

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

RECEIVED
AUG 13 1998

1. REPORT DATE: August 12, 1998	2. BUREAU AGENDA NO. AUG-98-FUS-1083* (REVISED)
3. BUREAU: Fixed Utility Services	
4. SECTION(S): Energy	5. PUBLIC MEETING DATE:
6. APPROVED BY: Director: Muth 3-5242 Supervisor: Bennett 7-5553 Legal Review: Barth 2-8579	August 13, 1998
7. PERSONS IN CHARGE: Glunz/Muriceak 3-6163	
8. DOCKET NO.: R-00974104	

DOCKETED
AUG 20 1998

9. (a) **CAPTION** (abbreviate if more than 4 lines)
 (b) **Short summary of history & facts, documents & briefs**
 (c) **Recommendation**
- (a) Duquesne Light Company (Duquesne) Compliance Filing
- (b) By motion adopted on May 21, 1998, and by Opinion and Order entered on May 29, 1998, the Commission approved a Restructuring Plan for Duquesne based upon modifications to Duquesne's original application in this proceeding. The Commission's order further directed that Duquesne submit a Compliance Filing within twenty days of the entry of the order. Duquesne filed a Compliance Filing on June 18, 1998.
- (c) The Bureau of Fixed Utility Services recommends that the Commission adopt the attached Opinion and Order.

MOTION BY: Commissioner Chm. Quain Commissioner Rolka - Yes
 Commissioner Brownell - Yes

SECONDED: Commissioner Bloom Commissioner

CONTENT OF MOTION: Staff recommendation adopted.



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

August 13, 1998

IN REPLY PLEASE
REFER TO OUR FILE

R-00974104

LARRY R CRAYNE ESQUIRE
RICHARD S HERSKOVITZ ESQUIRE
DUQUESNE LIGHT COMPANY
411 SEVENTH AVENUE 16-006
PITTSBURGH PA 15230-1930

KJR

Application of Duquesne Light Company for Approval of Restructuring Plan Under
Section 2806 of the Public Utility Code

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the
Commission in Public Meeting on August 13, 1998 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

DOCKETED
AUG 19 1998

James J. McNulty
Secretary

Enclosure
Certified Mail
JEP

**DOCUMENT
FOLDER**

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held August 13, 1998

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
David W. Rolka
Nora Mead Brownell

DOCKETED
AUG 19 1998

Application of Duquesne Light
Company for Approval of Restructuring
Plan Under Section 2806 of the Public
Utility Code

R-00974104

OPINION AND ORDER
(Order on Compliance Filing)

I. INTRODUCTION

DOCUMENT
FOLDER

A. History of the Proceeding

By motion adopted on May 21, 1998, and by Opinion and Order entered on May 29, 1998 (Final Order), the Commission approved a Restructuring Plan for Duquesne Light Company (Duquesne or Company) based upon modifications to Duquesne's original application in this proceeding. The Commission's order further directed that Duquesne submit a Compliance Filing within twenty days of the entry date of the order. The Compliance Filing was to incorporate all of the conclusions and directives contained in the order. The filing was due on or before June 18, 1998. The Commission further directed that the Compliance Filing in hard copy and electronic versions be served together with any supporting data and

analysis on the parties of record on the same date that it is filed with the Commission. All parties were permitted to file comments within seven (7) days of the date that Duquesne's Compliance Filing was filed with the Commission, or by June 25, 1998.

On June 16, 1998, Duquesne filed a Petition for Clarification or Reconsideration, of the Commission's May 29, 1998 Order. By motion adopted June 26, 1998 and by Order entered July 16, 1998, the Commission denied Duquesne's Petition for Clarification or Reconsideration.

On June 18, 1998, in accordance with the Commission's Final Order, Duquesne filed Electric Service Tariff - Pa. P.U.C. No. 18 (Stand-Alone Restructuring Plan), Electric Service Tariff - Pa. P.U.C. No. 19 (Merger Restructuring Plan), and a proposed "Electric Generation Suppliers Services Tariff" (Supplier Tariff). On June 25, 1998, comments were filed by Duquesne Industrial Intervenors (DII), Mid-Atlantic Power Supply Association (MAPSA), Strategic Energy Limited (SEL), New Energy Ventures (NEV), and the Office of Small Business Advocate (OSBA).

On June 24, 1998, the Community Action Association of Pennsylvania (CAAP) filed comments. The Office of Consumer Advocate (OCA) filed comments on June 26, 1998.

Reply comments were filed by Duquesne on July 6, 1998.

Duquesne has filed two Compliance Filings--one for the stand-alone case and one if the merger is consummated. We have reviewed both filings and found that the tariff language issues are the same between the filings while some of the

technical issues may differ. We will address the technical issues separately, but our discussion of tariff language issues applies to both filings, unless otherwise noted. The Commission has reviewed Duquesne's Compliance Filing and has carefully considered the comments and reply comments that have been filed. The Commission appreciates the time and effort that was expended in preparing the comments and thanks the commenters for their assistance.

B. Procedural Issues

SEL, who was not a participant in the proceeding, also filed comments directed specifically to Duquesne's proposed Supplier Tariff.¹ SEL's comments were served on Duquesne and other participants in the proceeding on June 25, 1998.

SEL recognizes in its comments that it may be ineligible to file comments as it was not a participant in the proceeding because under Section 5.592(c) of the Commission's regulations, 52 Pa. Code §5.592(c), which states that exceptions to compliance filings may be filed by participants to the proceeding. However, SEL explains that it had not previously intervened in the proceeding as it did not

¹In its comments, SEL makes numerous requests for guidance as to the procedure it should follow to submit comments regarding other EDC Supplier Tariffs. The Commission will refrain from offering such specific legal advice in this order, but recommends that SEL contact counsel of its choice. The Commission also notes that SEL is represented in this proceeding by an individual Alexander Galatic, who is not identified as an attorney. Section 1.21 (b) of the Commission's Rules of Practice and Procedure, 52 Pa. Code §1.21(b), requires that a corporation be represented by an attorney in adversarial matters. The Commission has the authority to waive this regulation and does so now to allow SEL's continued participation in this proceeding. However, in all future adversarial proceedings, SEL and all "partnerships, corporations, trusts, associations, agencies, political subdivisions" shall be represented only by an attorney or certified intern in accordance with 52 Pa. Code §1.22 (appearance by an attorney or certified legal intern), or should petition for a waiver of this provision.

foresee the need to do so until Duquesne filed its proposed Supplier Tariff as part of its Compliance Filing. SEL states that this is the first opportunity it had to review the tariff, and that as a licensed EGS, it will be subject to Duquesne's Supplier's Tariff. SEL also states that its interests in regard to the Duquesne Supplier Tariff are not necessarily represented by intervenors who are already participating in the proceeding because unlike other suppliers who may intend to rely on Duquesne to provide technical service such as forecasting and pre-scheduling services, it does not require such services. SEL then argues that it would be unfair and anti-competitive to deny SEL the opportunity to comment on whether Duquesne's Supplier Tariff supports the development of a robust competitive market.

Section 1.2(c) of the Commission's Rules of Administrative Practice and Procedure, 52 Pa. Code §1.2(c), allows the Commission to waive its rules "when necessary and appropriate, if the waiver does not adversely affect a substantive right of a participant." The Commission believes that it is appropriate to accept SEL's comments for consideration in this proceeding as Duquesne's Supplier Tariff was not included with its original filing, and comments specifically directed to this tariff will aid us in our evaluation. As SEL served a copy of its comments on Duquesne on June 25, 1998, Duquesne had a sufficient opportunity to address SEL's comments in its July 6, 1998 reply comments. Accordingly, we do not believe Duquesne's substantive rights will be adversely affected by our consideration of SEL's comments related to its Supplier Tariffs.

II. STRANDED COSTS

A. Distribution Revenue Requirement

In its comments to the Compliance Filing of Duquesne, DII asserts that a major flaw exists in Duquesne's calculation of the distribution revenue requirement that overstates that requirement by at least \$5 million. This overstatement of the distribution requirement should be properly assigned to generation. The error occurs in Duquesne's "reconciliation" of its T&D rates to the PUC's Final Order.

DII notes that the Company removes its actual costs for transmission (\$32,290,377) and ancillary services (\$9,932,713) as established in the Cost of Service study ("COSS") supporting Duquesne's Open Access Transmission Tariff ("OATT"). According to DII, the "Revised Distribution Revenue Requirement" of \$254,282,269 is approximately \$5 million more than Duquesne's Adjusted Total Distribution Costs of \$249,229,322. Duquesne overstates its distribution revenue requirement and impermissibly shifts costs from generation to distribution.

DII asserts that the Company's "Revised Duquesne Filing" transmission and ancillary service cost calculation produced a revenue requirement of \$47,276,037. However, when the Company removed the transmission and ancillary services costs from the revised T&D rate it only removed \$42,223,090, the FERC approved costs. The entire difference between the transmission costs and ancillary services costs included in the "Revised Duquesne Filing" T&D revenue requirement and the FERC-approved costs is properly allocated to the generation function, according to DII.

DII summarizes that when the proper treatment of this excess ancillary service cost claim is performed, the Company's distribution revenue requirement is \$249,229,322, which is the exact figure computed by the Company as the "Revised Duquesne Filing" distribution cost. In DII's view, the Company must be directed to submit a revised Compliance Filing treating the ancillary service costs consistent with these comments and increasing its generation revenue requirement by at least \$5 million.

In its response to DII's proposal, the Company notes that the T&D revenue requirement which was approved in the Commission's Order was not developed from the "ground up" with an approved cost of service, based on required returns, for each component thereof. Duquesne argues that it is inconsistent with this approach for DII to argue that transmission and ancillary services must now be determined from the "ground up." The Company believes that to the extent the total T&D revenue requirement is reduced, a corresponding increase to the CTC is appropriate. Duquesne argues that these costs were reclassified by the FERC to the competitive generation supply function and thus can only be recovered through an adjustment to the CTC.

OCA notes that in its Petition for Reconsideration and Clarification, and in its Compliance Filings, the Company has identified a reduction in its transmission rates based on a recent action by FERC approving a lower rate. According to the OCA, rather than reducing its overall transmission and distribution rates, the Company has used a residual methodology which reduces the transmission rates but correspondingly increases the distribution rate. From the OCA's preliminary review, the OCA has identified an approximate \$5 million shift in costs from the transmission rates to the distribution rates. While the OCA does not object to this residual methodology for purposes of this filing, the OCA submits that this

increase in distribution revenue requirement should not simply be retained by the Company without any appropriate accounting. The OCA proposes that, given the Company's proposal to fully reconcile universal service costs, it may be appropriate to use this money to offset universal service cost increases.

Resolution

We will adopt DII's recommendation to require the Company to reflect the difference between the FERC Transmission and Ancillary Service cost of \$42,223,090 and the \$47,276,037 figure employed by the Company in its "Revised Duquesne Filing." Because this differential appears to be made up primarily of ancillary service costs, we will not adopt the Company's alternative proposal to increase the CTC component. The Company is directed to reflect the appropriate adjustment to the generation revenue requirement.

B. Energy Losses

Duquesne contends that in the Compliance Filing, the Commission improperly subtracted \$10,432,197 in energy losses from the \$253,687,253 in Distribution Revenue Requirements on Duquesne Statement 5. It is the position of Duquesne that the energy losses have already been removed. The Company claims it's argument is supported by the following calculations.

