



OFFICE OF CONSUMER ADVOCATE
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, Pennsylvania 17101-1921
(717) 783-5048

ORIGINAL

IRWIN A. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
E-Mail: paoca@ptd.net

June 26, 1998

James J. McNulty, Secretary
Secretary Bureau
Pennsylvania Public Utility Commission
Room B-20, North Office Building
P. O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

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

Dear Secretary McNulty;

Enclosed please find an original and (10) copies of the Office of Consumer Advocate's Comments Regarding Duquesne Light Company's Compliance Filing in the above-captioned proceeding.

Copies of this document have been served on all parties of record as shown on the attached Certificate of Service.

Sincerely,

Tanya J. McCloskey
Assistant Consumer Advocate

Enclosure

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

RECEIVED
98 JUN 26 PM 3:36
P.A.P.U.C.
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

APPLICATION OF DUQUESNE LIGHT :
COMPANY FOR APPROVAL OF ITS :
RESTRUCTURING PLAN UNDER : Docket No. R-00974104
SECTION 2806 OF THE PUBLIC UTILITY :
CODE :

RECEIVED
98 JUN 26 PM 3:37
PA.P.U.C.
SECRETARY'S BUREAU

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE
REGARDING DUQUESNE LIGHT COMPANY'S
COMPLIANCE FILING

DOCUMENT
FOLDER

DOCKETED

JUN 29 1998

Tanya J. McCloskey
Edmund J. Berger
Assistant Consumer Advocates

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101
(717) 783-5048

Dated: June 26, 1998

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	SPECIFIC ISSUES	2
A.	<u>Use of the 1988 Cost of Service Study For Establishing Transmission and Distribution Rates--Stand Alone and Merger Compliance Filing.</u>	2
B.	<u>Increase In Stranded Cost Amount--Stand Alone and Merger Compliance Filings</u>	4
C.	<u>Allocation of Stranded Costs To Each Rate Class--Merger Compliance Filing.</u>	4
D.	<u>Differences in System Average Rate From The Commission's Order</u>	5
E.	<u>Sales Volumes--Stand Alone and Merger Compliance Filings</u>	5
F.	<u>Rate RH--Merger Compliance Filing</u>	6
G.	<u>CTC-Stand Alone Compliance Filing</u>	7
H.	<u>CTC Reconciliation--Merger Compliance Filing</u>	8
I.	<u>Reduction In Transmission Rate</u>	12
J.	<u>Tariff Issues</u>	13
1.	<u>Definitions</u>	13
2.	<u>Rule 4--Contracts, Deposits And Advanced Payments</u>	13
3.	<u>Rule 5--Deposits And Advance Payments</u>	14
4.	<u>Rules 20 and 21--Bills and Net Payment Periods</u>	14
5.	<u>Rules 26-39--Termination</u>	14
6.	<u>Rule 27--Contracts or Applications</u>	14
7.	<u>Rule 40--Reconnection Charges</u>	15

K.	<u>Code of Conduct</u>	15
L.	<u>Supplier Tariff Issues</u>	16
1.	<u>Introduction</u>	16
2.	<u>Rule 5.3.5-- Switching to PLR Service</u>	17
3.	<u>Rule 5.3.6--Customer Move</u>	17
4.	<u>Fees and Charges</u>	18
III.	<u>CONCLUSION</u>	20

I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits the following Comments to the Compliance Filing of Duquesne Light Company in the above-captioned matter. In the short time that the OCA has had to review this compliance filing, as well as the simultaneous filing of West Penn Power Company, the OCA has identified a number of concerns that are listed below. While the OCA has identified several problems with the Company's compliance filing, the OCA has not been able in all cases to present alternative calculations or proposals that it believes are consistent with the Commission's Order in this case.

As a general matter, the OCA would note that Duquesne's Compliance Filing produces overall results that differ, sometimes significantly, from the Commission's anticipated results as shown on the Attachments to the Order. Importantly, in Attachment A to the Commission's Order, the Commission anticipated that its Order would result in a shopping credit in 1999 of 4.00¢/kwh on a system average basis. The Company's filing, however, results in a system average shopping credit of 3.77¢/kwh on a system average basis. As set forth below, the OCA believes it has determined some of the reasons for these discrepancies between the Commission's expected results and the Company's compliance filing. However, in the time allotted, the OCA has been unable to fully reconcile the Commission's Order and the compliance filing, or discover all elements that may contribute to the differences. The OCA would respectfully urge the Commission to review all aspects of the Company's filing to determine whether there are other discrepancies that give rise to these differences.

