1998

Very truly yours,

Kandace F. Melillo

Kandace F. Melillo
Prosecutor
Office of Trial Staff

Enclosures

cc: Honorable John H. Corbett, Jr. (w/ copy of signed Second Joint Stipulation)
Parties of Record (w/ copy of signed Second Joint Stipulation)

99

OTS Cross Examination
Exhibit No. 6

On-the-Record Data Request
Witness: O'Brien (Revised)
Page 1 of 1

DUQUESNE LIGHT COMPANY

On-the-Record Data Requests

5. Under the 2006 scenario, if recovery of fossil fuel or nuclear decommissioning is permitted to occur through extension of the CTC, then Duquesne's distribution customers would be paying the entire fossil fuel decommissioning or nuclear decommissioning while Duquesne's generation customers (who are actually receiving power from the generation plants) are paying nothing towards decommissioning? Please explain.

Response:

It is correct that transmission and distribution customers would be paying a CTC that reflects the decommissioning charges. It is also the case that Duquesne's generation customers would be paying a rate for power that is determined by the market and, by definition, is not, under this scenario, sufficient to recover the decommissioning costs that are being collected in the CTC.

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RECEIVED TIMEJAN. 9. 2:17PM

PRINT TIMEJAN. 9. 2:19PM

OTS Cross Examination
Exhibit No. 6

On-the-Record Data Request
Witness: O'Brien (Revised)
Page 1 of 1

DUQUESNE LIGHT COMPANY

On-the-Record Data Requests

5. Under the 2006 scenario, if recovery of fossil fuel or nuclear decommissioning is permitted to occur through extension of the CTC, then Duquesne's distribution customers would be paying the entire fossil fuel decommissioning or nuclear decommissioning while Duquesne's generation customers (who are actually receiving power from the generation plants) are paying nothing towards decommissioning? Please explain.

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DOCUMENT FOLDER

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, v. Duquesne Light Company Application to approve restructuring plan pursuant to 66 Pa. C.S. § 2806(d)

Docket No. R-00974104

RECEIVED 98 JAN 20 PM 2:42 PA. P.U.C. PROTHONOTARY'S OFFICE

DOCKETED

FEB 05 1998

SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

- 1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:


John S. Moot

Counsel for Intervenor Party:

Kandace F. Melillo

Name of Intervenor Party:

OTS

Dated: January 15, 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

**Community Action Association of Pennsylvania
Index of Testimony and Exhibits**

Page 1 of 2

Exhibit	Brief Description
CAAP Statement No. 1	Direct Testimony of John A. Wilson (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit JAW-1	DQE Response to Filing Requirement RP-P-5
CAAP Exhibit JAW-2	DQE Response to Filing Requirement RP-P-7
CAAP Exhibit JAW-3	DQE Response to Filing Requirement RP-P-2
CAAP Exhibit JAW-4	DQE Response to Filing Requirement RP-P-1
CAAP Exhibit JAW-5	DQE Response to Filing Requirement RP-P-3
CAAP Exhibit JAW-6	DQE Response to Filing Requirement RP-P-9

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PROTHONOTARY

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 2 of 2

CAAP Statement No. 2	Direct Testimony of Craig R. Kuennen (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit CRK-2	Curriculum Vitae of Craig R. Kuennen, Ph.D. (abd)
CAAP Exhibit CRK-3	Final Order on Universal Service and Energy Conservation Programs
CAAP Exhibit CRK-4	DQE response to filing requirement No. RP-P-2
CAAP Exhibit CRK-5	DQE response to filing requirement No. RP-P-9
CAAP Exhibit CRK-6	DQE 150% of Poverty Household Estimate
CAAP Exhibit CRK-7	DQE response to filing requirement No. RP-P-5
CAAP Exhibit CRK-8	DQE response to filing requirement No. RP-P-7
CAAP Exhibit CRK-9	DQE response to filing requirement No. RP-P-3
CAAP Exhibit CRK-10	DQE LIURP Completions and Funding, 1988-1996
CAAP Exhibit CRK-11	Tentative Order on Universal Service and Energy Conservation
CAAP Exhibit CRK-12	Met-Ed/Penelec CAP Cost
CAAP Exhibit CRK-13	DQE response to filing requirement No. RP-P-10
CAAP Exhibit CRK-14	DQE response to filing requirement No. RP-P-1
CAAP Exhibit CRK-15	DQE response to filing requirement No. RP-P-8
CAAP Exhibit CRK-16	Met-Ed Response to Filing Requirement No. P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