At Exhibit JAL-1C, Page 6 of 6, the Company calculates the Cost of Service for the PA Jurisdictional Distribution. This exhibit begins with the Rate Base and Rate of Return calculation to arrive at the dollar return on rate base to which the Company adds O&M expenses, Depreciation and Amortization, and Taxes. Duquesne claims this exhibit arrives at a Distribution Revenue

Requirement of \$254,284,236, before Other Revenues, and that nowhere in the calculation, to this point, are energy losses deducted. Duquesne claims that this is a straightforward ratemaking formula calculation.

At Exhibit JAL-1C, Page 3 of 6, the Company notes that it calculated the Total Distribution Cost for the PA jurisdiction by starting with the \$254,284,236 Revenue Requirement from Page 6, and subtracted (\$14,104,188) in Other Revenues and added \$13,507,206 in related Gross Receipt Taxes. According to Duquesne, this results in the \$253,687,253 Total Distribution Costs which are at issue.

The Company argues that this number is net of energy losses of \$10,432,197, based upon the Basis for Retail Rates calculation, which is shown at the bottom of Page 3. The Company believes that it is evident that in arriving at the total Cost of Distribution for settling retail rates, the Company has added the Energy losses of \$10,432,197, as well as the Demand Losses of \$18,439,002, and related Gross Receipts Tax of \$795,266. The Company states that the Total Cost is \$283,353,739, prior to deducting the Energy and Demand Losses, not \$253,687,253. The Company claims that the latter is already the net number, which is the proper starting point for determining the build-up of the T&D rate.

Resolution

Based upon our review of the supporting calculations, we adopt the Company's proposed adjustment. The \$10,432,197 in energy losses are not deducted from the Distribution Revenue Requirements in the calculation of the Transmission and Distribution build-up.

C. Sales Volume

The OCA noted that in its presentation of forecasted sales, the Company had used slightly higher sales volumes than those utilized in the proceedings. The OCA requested that the Company clarify whether the use of differing sales volumes had affected the rate design.

In its Compliance Filing, Duquesne did not employ the OCA's proposed retail sales levels for 1999. The Company states that this charge relates to correcting the omission of pilot customers from the 1996 T&D sales volumes and that this would slightly, but not significantly, affect T&D class rates.

Resolution

While in our May 29, 1998 Order, we adopted the ALJ's recommendation to employ Duquesne's use of its 1996 cost of service study as the basis for allocating all of its costs between generation, transmission, and distribution, we also concluded that it was appropriate to employ the OCA's 1999 sales level of 12,519,000,000 kWh for the build-up of T&D rates. We will adopt the clarification requested by the OCA, and we direct Duquesne to employ the 1999 sales level.

D. Use of 1988 Cost of Service Study for Establishing Transmission and Distribution Rates--Stand Alone and Merger Compliance Filings

The OCA and DII commented that a significant issue affecting Duquesne's Compliance Filings is Duquesne's interpretation of the Commission's order

regarding the use of "realized" rates of return in establishing transmission and distribution ("T&D") rates for the unbundled tariffs. They note that in our Opinion and Order, the Commission rejected Duquesne's proposal to unbundle T&D rates based on Duquesne's "claimed" or "required" rate of return and directed that the Company unbundle T&D rates based upon the "realized" rates of returns.

The OCA believes that the Company was directed to determine the rate of return which was realized for T&D service for the 1996 test year, and unbundle the T&D rates from generation based upon the realized rate of return of 9.03% (Exhibit JAL-1C Revised - Response to OSBA-2-24) contained in this 1996 cost of service study. Instead the OCA notes, the Company's Compliance Filing uses the 9.61% rate of return by class reflected in the Company's 1988 cost of service study.

Furthermore, these parties noted that the ALJ specifically agreed with the OCA and DII positions. The OCA submits that the ALJ's intent was to adopt the approach utilized by those witnesses and the approach taken in the Company's compliance filing should, therefore, be modified. The OCA states that such a result is consistent with the result provided in the PECO Energy case. The OCA and DII, therefore, request the Commission to clarify its intent regarding this issue and direct Duquesne to submit a revised Compliance Filing consistent with this clarification.

Resolution

In our Order of May 29, 1998, page 41, Duquesne was directed to calculate the T&D revenue requirement based upon a realized return rather than any

required return set by the Commission. This methodology should be encompassed within the calculations of the T&D computation and properly employed in the Compliance Filing. The OCA and DII aver that the Company has filed using the 1988 cost of service study approved by the Commission in a rate case. It is clear from the language of the Order of the Commission that it intended the use of the 1996 cost of service study as testified to by the parties to the restructuring case, rather than those filed in the Compliance Filing by the Company. The Company is directed to comply with the Order and use the 1996 data.

E. Increase in Stranded Cost Amount--Stand Alone and Merger Compliance Filings - Deferred Fuel Costs

OCA noted that the Company has designed its CTC to collect a higher amount of stranded cost than that reflected by the Commission in its Order. According to the OCA, the difference appears to be \$18.25 million in deferred fuel costs that the Company is now including in its stranded cost calculation.

The Company indicated in its filing, and in its Petition for Clarification, that it intended to include this amount pursuant to the Commission's Order regarding Duquesne's ECR roll-in, which allowed for the opportunity to update this claim.

Resolution

The OCA argues that the Company's base rates and ECR in effect, on the effective date of the Act, were designed to recover 12.8 mills per kWh. The OCA noted that throughout the restructuring case the Company indicated that the proposed Energy Cost Rate (ECR) was higher than the ECR that was in effect at the effective date of the Act.

We will adopt the position of the OCA. Therefore, we direct Duquesne to reflect the ECR, in effect on the effective date of the Act, which is designed to recover 12.8 mills/kWh in energy costs in rate calculations.

F. CTC--Stand Alone Compliance Filing

OCA contends that in Duquesne's Stand Alone Compliance Filing, which is premised upon a divestiture of Duquesne's generation-related assets, the Company has not computed a CTC. The OCA states that Duquesne has interpreted the Commission's May 29, 1998 Order, which specifies the use of Pilot Customer Participation Credit (CPC) as the shopping credit, to mean that the interim CTC is the residual after subtracting the T&D rates. The OCA does not disagree that this is a methodology that could be used for the interim CTC until divestiture. The OCA requests that the Commission clarify its intent prior to approval of the Stand Alone Compliance Filing.

Resolution

In our May 29, 1998 Order, we accepted the Company's offer for divestiture of its generating assets in order to determine the value of its stranded utility generation in the event that the proposed merger with APS was not consummated. We recognized that because divestiture may not be accomplished by January 1, 1999, and that for an interim period the shopping credit in use shall continue to be the Pilot Customer Participation Credit and the energy credits. We reaffirm here, that following the implementation of the divestiture plan, a transition period, and a CTC, shall be adopted that reconciles the actual stranded costs with the proceeds of divestiture and the interim amount collected.

Upon review of the charges proposed in the "stand alone" Compliance Filing, we will adopt the Company's proposal for the interim CTC charges.

G. CTC Reconciliation--Merger Compliance Filing - Customer Contracts

The OCA notes that for CTC reconciliation for customers with contracts under the Economic Development Riders, or other special riders or contracts, the Company proposes that CTC collections from these customers would constitute collection of the fully allocated share of CTC recovery. The OCA states that it is unclear as to what is intended by this language. If the Company is suggesting that it will absorb any difference between collections and the fully allocated share of stranded costs of these customers, the OCA does not object to this language. If, however, the Company intends to collect any shortfalls from other customer classes, the OCA objects to this language. The OCA requests that the Commission clarify that any shortfalls in recovery of stranded cost charges from these customers cannot be collected from other customer classes.

Resolution

We agree with the OCA's recommended clarification that any shortfalls in the recovery of stranded cost charges from these customers cannot be collected from other customer classes.

In other restructuring decisions, we noted that all tariff classes should be unbundled in order to permit all customers to procure generation competitively. We stated that all existing contracts remain in effect on their

terms and that a contract that explicitly prohibits shopping in contemplation of passage of the Act remains unchanged. However, we further stated, any customer with a contract that does not explicitly prohibit shopping must be permitted to shop. Furthermore, upon expiration, contracts need not be extended, but the rate caps remain applicable as provided in Section 2804(4) of the Act.

We found that no contract may permit bypass of the CTC and that any existing contract purporting to do so must assign customer payments to full recovery of the allocated CTC and provide the associated discount as a credit to the customer against other portions of the bill. We also noted that when these rates are unbundled, customers with existing discounts must receive an allocated discount to the transmission and distribution portion of the bill unless the nature of the discount was exclusively on the generation component.

H. The Company's Claim for a Gross-Up on Stranded Cost for Income Tax

DII notes that in the portion of the Compliance Filing addressing the merger scenario, the Company increases its stranded cost claim by \$532 million over the \$1.331 billion which the Commission found proper. DII states that the Company has done this by revising an attachment to the Final Order including so-called deferred taxes. DII contends that this action is improper because the Commission's Order does not authorize a gross-up on stranded cost for deferred taxes, and Duquesne will be fully compensated for all tax effects of its stranded costs, with no deferred tax gross-up due to recovery of its SFAS 109 regulatory asset. It is DII's position that not only is the Company's treatment improper, it provides for recovery of the same stranded costs twice.

In its Petition for Clarification or Reconsideration regarding the stand-alone proceeding filed on June 15, 1998, Duquesne explains its concerns regarding the stranded cost gross-up as follows:

Attachment D sets forth a revenue requirement for deferred taxes and a monthly schedule for a return "on" (but not of) the deferred tax balance. The appropriate treatment of deferred taxes, which will be reflected in the compliance filing, is as follows. First, the Final Order approves a specific level of stranded costs (net of deferred taxes) and also determines a deferred tax balance associated with the approved stranded cost amount. Second, Duquesne is entitled to recovery of the deferred tax balance, but is not entitled to a return on that balance.

Duquesne Petition for Reconsideration — Stand Alone, p. 6 (emphasis in original).

The Company states that DII's explanation of its approach to deferred taxes is incomprehensible and unverifiable. The Company believes that the relevant point is that the Presiding Judge and the Commission rejected DII's margin analysis and rejected its proposed treatment of deferred taxes. The Company argues that the Commission accepted the proposals of the OCA and the Company on generation related issues and that the OCA does not object to the treatment of deferred taxes contained in the Compliance Filing. Therefore, the Company states that its proposal should be approved.

Resolution

The Commission, in its calculation of stranded costs, calculated the deferred taxes to be \$493,344,701. The Company has not taken exception to that number in the Compliance Filing. The Commission allowed a return on the

unamortized balance of the deferred taxes over the 84 months of the CTC period. The Company asserts that this is in error and that it should be given a return of the deferred taxes rather than a return on them. Granting a return of these balances is consistent with normal ratemaking convention by which rate base is calculated net of deferred taxes and a return of the taxes is allowed over the amortization period. The Company used a straight line amortization to levelize the CTC during the transition period. This part of the compliance calculation is accepted as appropriate by the Commission.

However, we would note here that as a result of our determination in this proceeding we will extend this time period from 84 months to 96 months.

Modifications to the stranded cost recovery for deferred taxes in the Compliance Filing will result in a change to the CTC and ultimately to the Shopping Credit. To hold the Shopping Credit constant, the Company is directed to recompute the CTC and change the collection period such that the CTC produced results in a Shopping Credit which is identical to that found in the Commission Order. The calculation should also take into consideration any changes made to the T&D rate by the final reiteration of the compliance.

III. TARIFF ISSUES

A. Rules and Regulations

1. Definitions

The OCA states that the Company's tariff does not contain any definitions. In Rule 3, the OCA notes the Company provides definitions for certain terms such

as retail customer and electric service. The OCA believes that the definition or explanation of “electric service” or “service” on Original Page No. 7 essentially ascribes two different meanings to the term “service” depending on whether a customer is receiving supply from an alternative generation supplier. The OCA submits that the meaning of these terms should be clarified and should follow the definitions provided in the Commission’s Customer Information Order a Docket No. L-00970126.