The OCA would also note that Duquesne has filed two compliance filings--one for the stand-alone case and one if the merger is consummated. The OCA has reviewed both filings and found that the tariff language issues are the same between the filings while some of the technical issues may differ. The OCA will address the technical issues separately, but its discussion of tariff language issues applies to both filings.

II. SPECIFIC ISSUES

A. Use of the 1988 Cost of Service Study For Establishing Transmission and Distribution Rates--Stand Alone and Merger Compliance Filing.

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 rates for the unbundled tariffs. In its Opinion and Order, the Commission rejected Duquesne's proposal to unbundle Transmission and Distribution ("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" rate of returns. Opinion and Order of May 29, 1998, at 40-41.

The OCA's understanding of this result was 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 T&D rates from generation based upon the realized rate of return contained in this 1996 cost of service study. Instead, the Company's compliance filing uses the rates of return by class "approved by the PaPUC in its most recent base rate proceeding." See Compliance Filing, Appendix B, Description of Adjustment To T&D Allocated Cost Of Service For Class Realized Rates of Return, p. 1. In other words, the Company uses the claimed rate of return by class reflected in its 1988 cost

of service study, rather than a realized rate of return from the 1996 cost of service study. This is apparently based upon the ALJ's recommendation that "the Commission direct Duquesne to use the 'realized' rate of return for each class, as established in its last base rate case, to develop rates," although this language was not utilized by the Commission. In fact, at page 34-35 of its Order, the Commission specifically adopted the use of the 1996 cost of service study.

The OCA submits that the Company's literal interpretation of the ALJ's language is an incorrect interpretation that is inconsistent with the evidence presented in the case. Moreover, the Company's interpretation provides a number of results, discussed below, that the OCA submits the Commission did not intend. The OCA submits that the evidence of record presented by the parties arguing for the use of the realized rate of return was based on the 1996 test year realized rates of return. The ALJ specifically agreed with 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. Such a result is consistent with the result provided in the PECO Energy case and should be adopted here as well.

The use of the 1988 *claimed* rate of return will have an impact on each class' transmission and distribution rates. Given the Commission's methodology for setting the shopping credit as a residual after subtracting the T&D rate and the CTC, there will also be an effect on the shopping credits. The OCA has not had sufficient time to calculate the impact on each class, but anticipates that the RS class may experience higher T&D rates while the RH class would see a reduction in the proposed T&D rates. The OCA respectfully requests the Commission to clarify its intent regarding this issue and direct Duquesne to submit a revised compliance filing consistent with this clarification.

B. Increase In Stranded Cost Amount--Stand Alone and Merger Compliance Filings

A review of the Company's filing indicates that the Company has designed its CTC to collect a higher amount of stranded cost than that reflected by the Commission in its Order. 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 was including this amount pursuant to the Commission's Order regarding Duquesne's ECR roll-in, which allowed for the updating of this claim. The question of the Commission's intent regarding this deferred fuel balance is pending before the Commission. If the Commission did not intend for such an updating of the deferred fuel balance, then the additional costs should be removed from the stranded cost amount contained in the CTC.

C. Allocation of Stranded Costs To Each Rate Class--Merger Compliance Filing.

The Commission, in its Order, directed the Company to allocate stranded costs to the customer classes based on "the production capacity allocator utilized in Duquesne's last rate case." Although the Company correctly states this point in its Compliance Filing, the Company goes on to argue that the allocators must be adjusted to reflect the different realized rates of return in the same manner as the transmission and distribution rates. The Company, however, did not present this argument in the case. The Company proceeded to calculate the production capacity revenue requirements by class using the realized rate of return, then utilized the revenue requirements as the basis of allocating stranded costs to classes rather than the production capacity allocator from the last base rate case. As best the OCA can determine, this results in a higher allocation to Rate RS and RH, and perhaps some commercial classes, while lowering the allocation to Rate HVPS.

The OCA submits that the Commission was clear on this issue in its Order. Stranded costs were to be allocated to customer classes based on the production capacity allocator in the last base rate case. No adjustments were approved by the Commission to this allocator, and none were presented by Duquesne during the course of the proceeding for the parties to review. As such, Duquesne should be required to resubmit its compliance filing utilizing a stranded cost allocation as directed by the Commission.

D. Differences in System Average Rate From The Commission's Order

In its Compliance Filing, the Company shows that its system average rate for 1999 will decline from the 8.93¢/kwh system average rate for 1996. This decline in the system average rate and a decline in the anticipated shopping credit on a system average basis are both a result of an anticipated decrease in percentage of total sales to customer classes with higher rates, and an increase in the percentage of sales to the Rate HVPS class, which has a lower revenue per kilowatt-hour.