**Application For Approval of Restructuring Plan
Pursuant to 66 Pa. C.S. s. 2806 (d)
Docket No. R-00974104**

DAVID HUGHES INDEX OF TESTIMONY AND EXHIBITS

Exhibit	Description	Date Identified	Date Admitted
DH Statement No. 1	Direct Testimony of David Hughes (<i>Economics of Nuclear Units</i>)		
Exhibit DH-1	PUC Order No. 138, March 13, 1972, (<i>capacity investigation</i>)		
Exhibit DH-2	Table showing Duquesne "Revenues by Customer", 1966-1991		
Exhibit DH-3	Table showing Duquesne "Sales By Customer", 1965-1995		
Exhibit DH-4	David Hughes Direct Testimony, PUC Docket No. C-00945953, March 20, 1996		
DH Statement No. 2	Direct Testimony of Jonathan Muehl (<i>Duquesne Mitigation Efforts</i>)		
DH Statement No. 1-SR	Prepared Surrebuttal of David Hughes		
Exhibit DH-5	Prefiled Testimony of Duquesne Light Company in Public Utilities Commission of Ohio Docket No. 95- 300-EI-AIR, December 4, 1995		
Exhibit DH-6	Duquesne Light Co. 1994 Resource Planning Report, pp. 30&31		

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility
Commission**

v.

Duquesne Light Company

.....

**Docket No.
R-00974104**

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CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing, a letter and enclosures, regarding the Sixth Interim Order, dated January 20, 1998, either personally, by first class mail, express mail or by fax upon the persons addressed below:

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Kandace F. Melillo
Kandace F. Melillo
Prosecutor
Office of Trial Staff

Dated: January 20, 1998
R-00974104

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

DATE: January 21, 1998
SUBJECT: Request to add BCS to Service Lists
TO: James McNulty, Secretary
FROM: Wayne Williams, Chief
Division of Research and Planning

DOCKETED
FEB 10 1998

Please add the Bureau of Consumer Services (BCS) to the service lists for the following restructuring proceedings:

<u>Utility</u>	<u>Docket Number</u>
PP&L	R-00973954
GPU-Met-Ed	R-00974008
GPU-Penelec	R-00974009
Duquesne Light	R-00974104
Allegheny Power	R-00973981
UGI	R-00973957
Citizens Electric	R-00974047
Pike County Electric	R-00974150
Wellsboro Electric	R-00974046

**DOCUMENT
FOLDER**

Specifically, please direct the information to the attention of Lou Sauers, 7th floor, Barto Building. Thank you for your anticipated response to this request.

ORIGINAL

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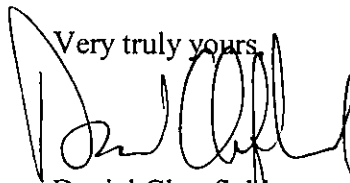
James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265 Harrisburg, PA 17105-3265

RE: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

Dear Mr. McNulty:

Pursuant to the Administrative Law Judge's Sixth Interim Order in the above matter, enclosed please find an original and three (3) copies of the Second Joint Stipulation executed by counsel for Enron Power Marketing, Inc. ("Enron"). Enron agrees to waive cross-examination upon the exhibits and testimony itemized in the indices and agrees that these exhibits and testimonies should be moved into the record in this proceeding.

All parties to this proceeding have been served in accordance with the attached Certificate of Service.



Very truly yours,

Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/lww
Enclosure

cc: Hon. John Corbett, Jr. w/enc.
All Parties of Record w/enc.

DSH:10877.1

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document via Federal Express, facsimile or first class mail, postage pre-paid upon the participants, listed below, in accordance with the requirements of 52 Pa. Code § 1.54.

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Daniel Clearfield

Date: January 21, 1998

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCK

FEB 06 1998

Pennsylvania Public Utility)
Commission,)
)
v.) Docket No. R-00974104
)
Duquesne Light Company)
Application to approve)
restructuring plan pursuant)
to 66 Pa. C.S. § 2806(d))

DOCUMENT
FOLDER

SECOND JOINT STIPULATION

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.