Additionally, OCA states that the Company should specifically identify the provider of last resort service in its Tariffs. The OCA believes that while the Company has described this service accurately in its tariff, it does not provide a clear name for this service.

Resolution

We agree with the OCA and direct the Company to provide definitions as provided in the Commission’s Customer Information Order at Docket No. L-00970126.

2. Rule 4--Contracts, Deposits & Advanced Payments

DII asserts that the Company’s Compliance Filing does not treat Rule 4, Rider 8 and Rider 20 customers in accordance with PUC directive set forth in the Final Order. DII claims that the Company inappropriately proposes to force Rule 4, Rider 8, and Rider 20 customers to take service under a firm rate schedule, if they access alternative supply. In addition, DII believes that the Company’s unbundling of rates for these customers is wholly inadequate and contrary to the dictates of the Order.

DII submits that the Commission's Final Order requires that "all tariff classes should be unbundled, permitting all customer classes to shop." Final Order, slip op. at 221. DII notes that the Commission specifically directs Duquesne "to unbundle its contracts for distribution, transmission and generation CTC charges." (p. 217) and required that, as contracts are unbundled, "customers with existing discounts must receive an allocated discount to the T&D portion of the bill unless the nature of the discount is exclusively on the generation component." (p. 221). DII argues that the Commission's goal was "to permit customers to continue to receive the economic benefits of existing contracts until the CTC expires." (p. 218). To accomplish this goal, DII noted the Commission specified that, although contracts need not be extended upon expiration, "the rate caps remain applicable as provided in Section 2804(4)." (p. 221).

Finally, DII asserts that the Duquesne proposed tariff provisions for Rule 4 and Riders 8 and 20 do not comply with the Commission's directives. DII argues the proposed tariff provisions inappropriately force these customers to return to a firm rate schedule upon accessing competitive supply, rather than keeping charges as capped at December 31, 1996, in accordance with Section 2804(4). DII believes that Duquesne has not appropriately unbundled the rates for Rule 4 and Riders 8 and 20 customers because the Company did not allocate any portion of the discount embedded in customers rates to the CTC.

DII believes that the Company's proposal is inadequate because it does not allocate the discount embedded in the contract rates to the appropriate components of the unbundled rate. DII argues that the unbundling requires an allocated portion of the discount in each arrangement be assigned to the T&D portion of the bill,

unless the nature of the discount is exclusively on the generation component. DII describes its understanding of the Company's unbundling process as follows:

- the Company refers back to the rate schedule these customers would have otherwise received service under.
- the Company unbundles the rates and assigns the discounts inherent to each unbundled rate element.
- the Company then compares the CTC element that will be realized from the initial unbundling with the full CTC from the tariffed rate schedules which otherwise would have applied.
- the Company adjusts the CTC for each class of contract to equal the CTC revenues.

DII notes that this always leads to an increase in the CTC and that the Company then decreases the distribution rates and the Competitive Generation Credit (CGC) by the amount that the CTC was increased. DII argues that contracts and riders must be unbundled based on the component discounts embedded in rates as of December 31, 1996. DII submits that the assignment of the full CTC from the otherwise applicable rate schedules is unlawful and inconsistent with the Commission's Order.

DII states that although no contract may permit bypass of the CTC, the Final Order clearly requires that "[r]ealized CTC charges should be completed and reconciled by tariff class." (p. 218).

In its comments to Duquesne's Compliance Filing, OCA asserts that Rule 4 concerns written contracts and has historically been used for contracts with large industrial or commercial customers. The OCA recommends that the tariff language should be clarified to indicate that it does not apply to residential customers. In addition, the OCA recommends this rule should specifically reference the CTC as a rate to be included under the special contract.

Duquesne submits that its Compliance Filing provides, for customers served under a contract that does not provide for access to alternative suppliers, the right to retain the benefits of that contract or the right to terminate the contract and receive service pursuant to the unbundled class CTC and T&D rates that apply to such customer. Duquesne asserts that this does not force the customer to do anything. Rather, Duquesne argues it preserves its special treatment under the existing contract, while also allowing the customer to choose other suppliers on the same terms as any other customer in its class.

Resolution

We agree with DII's argument that the proposed tariff would force a customer whose contract does not contain provisions governing the customer's rights under direct access, to terminate the contract if the customer wished to obtain electric energy from an EGS. This is inappropriate and not in compliance with our prior order. Duquesne is directed to unbundle the charges in such contracts in order that the contract customer may obtain electric supplies from an EGS. These customers should have three options open to them. They may take service under the contract. They may, according to the proposed rule 4, terminate the contract and obtain electricity from an EGS. Finally, these customers may retain the Company's services under unbundled contract rates and obtain their

electrical energy from an EGS. The Company is directed to amend the tariff language of Rule 4 and Riders 8 and 20 accordingly.

In other restructuring proceedings, we have stated that the rate cap provisions of Section 2804(4) of the Act apply to customers taking service under special contracts.

We also agree with the OCA's proposal to clarify that these contracts do not apply to residential customers. As we have noted in a resolution of DII's comments, these contracts should be unbundled and the CTC charge should be specifically referenced. The Company is directed to implement the recommendations of the OCA.

The Company's proposed unbundling methodology effectively recognizes the Company bears some financial responsibility for the discounts offered under these contracts and riders. Under the Company's proposal, if these rates do not fully recover the CTC charges which customers would otherwise be subject to, the Company's unbundling reduces the Company's revenues for its distribution services. In many cases there would be no distribution charges. This effectively lowers the Company's net income.

DII objects to the Company's proposal for the balance of the unrealized CTC charges. The Company applies any remaining unrealized CTC amount against the CGC and this lowers the unbundled shopping credit. The Company's proposal maintains the CTC charges at the same level as would be incurred by a customer on the same rate schedule, but without a special contract or rider.

DII recommends that any remaining "unrealized CTC" charges should be used to reduce the CTC charges not the CGC (shopping credit). DII recommended use of the "realized" CTC charges contained in the Company's Stand-Alone Compliance Filing in Appendix D, "Unbundling of Rule 4 Contracts and Sales Under Riders 8 and 9 for Test Year Sales 1996 Per Pilot Methodology Stand-Alone Case."

We will not adopt DII's proposal to employ these "realized CTC" charges. Several of these "realized CTC" charges are negative. This indicates that the rates produce no revenues to meet CTC charges. By employing these negative "realized CTC" charges, we would improperly shift stranded costs to other customers. The use of the "realized CTC" charges would violate the Act.

The premise for many special contracts has rested on the argument that the revenues produced from the sale are sufficient to meet the marginal costs of generation. The basis for the discounts has often rested on lower marginal generation costs. While we will not adopt DII's proposal because it would result in CGC levels for these discounted generation cost customers at the same level as the full tariff rate customers, we recognize that there should be some allocation of the unrealized CTC costs between the CGC and the unbundled CTC. While the Company has offset the CGC with all remaining "realized CTC" charges, after reduction of all distribution charges, we believe that an equal allocation of these net "unrealized CTC" charges between the CGC and the tariff rate CTC is reasonable. While we recognize that this is a departure from our prior Order, we note that this will lower the CTC charges from the level that otherwise would be charged, while not offsetting the full CGC, as proposed by the Company.

3. Rule 5--Deposits & Advance Payments

OCA avers that the tariff language does not specify that deposits should relate to regulated rates or service. In other words, the OCA argues the Company should not be permitted to require a deposit based on unpaid supplier charges. The OCA recommends that the Company's reference to estimated gross bills, electric bills, and average actual bills should be amended to refer only to the Company's charges that remain regulated.

Resolution

We agree with the OCA and direct the Company to amend its language so that reference to estimated gross bills, electric bills and average actual bills refer only to charges that remain regulated.

4. Rules 20 & 21--Bills & Net Payment Periods

The OCA believes that the Company's billing rules do not address various issues regarding billing for EDC and EGS charges. Specifically, the OCA notes that the Company has not proposed a partial payment rule. Although the Company must conform with the Commission's Order in Guidelines For Maintaining Customer Service At the Same Level Of Quality, Docket No. M-00960890F.011, which specifies a partial payment order, the OCA recommends that this should be embodied in the Company's tariff.

Resolution

We agree with the OCA and direct Duquesne to revise Tariff Rule 21.1 (relating to Payment of Bills for Residential Service) to include detailed language regarding application of partial payments consistent with Appendix B., Guideline H. 2. of the Final Order Re: Guidelines for Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2807(d), and Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. §2809(e) and (f), Docket No. M-00960890F0011. This level of detail will ensure that customers who may be provided with this portion of the Duquesne's tariff pursuant to 52 Pa. Code §56.151(4) (relating to Utility Company Dispute Procedures) will receive the information necessary for an informed judgment about how payment was applied to their account.

5. Rules 26-39--Termination

The OCA notes that the Company's rules regarding termination allow termination for "nonpayment of an undisputed delinquent account." OCA opines that this language does not clearly recognize that the Company cannot terminate a customer for failure to pay EGS charges. The OCA submits that the tariff language should clearly specify that termination can only occur for undisputed delinquent accounts associated with the Company's charges.

Resolution

We agree with the OCA's comment that Tariff Rule 26 does not clearly recognize that Duquesne may not terminate for a customer's failure to pay an

alternate supplier's charges. Therefore, we direct Duquesne to revise the language of the first sentence of Rule 26 to read:

The Company, upon reasonable notice, may terminate electric service and remove its equipment from the premises for nonpayment of undisputed EDC service charges or provider of last resort charges.

6. Rule 40--Reconnection Charges

At Rule 40, the OCA notes the Company sets out its policy regarding reconnection of service. According to the OCA, the Company reserves the right to "require payment of all arrearages and a deposit and to require the payment of costs incurred by the Company to reconnect the service." The OCA submits that it must be made clear in this Rule that the Company cannot refuse to reconnect service on the basis of the failure to pay EGS charges. In addition, in the second paragraph where the Company reserves the right to require payment of all arrearages prior to reconnection of service when a customer requested discontinuance, the OCA recommends that it should also be made clear that the Company cannot require payment of all EGS arrearages as a condition precedent to reconnection.

Resolution

We agree with the OCA that it must be made clear in Rule 40 that the Company cannot refuse to reconnect service on the basis of the failure to pay EGS charges. We direct Duquesne to revise the language of the first paragraph of Rule

40 to read:

Where service has been discontinued under the terms of Rules 26 through 36, inclusive, the Company reserves the right as a condition precedent to the reconnection of service to require the payment of all EDC service arrearages and a deposit and to require the payment of costs incurred by the Company to reconnect the service. When a residential ratepayer or residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

B. Consolidated Billing

New Energy Ventures finds that Duquesne's Compliance Filing fails to address and define measures to allow for the implementation of "consolidated billing" and suggests the following additional language be added:

A customer with multiple locations on the same tariff rate shall have those locations treated as through a single location for purposes of billing for transmission and CTC-related charges.

Resolution

We will not adopt the proposal of NEV. In our Order entered February 5, 1998, at Docket Nos. R-00973953 and P-00971265, involving PECO Energy Company, we addressed NEV's recommendations concerning "consolidated billing" (p. 13). We did not adopt these NEV recommendations. In that Order we concluded that PECO's proposal was consistent with our prior directives and therefore was accepted. We reiterated our earlier conclusion that billing consolidation should only apply to customers who have multiple meters on the

same rate tariff. We noted that this would not apply to distribution charges. Furthermore, we have stated that the CTC's are non-bypassable charges and that it is impermissible to shift stranded costs among customers.

C. Minimum Charges

DII states that Duquesne specifies a "minimum charge" that will be applicable to customers on tariff rates GL, L and HVPS. DII contends that although imposition of a monthly minimum charge is acceptable in these circumstances because a similar provision exists in the current tariff applicable to these customers, the Company's statement of how the charge will be calculated is improper.

DII submits the "minimum charge" provisions in the proposed tariff for Rates GL, L and HVPS must be modified. DII argues that the minimum charge can be based only on the rate elements that the customer is required to obtain from the Company. DII also notes the specified minimum charge must be adjusted downward to eliminate any portion allocable to electricity supply. DII requests that the Commission require DLC to submit a revised filing consistent with DII's comments on this issue. Duquesne did not respond to this issue.

Resolution

We are in agreement with DII that the minimum charge provisions need to be clarified and direct Duquesne to correct its Compliance Filing.

D. Power to Require Special Contracts

DII contends that Duquesne must clarify the scope of its ability to require a customer to enter into contracts.

DII notes that the Company proposes to retain the right to require customers to enter into contracts under Rule 4, if a customer requests an extension of facilities for the customer's exclusive use. DII states that the Company does not identify what portions of the unbundled rates will be required to be specified in these contracts. DII submits the tariff language must be clarified to state that the contract will specify only rates for distribution, transmission and a CTC; the contract must not include a rate for generation service or otherwise require the customer to take generation service from Duquesne.

DII contends that pursuant to the Act, customers have the right to direct access to competitive supply and are not required to take generation service from Duquesne. See 66 Pa. C.S. § 2802(12). DII argues that it is improper for Duquesne to condition the extension of its facilities for a customer's exclusive use on the customer's agreement to buy generation service from Duquesne. DII recommends that the tariff should be clarified to guarantee the right of customers to access competitive supply in this circumstance. Duquesne did not respond to this issue.

Resolution

We are in agreement that the referenced tariff language should be modified as proposed by DII and direct Duquesne to correct its Compliance Filing.

E. Rates GL, L, and HVPS - Electric Charges

DII contends that the “Electric Charges” portion Of Rates GL, L and HVPS must be clarified to include the possibility that electric generation supply can be simultaneously obtained from both Duquesne and an alternative supplier.

DII notes that the proposed tariff for Rates GL, L and HVPS states that customers can purchase their electricity “from the company or from an EGS.” Proposed Tariff, pp. 44, 50 & 54. DII contends that this language must be modified to specify that the customer can obtain part of its supply from the EDC and part from the EGS in a month (i.e., load splitting). Duquesne did not respond to this issue.

Resolution

We have allowed certain customers to obtain a pro-rata sharing of their electrical energy generation requirements from an EGS and the Company. We took this action, as allowed under the Act, to address the transitional issue of competitive disadvantages among consumers due to the phased implementation of retail access. Our purpose was not to create an ongoing obligation for an EDC or a PLR, but instead to deal with a problem created by the transition to a fully competitive marketplace. The phase-in procedures make it highly likely that some commercial and industrial customers will have a partial load served by an EGS and a partial load served by Duquesne. It is not our intention to require an EDC or PLR to continue to offer to provide split load service as an ongoing service. If an EDC or a PLR believes that such service would be reasonable and beneficial to

their provision of electric generation services, the Commission will not preclude them from offering split load service.

We are in agreement that the referenced tariff language should be modified to reflect that partial load service will be required during the Phase-in, and direct Duquesne to correct its Compliance Filing.

F. Rider 7

DII contends that the company's treatment of the interruptible credit in Rider 7 is improper. DII states that current interruptible customers on Rider 7 receive a \$2.01 credit per kW of contracted interruptible load. As part of its Compliance Filing, DII notes that the Company does not allocate this credit between the portions of the unbundled rates for interruptible customers; rather, the tariff states "the Demand Charge of the applicable rate under which the customer received electrical service will be reduced by a \$2.02 credit per kW of contracted interruptible load." Proposed Tariff, p. 85. DII submits that this treatment of interruptible customers is improper.

DII contends that Duquesne's proposed tariff improperly allocates the credit in Rider 7 only to energy charges and that the credit should properly be allocated first to CTC responsibility. DII requests this modification be performed by Duquesne in a revised Compliance Filing. Duquesne did not respond to this issue.

Resolution

We will not adopt DII's recommendation to reduce the CTC charges. We believe that these credits pertain to generation plant and that because of these

credits, generating plant and perhaps stranded costs were avoided. It seems that it would be inconsistent to reduce the CTC collection of stranded costs when the credit may have meant that stranded costs were not incurred.

G. Phase-In

DII contends that the Company's proposed implementation plan for phase-in needs to be clarified on certain issues regarding the phase-in and selection of industrial and large commercial customers.

DII notes that Duquesne states that the pro rata reductions by rate class will be calculated once for each customer class on August 28, 1998. DII argues that because customers are not required to notify the Company of their chosen supplier by that date, Duquesne apparently intends to make the reductions based on the volunteered load. According to DII, the amount of load volunteered on August 28, 1998, that is adjusted by the pro rata process may not be the amount of load that is competitively supplied on January 1, 1999. DII believes that customers may volunteer for participation, receive a portion of the eligible load, but fail to choose a supplier in time to have delivery of 66% of their load on a competitive basis on January 2, 1999. Furthermore, DII contends it is possible that some customers that volunteer will not choose an alternative supplier.

DII proposes that it is unfair and contrary to the economic goals of the Act for the load assigned to these customers that do not choose a supplier to be withheld from industrial customers eager and willing to participate in the competitive market. DII submits that a cut-off date must be established for customers to choose an alternative supplier or lose their pro rata portion of eligible load. DII recommends that after such cut-off date, a second calculation must be

performed to apportion any unused potential competitive load to the customers actually exercising their right to direct access.

OSBA states that Duquesne has proposed segmenting Rate GS/GM commercial customers into 0-5 kW, 5-20 kW, and 20-300 kW subclasses, with those commercial customers to be selected for access to competitive generation services on a first-come, first-served basis within each segment. OSBA notes that Duquesne also proposed that all Rate GS/GM industrial customers be accepted for Phase-In without reference to segmentation until August 27, 1998.

The OSBA concurs that Duquesne's Rate GS/GM subclass breakpoints are appropriate, however, the OSBA submits that a clarification is in order with respect to the apparent restriction of the segmentation process to just "commercial customers" within Rate GS/GM. As filed, the OSBA contends that the Phase-In Plan appears to deny the benefits of segmentation to small Rate GS/GM industrial customers. For clarification purposes, the OSBA recommends that references to "commercial" customers in Duquesne's Phase-In Plan, with respect to Rate GS/GM customers with demands of less than 20 kW, be deleted.

Duquesne did not respond to this issue.

Resolution

Unfortunately, there is little time to spare in all parties' efforts to ensure the start of electric competition on January 1, 1999. After a customer selects an EGS, the EGS must obtain load data, arrange for generation resources and arrange with the EDC for the initiation of service. We do not believe that there will be sufficient time available for the EGSs and the EDCs to reorder their electric supply

requirements if we were to impose a second deadline for the recalculation of the split load customers' allowable purchases. We are transitioning from Pilot Programs which encompassed slightly less than 5% of the customers to retail market which will be over ten times larger. A second calculation could result in lost opportunities because the market participants are not prepared to serve the customers.

The Commission has endeavored to provide as great an opportunity as possible for customers to avoid facing competitive disadvantages possible under the first-come, first-served phased implementation process.

Further, Duquesne's proposal to calculate pro rata reductions for large industrial customers on August 28, 1998, is consistent with our Enrollment Procedures Order adopted on May 21, 1998 at Docket No. M-00960890, F.0014. Under DII's approach, customers would forfeit the opportunity to participate in direct access by failing to make a supplier selection by a certain date. While we appreciate DII's concern for the broadest participation possible, we do not agree with the need for a second calculation of eligible load as a result of some customers failing to choose an alternative supplier.

It is reasonable to assume that large industrial customers who enroll to participate in direct access are eager to choose a supplier. By enrolling to participate, however, the customer is not obligated to make that selection by a certain date. Rather, upon successful enrollment, the customer has the ability to choose an alternative supplier at any time, and the only time constraints on making that selection relate to the delivery date of the alternative supply.

Therefore, we will not adopt the recommendation of the DII.

We will adopt the clarification requested by the OSBA and we direct the Company to amend its tariff to reflect the OBSA's recommendation.

IV. UNIVERSAL SERVICE AND ENERGY CONSERVATION

A. Funding and Eligibility

The Final Order directs Duquesne to increase its CAP program to serve 15,000 customers with a budget of \$5,275,000 by 2002. The Final Order directs Duquesne to increase funding in 1999 to \$1 million.

In the Appendix H of Duquesne's Compliance Filing, Duquesne states it will expand its eligibility criteria and increase solicitation efforts to meet the Commission's enrollment targets. Duquesne responds that the average CAP cost per participant is \$343. Based on the Commission's funding direction for 1999 and average CAP costs, Duquesne states that it expects to enroll 3000 customers in CAP in 1999, increasing enrollment to 15,000 in 2002.

The Final Order directs Duquesne to increase its Low-Income Usage Reduction Program (LIURP) to serve 1750 customers with a budget of \$1,750,000 by 2002.

In Appendix H of Duquesne's Compliance Filing, Duquesne states it will expand its eligibility criteria and increase solicitation efforts to meet the Commission's enrollment targets. Duquesne states that it expects to enroll 1000 customers in LIURP in 1999, increasing enrollment to 1,750 in 2002.

CAAP comments that Duquesne eligibility criteria for CAP and LIURP are too restrictive to meet the funding levels determined by the Commission.

Resolution

We find that Duquesne's statements and proposals in Appendix H concerning funding and eligibility for CAP and LIURP are consistent with the Final Order.

B. Cost Recovery

The Final Order accepts Duquesne's cost allocation and rate design for universal service charges. The Final Order also directs Duquesne to reconcile the Universal Service Fund Charge (USFC) pursuant to Section 1307(f). The Final Order directs Duquesne to base the reconciliation on all programs costs and savings as indicated in the Guidelines.

The OCA requests that the Commission direct Duquesne to consider and address cost savings, such as collection and uncollectible expense savings, during the reconciliation process. The OCA comments that reconciliation costs should reflect cost savings from universal service programs. The OCA notes that the Company has identified a reduction in its transmission rates based on a recent FERC action. The OCA submits that the Commission direct Duquesne to consider this change in revenue requirement as an offset to the increased universal service funding requirement.

The OSBA comments that Duquesne's method of deferring universal service costs could impose a distribution cost increase to ratepayers beginning

April 1, 2000. The OSBA submits that such an increase would violate Section 2804(4) of the Act that establishes a cap on Duquesne's distribution rates through June 30, 2001. The OSBA recommends that the Commission direct Duquesne to defer any such allowable USFC cost recovery until July 1, 2001.

CAAP comments that the Commission required Duquesne to expend all mandated CAP and LIURP funds within each budget year. CAAP recommends that Duquesne roll over any unspent funds to that next budget year and adjust eligibility and/or usage criteria to ensure all funds are spent in subsequent years.

Resolution

We agree with OCA comments that Duquesne's reconciliation costs should include cost savings as well as universal service costs. The Final Order directs the Company to base the reconciliation on all programs costs and savings as indicated in the Guidelines. Therefore, we direct Duquesne to revise Tariff Rider No. 21 to read: "U = The estimated *net* universal service program costs related to the Company's Customer Assistance Programs, (CAP), Customers Assistance and Referral Evaluation Services (CARES), Smart Comfort Program, Hardship fund and Consumer Credit Counseling Service (CCCS) for the computation year."