2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.

3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:

JSM
John S. Moot

Counsel for Intervenor Party:

Daniel Clayfield

Name of Intervenor Party:

ENRON

Dated:

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PROTHONOTARY'S OFFICE



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KJR

January 21, 1998

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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

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RE: Pennsylvania Public Utility Commission v. Duquesne Light Company;
Application for Approval of Restructuring Plan Under Section 2806 of
the Public Utility Code; ~~Docket No. R-00974101~~

R-974104

Dear Mr. McNulty:

Pursuant to the Sixth Interim Order issued by Presiding Administrative Law Judge John H. Corbett, Jr. on December 30, 1997 in the above-captioned matter, enclosed for filing with the Commission, is a signed copy of the Second Joint Stipulation Letter moving into evidence the testimony and exhibits indicated in the attached indices into the record and waiving any and all cross-examination thereon. Also enclosed are two (2) copies of the testimony and exhibits of the Community Action Association of Pennsylvania (CAAP) in the above-captioned proceeding, as identified in the attached indices.

A copy of this signed Second Joint Stipulation Letter and the attached indices are being serve upon all parties to this proceeding, as indicated on the attached Certificate of Service, as well as upon Presiding Administrative Law Judge Corbett.

If you have any questions concerning the enclosed documents, please direct them to me. Thank you for your attention in this matter.

Sincerely,

John A. Wilson
Executive Director

DOCKETED
APR 21 1998

**DOCUMENT
FOLDER**

Enclosures

cc: Attached Certificate of Service
Honorable John H. Corbett, Jr., ALJ

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371-7310

January 15, 1998

Via Overnight Mail

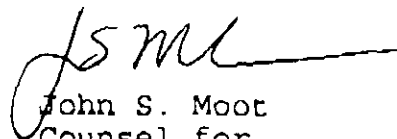
James J. McNulty
Prothonotary
Pennsylvania Public Utility Commission
North Office Building
Commonwealth Ave. and North St.
Harrisburg, Pa. 17120

Re: Duquesne Light Company Restructuring
Proceeding, Docket No. R-00974104

Dear Mr. McNulty:

Pursuant to the Presiding Judge's Sixth Interim Order (dated December 30, 1997), enclosed is the Second Joint Stipulation. The stipulation includes an index of testimony and exhibits from the Community Action Coalition and David Hughes, the two parties that were not included in the First Joint Stipulation.

Sincerely,



John S. Moot
Counsel for
Duquesne Light Company

DOCUMENT
FOLDER

cc: Judge Corbett (w/enclosure and by facsimile)
All parties (w/enclosure and by facsimile)

RECEIVED

JAN 21 1998

KJR

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)
Commission,)
)
 v.)
)
 Duquesne Light Company)
 Application to approve)
 restructuring plan pursuant)
 to 66 Pa. C.S. § 2806(d))

Docket No. R-00974104

DOCKETED

FEB 06 1998

SECOND JOINT STIPULATION

DOCUMENT
FOLDER

Pursuant to the Sixth Interim Order issued by the Presiding Judge on December 30, 1997, Duquesne Light Company ("Duquesne") submits this Second Joint Stipulation, which provides as follows:

1. The testimony and exhibits itemized on the indices attached hereto shall be admitted into the record of this case.
2. Each party agrees to waive its right to cross-examine the witnesses sponsoring the testimony and exhibits itemized on the indices attached hereto.
3. Each party sponsoring the testimony and exhibits itemized on the indices attached hereto agrees to execute a copy of this Stipulation by causing counsel of record for each party (or the party itself if that

party is unrepresented by counsel) to place its signature on the appropriate line below. Each such party further agrees to file an executed version of this Stipulation with the Commission's Secretary and Prothonotary at the time it submits two copies of its testimony and exhibits to the Secretary and Prothonotary, as prescribed by the Sixth Interim Order.