We agree with CAAP that Duquesne should roll over unspent funds into subsequent years. If funds are unspent in a given year, we will review with Duquesne the reasons for the underspending and develop a plan with Duquesne to address this matter. With the addition of the word "net" to Tariff Rider No. 21, we find that Duquesne's method of cost allocation for universal service charges is consistent with the Final Order.

With regards to the Universal Service Fund Charge (USFC) reconciliation procedures, the Commission believes it important that the process, reconciliation statement content and format, etc. be as standardized, as possible. For this reason, we do not believe it appropriate, at this time, to approve any tariff supplement which provides for anything more than the method of cost allocation for the Universal Service Fund Charge. Instead, we hereby direct the Bureaus of Consumer Services and Audits to develop a standardized reporting format and process to be used for the application and reconciliation of the USFC. The Bureaus should consider all matters necessary for developing a standardized process including, but not limited to: the effective date of the initial and all subsequent annually revised USFC rates; the content and format of the USFC reconciliation statements; the appropriateness of providing for interim revisions to the USFC rate; the methodology used to determine interest on USFC over-collections; the need to file quarterly status reports regarding USFC over/under collection activity and, finally, the appropriate method to be used for determining cost savings associated with universal service programs.

Upon completion of this collaborative effort, the Bureaus of Consumer Services and Audits are further directed to prepare, for the Commission's consideration, a report detailing the agreed upon USFC application and reconciliation process.

C. Specific Programs

The Final Order accepts Duquesne's universal service program design.

To meet the Commission's enrollment target for universal service, Duquesne's Compliance Filing at Appendix H includes expanded eligibility

criteria for CAP and LIURP that comply with the Commission's Universal Service And Energy Conservation Guidelines (Guidelines) at M-00960890F0010.

Duquesne states it also plans to introduce four new options for CAP which include payment assistance coupled with varying levels of individual case management.

The OCA comments that although Duquesne's new CAP options may be creative and innovative there are too few details regarding the design. The OCA and CAAP recommend that the Commission direct Duquesne to submit these options and any new options to the Commission's Bureau of Consumer Services, the OCA and the interested parties in this case, for review and final approval by the Commission. The OCA also recommends the Commission establish an interim review of the Company's programs that allows interested parties to comment upon the review. The OCA and CAAP recommend that Duquesne establish a CAP Advisory Board to provide review and advice. CAAP requests the Commission to direct Duquesne to establish a LIURP review board. CAAP also comments that Duquesne's Compliance Filing does not provide sufficient detail about how Duquesne will involve community-based organizations in the delivery of universal services. Finally, CAAP comments that the Commission should direct Duquesne to significantly reduce the Smart Comfort minimum usage requirements.

In its response to the parties' comments concerning its universal service proposals, the Company states that it anticipates the Commission's Bureau of Consumer Services will review and monitor the Company's performance. The Company notes that it has taken steps to establish an advisory panel to discuss the scope, design and administration of the universal service program.

The Company also stated that it will continue to make appropriate use of Community Based Organizations (CBO) in the delivery of universal service. The Company notes that it has used CBO's since 1988.

Resolution

We appreciate the OCA comments that various parties, including the OCA and BCS, carefully review and evaluate Duquesne's revisions to CAP. The Commission carefully considered the need to review and evaluate an EDC's universal service plan and performance when it promulgated the Reporting Requirements for Universal Service and Energy Conservation Programs (Reporting Requirements) at Docket No. L-00970130. The Reporting Requirements establish a time frame for EDCs to file a universal service plan and to evaluate program results. The Commission will monitor Duquesne's progress to ensure that the Company is meeting the goals of universal service programs and complying with the Final Order. The Reporting Requirements require the Commission to annually produce a summary report on the universal service performance of each EDC. The Commission will provide the reports to any interested party and post the reports on the Commission's Internet website. The Commission welcomes comments from any party about the summary reports or the delivery of an EDC's universal service programs.

In its reply comments, Duquesne states it has taken steps to activate a universal service advisory panel. Interested parties may comment on plan design changes through the advisory panel. Therefore, we find it unnecessary for Duquesne to create a separate advisory council for CAP or LIURP. Duquesne also states that it will issue a request for proposals by the fall of 1998 that invites parties to bid to provide universal service services to Duquesne's customers. We

find that Duquesne's universal service program design is consistent with the Final Order and that the CAP innovations should enhance Duquesne's programs. We find that the review process for the Company's universal service plan and evaluations as set forth in the Reporting Requirements is adequate to meet the needs of Duquesne's low-income customers.

The OSBA notes that should USFC costs exceed funding levels included in base rates, the imposition of a charge to customers effective April 1, 2000, could violate cap on distribution rates established under Section 2804(4) of the Act. We agree with these concerns. Should the recovery of these costs starting in April, 2000, present a violation of the rate cap provisions of the Act, the Company is directed to delay imposition of these charges until July 1, 2001.

D. Portable Universal Service Benefits

The Final Order directs Duquesne to ensure that universal service benefits should be portable so that a customer may choose a competitive supplier without losing benefits.

In Appendix H of Duquesne's Compliance Filing, Duquesne states that customers may participate in universal service programs and choose an alternate electric generation supplier.

Resolution

No party commented on this portion of Duquesne's filing. We find that Duquesne's statement in its narrative concerning portability of universal service benefits is consistent with the Final Order.

E. “Million Solar Roof Program”

The Final Order directs Duquesne to develop a loan level of \$250,000 for the “Million Solar Roof Program”. In Appendix H of Duquesne’s Compliance Filing, Duquesne states it will develop a loan level of \$250,000 for the Million Solar Roof Program.

Resolution

No party commented on this portion of Duquesne’s filing. We find that Duquesne’s statements in its narrative concerning the “Million Solar Roof Program” are consistent with the Final Order.

F. Miscellaneous Issue - Customer Referrals to Universal Service Programs

If a customer files an informal or formal complaint with the Commission, Duquesne requests that the Commission issue a decision, excluding a referral to the Company’s universal service programs. Duquesne argues that the customer will have had plenty of opportunities to enroll in universal service programs. Therefore, if the customer files a complaint with the Commission, the customer should forfeit the opportunity to enroll in these programs.

The OCA strongly objects to Duquesne’s suggestion. The OCA argues that customers who exercise their rights to file a complaint with the Commission should not have affordable service jeopardized by exercising this right.

In its reply comments, Duquesne submits that its request, if granted, will reduce costs by preventing unnecessary collection activities. Duquesne clarifies that it is not its intent to inhibit customers from seeking relief from the Commission for law violations.

Resolution

We agree with the OCA comments and reject Duquesne's request. Duquesne is just beginning the process of actively referring customers to its universal service programs. Considering this change, Duquesne's request is premature. At this time, to deny a customer an opportunity to enroll in universal service because the customer files a complaint at the Commission appears punitive.

VI. Code Of Conduct

The Office of the Consumer Advocate urges us to adopt language included in the PECO Energy settlement of PECO Energy's restructuring settlement in place of paragraph number 5 of the Interim Code of Conduct submitted by Duquesne. OCA notes that Paragraph 5 adopts language from our Final Order which states that the Company must not promote "its competitive affiliate any differently than non-affiliated suppliers." Duquesne, page 235. OCA claims this language is unclear. OCA also states that Duquesne has lengthened some of the time periods from that approved in the PECO Energy restructuring case with respect to Rule 9 which sets forth the arbitration process. OCA also notes that the Company has also added an option for binding or non-binding arbitration. OCA does not object to these changes so long as it is clear that a party may take a dispute directly to the PUC.

New Energy Ventures (NEV) comments that the Duquesne Interim Code of Conduct lacks depth and specificity and that the Commission should adopt the Code of Conduct now being used in California as part of its restructuring process. NEV states that Duquesne needs to add restrictions on use of its corporate name and advertising to its Code of Conduct and provisions to allow supplier access to Duquesne's communications, including the ability to place bill inserts.

The Mid-Atlantic Power Supply Association (MAPSA) comments that Duquesne has added language to Rule 1 of the Interim Code of Conduct. MAPSA contends that the language the Commission approved for PECO Energy states that the EDC may not give preference to an affiliated supplier in the provision of "goods and services," whereas, Duquesne has altered that language to apply only to the provision of "customer goods and services." MAPSA believes that language should conform to that approved for PECO Energy as the Commission directed in our earlier order in this proceeding. MAPSA also urges the Commission's adoption of the arbitration language the Commission approved with respect to the settlement of the PECO Energy restructuring proceeding.

In its Reply Comments Duquesne offers to conform its arbitration procedures to that approved for PECO Energy with respect to the time frames. It also removes the arbitration choice and substitutes a provision which directs that, when parties cannot resolve a dispute informally, it will be referred to the PUC's Office of Administrative Law Judge for mediation. If mediation is not successful the dispute would be automatically converted to a complaint proceeding.

Resolution

In our Final Order, we were very explicit with respect to the Interim Code of Conduct. We directed Duquesne to use our February 5, 1998 Order regarding PECO Energy as the basis for the drafting of an Interim Code of Conduct. An Interim Code of Conduct should clearly prohibit anti-competitive behavior by EDCs. Moreover, while we recognize that the matter of a state-wide Code of Conduct remains to be settled and that some EDCs may wish to tailor all, or part of, a Code of Conduct to its own particular circumstances, it is important that rules regarding the conduct of regulated utilities be as uniform as practicable so as to minimize the possibility of confusion among suppliers and customers.

Therefore, the Company is directed to conform the language in Rule 1 to that adopted in our February 5 Order in PECO Energy by removing the reference to "customer" goods and services in accordance with the comments of MAPSA. For the same reason, we shall reject the comments of NEV that we adopt a Code of Conduct which is used in California. NEV has offered no compelling reason for altering our decision to follow the February 5 Order in PECO Energy.

We shall reject the suggestions of OCA that we replace Rule 5 with language which was adopted as part of a settlement in PECO Energy. The language proposed by Duquesne reflects the substance of our Order. We must make our decision here based upon the record before us. OCA has not shown that the Rule 5 language will not accomplish its intended purpose.

With respect to Rule 9 regarding dispute resolution procedures, insofar as Duquesne has voluntarily offered to amend its procedure to conform with the

PECO Energy settlement, we shall accept its proposal. The Company should amend Rule 9 in conformity with its reply comments.

VII. Supplier Tariff

A. Fees

MAPSA comments that Duquesne has used PECO Energy's supplier tariffs as a guide, but has added numerous proposed fees in the tariff. These include a Supplier Order Charge, Technical Support and Assistance Charge, Load Data Supply Charge, Supplemental Billing Information Charge, Load Proceeding Charge and Supplier Switching Charge. MAPSA argues that these charges have not been approved by the Commission and must be removed. SEL and NEV filed similar comments. MAPSA also advocates that the Commission call a conference at which the parties may negotiate the terms of the supplier tariffs.

More specifically, OCA attacks the \$1.05 charge to the EGS when an existing customer changes suppliers. OCA claims suppliers will no doubt pass these costs on to their customers. OCA also states that Commission prohibited Duquesne from charging customers who change their suppliers during the transition period. OCA, however, does recognize that the Company has the right to track data on the costs it incurs with respect to customers who switch suppliers and propose appropriate cost-based fees after the transition period has ended.

OCA also asks us to reject the proposed Supplemental Billing Information Charge of \$84 per hour for development and customization. The OCA argues that Duquesne should track any requests its receives for supplemental information and

track any costs for including such information on the bill as well. The OCA states that the Company can then make a request for appropriate cost-based fees.

In its reply comments, the Company disputes that these charges were “rejected” by the Administrative Law Judge or the Commission. Duquesne argues that it was not appropriate, or timely, for the Company to submit any charges during the hearing in the restructuring case. Duquesne claims that the Administrative Law Judge did not prohibit the filing of these charges in the compliance tariff, but that the Administrative Law Judge held that fees could be proposed if the Company could provide the cost-basis for the fees. Duquesne submits that no parties have presented a serious challenge to the cost-basis supporting data.

Resolution

With regard to charging an EGS a fee when a customer changes its supplier, we note that in our Final Order we rejected Duquesne’s proposal to impose a fee on customers and/or suppliers for the changing of the customer’s supplier of record. Duquesne, slip op. at 270-72. As we noted there, Duquesne has not met its burden of establishing such a fee in this record. Furthermore, we find that the supporting documentation provided in Appendix F to the Compliance Filing is insufficient to justify this fee. The Company’s supporting documentation merely itemizes assumed costs, including the impact on the Gross Receipts Tax. The \$1.05 charge should be removed from its tariff.

We note that the Technical Support and Assistance Charge of \$41 per hour, proposed by Duquesne, appears to have been modeled on a similar charge we approved in PECO Energy at Docket No. R-00984298, Opinion and Order

(Entered May 28, 1998). In that proceeding, we rejected PECO Energy's initial proposal to charge customers \$46 per hour for providing technical support and assistance. We do not expect EDCs to charge customer for answering questions in the normal course of business. However, in response to MAPSA, we did allow PECO Energy to impose the fee on customers who abuse this service by utilizing more than 10 hours of the utility's time in any one month. In PECO proceedings, PECO proposed to impose an hourly charge, after the first five hours per month, for responses to an EGS for certain issues. PECO did not propose to charge an EGS for answers to inquiries covering required business interactions, such as normal daily forecasting and scheduling, standard automated processing, website availability and access, and erroneous data communicated by PECO. The Commission directed PECO to post "Frequently Asked Questions" from EGSs on PECO's website. PECO was also required to regularly update this website information. Under Duquesne's tariff, the fee would only be imposed after 10 hours of use by a customer. We will, therefore, approve Duquesne's Technical Support and Assistance Charge upon the Company meeting the same conditions as PECO. We also continue to believe that customers' most frequently asked questions and the Company's responses should be posted on Duquesne's web site. This can save the Company, the EGSs, and customers, a lot of time and expense in asking and responding to inquiries.

The proposed Supplier Administration Charge is intended to recover the incremental costs of operating the utility's Value-Added Network (VAN). The Company contends that the Advantis VAN was the most effective way of providing secure transmission and transfer of data between the Comapnay and the EGSs. The Company claims that it will incur incremental costs of \$.19 per file (or electronic envelope) and \$.046 per 1,000 characters transmitted.

No additional supporting documentation was provided for these incremental costs for the Advantis VAN. The Company's supporting evidence consists of a simple list of costs without any further substantiation. Therefore, the Commission will not adopt these proposed charges.

Duquesne has proposed an hourly charge of \$41 as a Load Data Supply Charge. According to the Company, this charge is intended to recover the incremental costs incurred to provide an EGS with customer load data beyond that which is required by current Commission regulations. The Company states that it has established a Supplier Service Center which will be expanded in future months and that a new full-time position was created to initially staff this Center.

The Commission will not adopt the Company's proposed Load Data Supply Charge. The Company's supporting information is insufficient and unsubstantiated. It is clear from the Company's explanation of this charge that no staff members are currently employed in the new Center at the time of the filing of the compliance tariffs.

Duquesne has proposed a charge of \$84 per hour as a Supplemental Billing Informaton Charge. The Company states that this charge is designed to collect the incremental costs incurred by the Company in providing non-required billing services for an EGS. The Company states that the Commission's Orders at L-00970126 and L-00970128 allow the Company to recover the costs of preparing and inserting into the bill any additional information requested by an EGS. The Company believes that the proposed charge of \$84 per hour is appropriate because the Company is currently a party to MIS-related consulting contracts which have billing rates ranging from \$60 per hour to \$125 per hour.

The Commission will not adopt the Company's proposed Supplemental Billing Information Charge. The Commission finds that the Company's supporting information is insufficient and speculative, and therefore is inadequate to support this proposed charge.

Duquesne has also proposed two Load Forecasting Services Charges. Under the Company's proposal an EGS would be charged \$.0016 per day for each monthly metered customer and \$.0036 per day for each hourly (or sub-hourly metered) customer. The Company states that these changes are designed to recover the Company's costs for preparing the forecast for an EGS and providing the forecast to the EGS by electronic mail. The Company notes that it is currently developing a load forecasting process and that the costs used to develop these charges are estimates based upon similar existing systems.

The Commission will not adopt the Company's proposed Load Forecast Services Charges at this time. The Company's supporting documentation is insufficient and is inadequate to support the proposed charges.

B. Supplier Tariff Rules

OCA and SEL had a number of comments on specific sections of the Supplier Tariff. For reasons of simplicity, we shall address each of these separately.

1. Rule 5.3.5 - Switching to Provider of Last Resort (PLR) Service

OCA notes that the 15-day notice period and 10-day confirmation period apply to a customer who contacts Duquesne wishing to revert to PLR Service.

OCA argues that when an Electric Generation Supplier (EGS) discontinues service to a customer, the switching standards should not apply.

Duquesne has agreed with this proposal and offered language in its Reply Comments to exclude customers from the time requirements who are dropped by their EGS.

Resolution

Duquesne's revised language is accepted.

2. Rule 5.3.6 - Customer Move

OCA notes that Duquesne's tariff states that the Company will notify the customer's EGS when the customer moves and wishes to discontinue service. However, the rule is silent on notification of the customer's EGS when the customer is moving within Duquesne's service territory and wishes to establish service at a new location. OCA asks us to adopt language from the PECO Energy tariff which provides for electronic notice to the EGS of the new service location.

Duquesne has agreed with OCA and offered to incorporate this language into the tariff.

Resolution

Duquesne's revised language is accepted.

3. Rule 6.4.2 - Procedure for Forecasting

SEL comments that an EGS should have the ability to alter forecast schedules on a real-time hourly basis.²

Duquesne's responds that its tariff permits an EGS to adjust its forecast and supply on a day-ahead basis and that the one hour-ahead scheduling exceeds the protocols established in the PECO Energy, May 28, 1998 Order at R-00984298.

Resolution

Based upon the record before us, we do not believe that SEL has established that one hour-ahead scheduling would be feasible on the Duquesne system. This is not to say that we would not revisit this issue in the future. We would note, however, that in the PECO Supplier Tariff, an EGS is permitted to engage in Real-Time Load Following. We strongly encourage the parties to work to establish the one hour-ahead scheduling protocol.

4. Metering

SEL argues that, since customers are allowed to have hourly meters, the Commission should let an EGS install an hourly meter at the customer's location. Duquesne responds that the Commission has determined that only the EDC should install meters and that SEL's suggestion should be rejected.

² SEL refers to Section 6.3 at page 22 of Duquesne's tariff. Section 6.3 at page 29 of the Company's tariff deals with adjustment for losses. We assume SEL's comments are directed at Section 6.4.2, Procedures for Forecasting.

Resolution

We believe it beneficial to point out that, when a party files for untimely intervention it is bound to accept the record as it stands at that time. We are giving SEL's comments the careful consideration that they warrant. However, this issue was decided before SEL's appearance in this proceeding when we determined that:

As the regulated EDC, Duquesne shall be responsible for all physical work related to the meter....

Slip op. at 261. Therefore, the suggestion of SEL that an EGS be allowed to install hourly meters is rejected.

5. Consumption Energy Imbalance

SEL asks that the methodology, algorithms and data used to calculate consumption energy imbalance be made available to the EGS as well as the methodology for the allocation of errors among the Company's jurisdictions. In the alternative, SEL asks that the EGS be allowed to audit these calculations. SEL also objects to imbalance penalties contained in Duquesne's open access transmission tariff on filed with the Federal Energy Regulatory Commission being imposed on the EGS since the supplier cannot modify forecasts and schedules on an hour-ahead basis.

Duquesne states that its tariff complies with its Open Access Transmission Tariff (OATT) energy imbalance protocol.

Resolution

We believe that SEL's request to see the methodology, algorithms and data used to calculate consumption energy imbalance and the methodology for the allocation of errors is reasonable and shall be granted. Companies utilizing regulated utility services should be able to see how their bills were calculated. Duquesne should amend its tariff accordingly. We find SEL's request to allow an EGS to audit these calculations to be cumbersome and unnecessary in light of our decision to allow suppliers to see the methodology and data. Finally, with respect to SEL's objection to the OATT imbalance protocol, SEL has offered us no alternative to utilizing this procedure. The Company's use of the OATT protocol is approved.

6. Credit Requirements

SEL believes that the data requirements and credit standards described in the tariff are vague and may inhibit smaller entities from entering the competitive marketplace. SEL notes that the Commission did not allow the EDCs to perform these checks on the EGSs in the Pilot Programs. SEL argues that these additional requirements are both unnecessary and anti-competitive.

Resolution

The Commission believes that the Company should provide additional information concerning the possible conditions and events under which the Company would determine an EGS has "Bad Credit" (Rule 3.5 - Grounds for Rejecting Registration). Further matters of concern are presented by Rule 12.4 -

Guarantee of Payments. Additional information concerning the level of the cash deposit, letter of credit, surety bond, or other guarantee may be required of an EGS which has “Bad Credit”.

The Commission directs the Company to conduct meetings with interested parties to further develop these matters, prior to the Company’s filing of the tariffs to be submitted in compliance with this Order.

The Commission expects that the parties will work together to resolve as many of the outstanding matters as possible and that the Company’s next compliance tariff will reflect the agreement among the parties on these issues. In view of the short time available, the Commission intends to resolve these matters through the parties’ agreement, or through our resolutions in the next supplier compliance tariff.

7. Scheduling Coordinator Separation of Pre-Schedules and Consumption Energy Imbalances

SEL requests that the procedure for the utilization of Scheduling Coordinators be more specific concerning an EGS that is acting as a Scheduling Coordinator. SEL requests that preschedules and energy imbalance amounts be maintained and billed separately by the EDC.

In its Reply Comments, Duquesne states that it appears that the commentor does not appreciate the purpose of Rule 9.1 - Participation Through a Scheduling Coordinator.

Resolution

It appears that the Company's proposed tariff would not preclude an EGS from serving as a Scheduling Coordinator for itself and other EGSs. The question presented here appears to involve record keeping and reporting. The Commission directs the Company to conduct meetings with interested parties to further develop these matters, prior to the Company's filing of the tariffs to be submitted in compliance with this Order.

VII. CONCLUSION

On June 12, 1998, Allegheny Power Systems, Inc. (APS) and DQE, Inc. (DQE) filed a *Petition for Expedited Reconsideration, Recission or Amendment of Commission Order and Request for Oral Argument* relating to our May 29, 1998 Order at Docket Nos. A-110150F.0015 and G-00970574. Among other matters presented by the Applicants in that petition was the Applicants' request that the Commission revise its previous order relating to the merger-related synergy benefits allocated to customers. In our ruling on that petition we noted that the Applicants had raised several factual issues which we believe could best be resolved in the Applicants' Compliance Filings relating to their individual restructuring plans.