Counsel for Duquesne Light:



John S. Moot

Counsel for Intervenor Party:



John Wilson, Executive Director
Community Action Association of PA

Name of Intervenor Party:

Dated: January 15, 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

Community Action Association of Pennsylvania
Index of Testimony and Exhibits

Page 1 of 2

Exhibit	Brief Description
CAAP Statement No. 1	Direct Testimony of John A. Wilson (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit JAW-1	DQE Response to Filing Requirement RP-P-5
CAAP Exhibit JAW-2	DQE Response to Filing Requirement RP-P-7
CAAP Exhibit JAW-3	DQE Response to Filing Requirement RP-P-2
CAAP Exhibit JAW-4	DQE Response to Filing Requirement RP-P-1
CAAP Exhibit JAW-5	DQE Response to Filing Requirement RP-P-3
CAAP Exhibit JAW-6	DQE Response to Filing Requirement RP-P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
DUQUESNE LIGHT COMPANY

Docket No. R-00974104

**Community Action Association of Pennsylvania
Index of Testimony and Exhibits**

Page 2 of 2

CAAP Statement No. 2	Direct Testimony of Craig R. Kuennen (addressing issues pertaining to Universal Service and Energy Conservation).
CAAP Exhibit CRK-2	Curriculum Vitae of Craig R. Kuennen, Ph.D. (abd)
CAAP Exhibit CRK-3	Final Order on Universal Service and Energy Conservation Programs
CAAP Exhibit CRK-4	DQE response to filing requirement No. RP-P-2
CAAP Exhibit CRK-5	DQE response to filing requirement No. RP-P-9
CAAP Exhibit CRK-6	DQE 150% of Poverty Household Estimate
CAAP Exhibit CRK-7	DQE response to filing requirement No. RP-P-5
CAAP Exhibit CRK-8	DQE response to filing requirement No. RP-P-7
CAAP Exhibit CRK-9	DQE response to filing requirement No. RP-P-3
CAAP Exhibit CRK-10	DQE LIURP Completions and Funding, 1988-1996
CAAP Exhibit CRK-11	Tentative Order on Universal Service and Energy Conservation
CAAP Exhibit CRK-12	Met-Ed/Penelec CAP Cost
CAAP Exhibit CRK-13	DQE response to filing requirement No. RP-P-10
CAAP Exhibit CRK-14	DQE response to filing requirement No. RP-P-1
CAAP Exhibit CRK-15	DQE response to filing requirement No. RP-P-8
CAAP Exhibit CRK-16	Met-Ed Response to Filing Requirement No. P-9

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

DUQUESNE LIGHT COMPANY

**Application For Approval of Restructuring Plan
Pursuant to 66 Pa. C.S. s. 2806 (d)
Docket No. R-00974104**

DAVID HUGHES INDEX OF TESTIMONY AND EXHIBITS

Exhibit	Description	Date Identified	Date Admitted
DH Statement No. 1	Direct Testimony of David Hughes (<i>Economics of Nuclear Units</i>)		
Exhibit DH-1	PUC Order No. 138, March 13, 1972, (<i>capacity investigation</i>)		
Exhibit DH-2	Table showing Duquesne "Revenues by Customer", 1966-1991		
Exhibit DH-3	Table showing Duquesne "Sales By Customer", 1965-1995		
Exhibit DH-4	David Hughes Direct Testimony, PUC Docket No. C-00945953, March 20, 1996		
DH Statement No. 2	Direct Testimony of Jonathan Muehl (<i>Duquesne Mitigation Efforts</i>)		
DH Statement No. 1-SR	Prepared Surrebuttal of David Hughes		
Exhibit DH-5	Prefiled Testimony of Duquesne Light Company in Public Utilities Commission of Ohio Docket No. 95- 300-El-AIR, December 4, 1995		
Exhibit DH-6	Duquesne Light Co. 1994 Resource Planning Report, pp. 30&31		

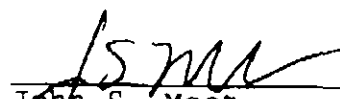
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)	
Commission)	
)	
v.)	Docket No. R-00974104
)	
Duquesne Light Company)	
Application for Approval of)	
a Restructuring Plan Pursuant)	
to 66 Pa. C.S. § 2806(d))	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document, by facsimile, upon the participants on the attached service list in accordance with Section 1.54 of the Commission's regulations.

Dated this 15th day of January, 1998.



 John S. Moot
 1440 New York Ave., N.W.
 Washington, D.C. 20005
 (202) 371-7310

Counsel to
Duquesne Light Company