The Final Order shall be modified, clarified and corrected in accordance with the Commission's findings concerning stranded costs, CTC, T&D Rates, distribution revenues, energy losses, sales volumes, the realized return of 9.03%, deferred fuel costs, the return of deferred taxes, the extension of the CTC period, certain tariff provisions, the CTC/CGC of special contract and rider customers, the

USFC costs, the supplier tariff, and the Code of Conduct in this Opinion and Order.

Further, Duquesne shall no longer be required to submit a Compliance Filing based solely on the Final Order, but instead shall submit a Compliance Filing based on the Final Order as modified by this Opinion and Order. The Compliance Filing shall be due on or before September 12, 1998, and shall precisely reflect the balanced consideration reflected in the Final Order as reconsidered, clarified, amended, and corrected by this Opinion and Order. Interested parties may file comments to the Compliance Filing on or before September 19, 1998.

With the corrections, clarifications, and modifications granted herein, this Commission, Duquesne and the other parties to this proceeding, as well as the electric consumers in this Commonwealth, will be well-positioned to begin and implement successfully the difficult task of moving expeditiously and effectively to a full competitive electric generation market;

THEREFORE,

IT IS ORDERED:

1. That this Commission's May 29, 1998 Opinion and Order addressing Duquesne Light Company's proposed Restructuring Plan is modified, in part, consistent with this Opinion and Order, and affirmed in all other respects.

2. That Duquesne is directed to engage in discussions with licensed Electric Generation Suppliers and other interested parties to resolve the matters presented in the proposed suppliers' tariff.

3. That the Bureau of Consumer Services and the Bureau of Audits are directed to develop a standardized reporting format and process to be used for the application and reconciliation of the Universal Service Fund Charge (USFC) and that the Company is directed to cooperate with the Bureaus. Upon completion of this collaborative effort, the Bureaus are further directed to prepare, for the Commission's consideration, a report detailing the USFC application and reconciliation process.

4. That Duquesne is directed to file with the Commission revised stand-alone case and merged case compliance tariffs, including a suppliers' tariff, together with all necessary data and analyses, on or before September 12, 1998, which must actually be received at the Commission's Office of the Secretary by the close of business on that date.


5. That comments relative to Duquesne's Compliance Filing are due on or before September 19, 1998, which must actually be received at the Commission's Office of the Secretary by the close of business on that date.

6. That the Compliance Filing and comments thereto are to be filed with the Commission's Office of the Secretary, with copies to each Commissioner's Office and to the Commission's Bureau of Fixed Utility Services and the Office of Special Assistants. Such filings are to be by hard copy with electronic versions attached consistent with prior directives relative to electronic versions.

7. That Duquesne Light Company's Compliance Filing, together with all necessary data and analyses, shall be served on all active parties of record to this

proceeding. Such service shall be in hand to all the parties on the same date as the Compliance Filing is filed with the Commission.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: August 13, 1998

ORDER ENTERED: **AUG 13 1998**

COMPLIANCE

Duquesne Light Company

CTC, T&D and Shopping Credit in Cents per kwh

Level CTC Revenue Requirement with kwh consumption as indicated (See Notes)

Stranded: \$ 1,331,567,100

Pre-Tax Return: 11.00%

Year	kwh consumed	CTC Revenue Requirement	CTC Rate With GRT	T&D Rate	Bundled Rate Today	Shopping Credit
1999	13,177,788,000	\$ 324,000,000	2.57	2.331	8.93	4.03
2000	13,396,872,000	\$ 318,999,996	2.49	2.205	8.93	4.23
2001	13,617,726,000	\$ 312,000,000	2.40	2.205	8.93	4.33
2002	13,845,956,000	\$ 305,000,004	2.30	2.205	8.93	4.42
2003	14,082,528,000	\$ 297,000,000	2.21	2.205	8.93	4.52
2004	14,331,564,000	\$ 288,999,996	2.11	2.205	8.93	4.62
2005	14,816,469,501	\$ 276,999,996	1.96	2.205	8.93	4.77
2006	14,859,035,508	\$ 285,517,236	2.01	2.205	8.93	4.72

Notes:

GRT Gross up is $1/(1-GRT)$, or 1.0460251, to reflect payment of GRT on the GRT revenue receipt.
 Annual kwh is taken from Duquesne Light Co. Exceptions, and 2005 is extrapolated from this exhibit.
 The ECR roll-in is included in the determination of bundled rates.

**Stranded Cost Allowance
(\$Millions)**

Duquesne Light Restructuring

<u>Category/Item:</u>	<u>Amount</u>
Book Value:	
Generating Plant Book Value	\$ 852.03
Beaver Valley 2 Lease PV	\$ 300.35
M&S Fuel Related Sunk Costs	-
Working Capital	\$ 61.53
Costs Independent of Operation	-
Generation Market Value	\$ (110.95)
Merger Savings	\$ (152.28)
<u>Total Stranded Generation:</u>	\$ 950.68
<u>Decommissioning:</u>	
Nuclear Decommissioning	\$ 42.96
Fossil Decommissioning	-
Total Decommissioning	\$ 42.96
<u>Regulatory Assets:</u>	
FAS 109 (including Plant reversal)	\$ 179.00
Post '05 Unamortized Debt Costs	\$ 18.67
Pre '06 Unamortized Debt Costs	\$ 9.61
Deferred Rate Synch. (Early Window)	\$ 23.50
Deferred Employee Costs	\$ 14.24
Deferred Nuclear Maintenance	\$ 1.90
US DOE Decommissioning	\$ 3.25
Deferred Coal Costs	-
Deferred Caretaker Costs	-
Pre-Accrued Nuclear Outage	-
BV2 Training Costs	\$ 1.58
Low Level Radioactive Waste	\$ 2.27
Coal Cost Equalization	\$ 0.12
Transition Costs	\$ 10.59
SFAS 106 Deferral	\$ 1.97
Deferred Fuel Costs	\$ 6.73
Other Regulatory Assets	\$ 0.53
Consumer Education	\$ 10.00
Sale-Leaseback Tax Effect (Gain)	\$ 55.13
Deferred Rate Synch. Costs	-
BV2 Tax Effect	\$ 0.17
<u>Total Regulatory Assets:</u>	\$ 339.26
PA Jurisdictional % (1-FERC Allocation)	99.900%
TOTAL STRANDED, WITH MERGER AND JURISDICTIONAL ALLOCATION	\$ 1,331.567

Buildup of Duquesne Light's T&D Rate

Setp:

1	Lahtinen Distribution (Duquesne Statement 5)	\$ 253,687,253
	remove: Losses	\$ -
2	Lahtinen Transmission (Duquesne Statement 5)	
	with ancillary services included:	\$ 47,276,034
3	Realized Return - Transmission	
	1996 COS @ 9.61% \$39,356,049	
	1996 COS @ 9.03% \$37,968,430	(\$1,387,619)
4	Realized Return - Distribution	
	1996 COS @ 9.61% \$254,284,236	
	1996 COS @ 9.03% \$246,542,803	(\$7,741,433)
5	Merger related Distribution savings	
	per OCA witness Kahal:	\$ (15,800,000)
	<u>Total T&D Revenue Requirement with Merger Savings</u>	<u>\$ 276,034,235</u>
	<u>Total T&D Revenue Requirement w/out Merger Savings</u>	<u>\$ 291,834,235</u>
4	Retail kwh for 1999	12,519,000,000

Total T&D Rate, cents/kwh, with Merger Savings	2.205
Total T&D Rate, cents/kwh, w/out Merger Savings	2.331

LARRY R CRAYNE
RICHARD S HERSKOVITZ
DUQUESNE LIGHT COMPANY
411 SEVENTH AVENUE 16-006
PITTSBURGH PA 15230-1930

DAVID HUGHES
4037 LUDWICK STREET
PITTSBURGH PA 15217

MARISA SIFONTES
EDMUND J BERGER
OFFICE OF CONSUMER ADVOCATE
555 WALNUT STREET
FORUM PLACE 5TH FLOOR
HARRISBURG PA 17121-1921
MESSENGER

JIM FERLO COUNCILMAN
510 CITY-COUNTY BLDG
PITTSBURGH PA 15219

TIMOTHY MORAN
986 GREENTREE ROAD
PITTSBURGH PA 15220

STEPHEN L FELD ESQUIRE
FIRSTENERGY CORP
76 SOUTH MAIN STREET
AKRON OH 44308

DOUGLAS F JOHN ESQUIRE
GORDON J SMITH ESQUIRE
JOHN & HENGERER
1200 17TH ST NW STE 600
WASHINGTON DC 20036

MICHAEL L KURTZ ESQUIRE
BOEHM KURTZ & LOWRY
2110 CBLD CENTER
36 EAST SEVENTH STREET
CINCINNATI OH 45202

PATRICIA ARMSTRONG ESQUIRE
THOMAS THOMAS ARMSTRONG &
NIESEN
PO BOX 9500
HARRISBURG PA 17108-9500

JACQUELINE R MORROW ESQUIRE
RODNEY R AKERS ESQUIRE
CITY OF PITTSBURGH
313 CITY-COUNTY BLDG
414 GRANT STREET
PITTSBURGH PA 15219

ALLEGHENY ELECTRIC
COOPERATIVE INC
212 LOCUST STREET
PO BOX 1266
HARRISBURG PA 17108-1266

STEVEN BAICKER-MCKEE
WANDA SCHILLER
BABST CALLAND CLEMENTS &
ZOMNIR PC
TWO GATEWAY CENTER 8TH FL
PITTSBURGH PA 15222

ROBERT WEISENMILLER
MRW & ASSOCIATES INC
1999 HARRISON STREET
SUITE 1440
OAKLAND CA 94612-3517

JOHN R ORR ESQUIRE
ONE WESTCHASE CENTER
10777 WESTHEIMER STE 650
HOUSTON TX 77042

BRIAN A RIDER
PENNSYLVANIA RETAILERS'
224 PINE STREET
HARRISBURG PA 17101-1325

KANDACE F MELILLO ESQUIRE
WAYNE T SCOTT ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265
MESSENGER

MICHAEL REID DIR MATERIALS
MGMT SVCS
ADMINISTRATIVE RESOURCES INC
500 COMMONWEALTH DRIVE
WARRENDALE PA 15086-7513

KENNETH MAIMAN ESQUIRE
KENNETH L WISEMAN ESQUIRE
ROBERT M LAMKIN ESQUIRE
ANDREWS & KURTH LLP
425 LEXINGTON AVENUE
NEW YORK NY 10017-3903

JAMES P DOUGHERTY ESQUIRE
PAMELA POLACEK ESQUIRE
MCNEES WALLACE & NURICK
PO BOX 1166
HARRISBURG PA 17108-1166

THOMAS J AUGSPURGER ESQUIRE
JOHN HORTON
EMMITT HOUSE
MIDCON CORPORATION
701 EAST 22ND STREET
LOMBARD IL 60148

MARK MCGUIRE ESQUIRE
RONALD CARROLL ESQUIRE
JENNER & BLOCK
601 THIRTEENTH STREET N W
12TH FLOOR
WASHINGTON DC 20005

DAVID L CRUTHIRDS
ELECTRIC CLEARINGHOUSE INC
1000 LOUISIANA STE 5800
HOUSTON TX 77002-5050

RENEE DONALDSON SALES
COORDINATOR
MIDCON CORPORATION
3200 SOUTHWEST FREEWAY
HOUSTON TX 77027

JOHN E STEMBER ESQUIRE
1705 ALLEGHENY BLDG
429 FORBES AVENUE
PITTSBURGH PA 15219

GPU ENERGY.
2800 POTTSVILLE PIKE
READING PA 196740-0001

PETER J THOMPSON ESQUIRE
KENNETH L WISEMAN ESQUIRE
1701 PENNSYLVANIA AVE NW
STE 200
WASHINGTON DC 20006-4805

MARGARET PETERS ESQUIRE
PEOPLES NATURAL GAS COMPANY
625 LIBERTY AVENUE
PITTSBURGH PA 15222-3197

STEPHEN BARON
J KENNEY & ASSOCIATES INC
35 GLENLAKE PARKWAY
SUITE 475
ATLANTA GA 30325

ALAN J BARAK ESQUIRE
3700 VARTAN WAY
HARRISBURG PA 17110

MARY MCFALL HOPPER ESQUIRE
PECO ENERGY COMPANY
2301 MARKET STREET
PO BOX 8699
PHILADELPHIA PA 19101-8699

SCOTT J RUBIN ESQUIRE
INT'L BROTHERHD ELEC WORKERS
3 LOST CREEK DRIVE
SELINGSGROVE PA 17870-9357

PAUL E RUSSELL ESQUIRE
PENNSYLVANIA POWER & LIGHT
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DONALD KAPLAN ESQUIRE
PRESTON GATES ELLIS &
ROUVELAS MEEDS
1735 NEW YORK AVE NW
STE 500
WASHINGTON DC 20006-4759

MATTHEW KAHAL
EXETER ASSOCIATES INC
12510 PROSPERITY DRIVE
SUITE 350
SILVER SPRING MD 20904

GERALD GORNISH ALAN KOHLER
& DANIEL CLEARFIELD ESQS
WOLF BLOCK SHORR & SOLIS-
COHEN
STE 300 LOCUST STREET
HARRISBURG PA 17101

ANGELA JONES ESQUIRE
SMALL BUSINESS ADVOCATE
COMMERCE BLDG STE 1102
300 N SECOND STREET
HARRISBURG PA 17101
MESSENGER

KEVIN MCKEON & JANET MILLER
WILLIAM T HAWKE ESQUIRES
TODD STEWART ESQUIRE
MALATESTA HAWKE & MCKEON
PO BOX 1778
HARRISBURG PA 17105-1778

GARY JEFFRIES ESQUIRE
CNG ENERGY SERVICES
ONE PARK RIDGE CENTER
PO BOX 15746
PITTSBURGH PA 15244-0746

TIM MERRILL ESQUIRE
4 PENN CENTER WEST
SUITE 200
PITTSBURGH PA 15276

VICKIREN AESCHLEMAN DIR
QST ENERGY INC
300 HAMILTON BLVD STE 300
PEORIA IL 61602

SHEILA HOLLIS ESQUIRE
MARY ANN RALLS ESQUIRE
1667 K STREET NW STE 700
WASHINGTON DC 20006-1608

JOSEPH DWORETZKY ESQUIRE
JOHN LAVELLE JR ESQUIRE
ONE LOGAN SQUARE 12TH FLOOR
PHILADELPHIA PA 19103

JOHN WILSON DIRECTOR
COMMUNITY ACTION ASSOC
222 PINE STREET
HARRISBURG PA 17101

JOHN MOOT ESQUIRE
KURT BILAS ESQUIRE
VICTOR A CONTRACE
1440 NEW YORK AVENUE NW
WASHINGTON DC 20005

HOWARD LOUIK ESQUIRE
300 FORT PITT COMMONS
445 FORT PITT BLVD
PITTSBURGH PA 15219

DENEICE COVERT ZEVE ESQUIRE
TERRY LUPIA ESQUIRE
14TH FLOOR STRAWBERRY SQUARE
HARRISBURG PA 17120
MESSENGER

ROBERT STEFANKO ESQUIRE
341 SOUTH BELLEFIELD AVENUE
PITTSBURGH PA 15213

CINDY DATIG ESQUIRE
DOLLAR ENEERGY FUND
P O BOX 42329
PITTSBURGH PA 15203

ROGER CLARK ESQUIRE
THE ENVIRONMENTALISTS
905 DEWSTON DRIVE
ANDLER PA 19002-3901

ALBERT BENINCASA ESQUIRE
46 9TH AVENUE
SEA CLIFF NY 11579

DAVID M DESALLE ESQUIRE
TERRANCE FITZPATRICK ESQ
RYAN RUSSELL OGDEN &
SELTZER
800 N THIRD STREET STE 101
HARRISBURG PA 17102-2025

THOMAS GADSDEN ESQUIRE
MORGAN LEWIS & BOCKUIS
2000 ONR LOGAN SQUARE
PHILADELPHIA PA 19103

DONALD AYERSMAN JR ESQUIRE
1125 DENVER AVENUE
MORGANTOWN WV 26505

DAVID MAGNUS BOONIN
NEW ENERGY VENTURE EAST LLC
1845 WALNUT STREET
SUITE 2525
PHILADELPHIA PA 19103

BRIAN KALCIC
225 SOUTH MERAMEC AVENUE
SUITE 720-5
ST LOUIS MO 63105

JOHN O'BRIEN ESQUIRE
50 CHARLES LINDBURGH BLVD
SUITE 207
UNIONDALE NY 11553

JAMES STEFFERS
ENRON POWER MARKETING INC
1400 SMITH STREET
P O BOX 4428
HOUSTON TX 77002

KENNETH ZIELONIS ESQUIRE
208 NORTH 3RD STREET
SUITE 310
P O BOX 12090
HARRISBURG PA 17108-2090

LAWRENCE E MONCRIEF ESQUIRE
1364 SILVERTON AVENUE
PITTSBURGH PA 15206

BRUCE A AMERICUS
SAMUEL W BRAVER
ONE OXFORD CENTER
20TH FLOOR
BUCHANAN INGERSOL
PITTSBURGH PA 15219

LOU SAUERS
BCS 7TH FLOOR
BARTO BUILDING
P O BOX 3265
HARRISBURG PA 17105-3265
MESSENGER

DARLENE WESTFALL AGENT
OFFICE OF ATTORNEY GENERAL
564 FORBES AVENUE
PITTSBURGH PA 15219

HARVEY MARCUS
OFFICE OF ATTORNEY GENERAL
5644 HEMPSTEAD ROAD
PITTSBURGH PA 15217

KEITH M SAPPENFIELD II
DIRECTOR OF MARKETING
SUPPORT
NORAM ENERGY MANAGEMENT INC
P O BOX 2628
HOUSTON TX 654-5864

HONORABLE LAWRENCE ROBERTS
REP -51ST DISTRICT
HOUSE PO MAIN CAHITOL
HARRISBURG PA 17120
MESSENGER

HON RICHARD A KASUNIC
DEMOCRATIC POLICY CHAIRMAN
SENTATE PO MAIN CAPITOL
HARRISBURG PA 17120
MESSENGER

ROBERT L SIMPSON EXEC DIR
CRISPUS ATTUCKS ASSN INC
605 SOUTH DUKE STREET
YORK PA 17403

MICHAREL W KRAJOVIC EX VP
FAY PENN ECONOMIC DEV CNSL
TWO WEST MAIN ST STE 407
PO BOX 2101
UNIONTOWN PA 15401-1701

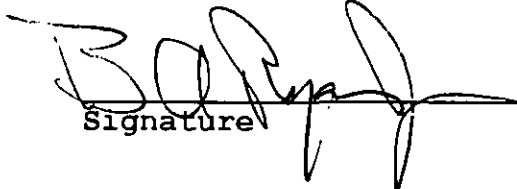
ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 14th day of Aug, 1998,

the undersigned, as evidenced by execution hereof, acknowledges receipt, and accepts service of OPINION AND ORDER an official Commission document entered, issued, or otherwise promulgated under date of AUGUST 13, 1998 at Docket No. R-00974104 on behalf of:

ANGELA JONES ESQUIRE

OSBA



Signature

Kindly sign and date this acceptance of service and acknowledgement of receipt, and, return the same for filing to:

SECRETARY'S BUREAU RECORD RETENTION
PA PUBLIC UTILITY COMMISSION
B-20, North Office Building
Harrisburg, PA 17105-3265

RECEIVED
98 AUG 18 AM 9:49
PA.P.U.C.
SECRETARY'S BUREAU

EEF

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 14th day of AUGUST, 1998,

the undersigned, as evidenced by execution hereof, acknowledges receipt, and accepts service of OPINION AND ORDER an official Commission document entered, issued, or otherwise promulgated under date of AUGUST 13, 1998 at Docket No. R-00974104 on behalf of:

KANDACE F MELILLO ESQUIRE

WAYNE T SCOTT ESQUIRE

OTS

Mani Rudy
Signature

Kindly sign and date this acceptance of service and acknowledgement of receipt, and, return the same for filing to:

SECRETARY'S BUREAU RECORD RETENTION
PA PUBLIC UTILITY COMMISSION
B-20, North Office Building
Harrisburg, PA 17105-3265

RECEIVED
SECRETARY'S BUREAU

98 AUG 14 PM 2:15

003045

RECEIVED
AUG 14 AM 9:52
FBI
OFFICE OF TRIAL STAFF

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

KJR

AND NOW, to wit, this 14 day of August, 1998,

the undersigned, as evidenced by execution hereof, acknowledges receipt, and accepts service of OPINION AND ORDER an official Commission document entered, issued, or otherwise promulgated under date of AUGUST 13, 1998 at Docket No. R-00974104 on behalf of:

LOU SAUERS

BCS

Louis Sauers
Signature

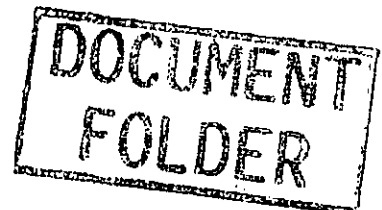
Kindly sign and date this acceptance of service and acknowledgement of receipt, and, return the same for filing to:

SECRETARY'S BUREAU RECORD RETENTION
PA PUBLIC UTILITY COMMISSION
B-20, North Office Building
Harrisburg, PA 17105-3265

SECRETARY'S BUREAU
RECEIVED

98 AUG 17 PM 12:08

003584



ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 13th day of August, 1998,

the undersigned, as evidenced by execution hereof, acknowledges receipt, and accepts service of OPINION AND ORDER an official Commission document entered, issued, or otherwise promulgated under date of AUGUST 13, 1998 at Docket No. R-00974104 on behalf of:

~~MARISA SIFONTES~~ ESQUIRE

EDMUND J BERGER ESQUIRE

KJR

OCA


Signature

Kindly sign and date this acceptance of service and acknowledgement of receipt, and, return the same for filing to:

SECRETARY'S BUREAU RECORD RETENTION
PA PUBLIC UTILITY COMMISSION
B-20, North Office Building
Harrisburg, PA 17105-3265

RECEIVED
98 AUG 14 PM 3:50
PA P.U.C.
SECRETARY'S BUREAU

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 19th day of August, 1998,

the undersigned, as evidenced by execution hereof, acknowledges receipt, and accepts service of OPINION AND ORDER an official Commission document entered, issued, or otherwise promulgated under date of AUGUST 13, 1998 at Docket No. R-00974104 on behalf of:

DENEICE COVERT ZEVE ESQUIRE

TERRY LUPIA ESQUIRE

OFFICE OF ATTORNEY GENERAL

Deneice Covert Zeve
Signature

Kindly sign and date this acceptance of service and acknowledgement of receipt, and, return the same for filing to:

SECRETARY'S BUREAU RECORD RETENTION
PA PUBLIC UTILITY COMMISSION
B-20, North Office Building
Harrisburg, PA 17105-3265