The OCA has been unable to determine whether the decline in the system average rate has an impact upon the Company's filing, other than for presentation purposes. As discussed below, the OCA has identified changes in billing determinants which may also affect average revenues, but the OCA has been unable to determine whether there is an effect on the design of the rates. The Company should be requested to clarify the impact of its lower system average rate on the rates contained in its tariff schedules, if any.

E. Sales Volumes--Stand Alone and Merger Compliance Filings

In its Proof of Revenues and in its presentation of forecasted sales, the Company has utilized slightly higher sales volumes than those utilized in the case. This change in sales could

impact the proof of revenue as well as the CTC design. The OCA would ask that the Company clarify whether the use of differing sales volumes has affected its rate design.

F. Rate RH--Merger Compliance Filing

A review of the Merger Plan Compliance Filing shows that the shopping credit for Rate RH is only 0.85¢/kwh for 1999 as opposed to the Pilot Participation Incentive Credit of 3.97¢/kwh which is also used in the Stand-Alone Compliance Filing. The OCA has serious concerns about the Rate RH shopping credit as proposed by the Company. Importantly, Rate RH pilot program customers, who shopped for power assuming a 3.97¢/kwh credit will experience a significant rate increase on January 1, 1999 if they are currently purchasing supply from an alternative provider at more than 0.85¢/kwh. Since there is currently no evidence of any supplier offering electricity to customers at such a low rate, even in Duquesne's service territory, the OCA anticipates that those Rate RH customers now shopping will either experience a rate increase, or return to Duquesne generation service. Equally important, the OCA submits that there will be no opportunity for Rate RH customers to shop in the future with a shopping credit of only 0.85¢/kwh.

The OCA has identified a number of problems with Duquesne's compliance filing that may have contributed to its proposed result for Rate RH. For example, the Company's proposal to utilize its claimed rate of return from its 1988 cost of service study rather than the 1996 realized rate of return for this class means that T&D rates were set for this class assuming a 9.7% rate of return rather than the negative 3% rate of return that the class rates realized under the Company's cost of service methodology. Additionally, Duquesne's method of allocating stranded costs to the classes may have resulted in a higher stranded cost allocation to the class which would result in a higher CTC and a lower shopping credit.

In the time allotted, the OCA has been unable to determine the total effect of Duquesne's proposals on Rate RH, although correcting for the T&D rates and the allocation of stranded cost may only increase the shopping credit for the class by about 5 mills/kwh. The OCA submits that this increase in the shopping credit may not be sufficient to enable customers within this class to shop for electricity.

Clearly, if the Commission wishes Duquesne's approximately 22,000 residential electric heating customers on Rate RH to participate in the competitive market, this issue must be addressed.

G. CTC-Stand Alone Compliance Filing

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

The OCA does not object to the Company's proposal for the interim CTC given the Company's corresponding proposal for reconciliation of the CTC collections. It is the OCA's understanding that the Company will track CTC collections on a class-specific basis and after divestiture, adjust the amount to be collected from each class by these collections. The OCA would caution, however, that this methodology could result in some classes' contribution to stranded cost during this interim period being extremely low. This could then present difficulties in setting a CTC

within the rate cap constraints of the Act after divestiture. In other words, due to the shorter length of time for collection of CTC charges if divestiture takes a year or more, and given the undercollection of charges during the interim period, there would be an upward pressure on the CTC charges that would result in either a rate increase or no meaningful shopping credit for the class. The OCA anticipates that this could be a potential problem for Rate RH, as noted above. The Company's tariff language, however, does not recognize these possibilities.

As such, the OCA recommends that the Commission clarify the Company's reconciliation procedures to specifically recognize the rate cap provisions of the Act.

H. CTC Reconciliation--Merger Compliance Filing

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 constitute collection of the fully allocated share of CTC recovery. The OCA 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 cost for 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.

I. ECR Roll-In

The Company's rate calculations utilize the level of the Energy Cost Rate (ECR) that the Company proposed to roll-in to base rates. Throughout the case, the Company indicated that the proposed ECR rate was higher than the ECR that was in effect at the effective date of the Act. The

OCA argued in this case that the ECR in effect at the effective date of the Act should be utilized so that rates would not be increased above the level in effect on January 1, 1997. The Commission did not specifically rule on this matter, but the issue is pending before the Commission in Duquesne's Petition for Reconsideration.

The Company's base rates and ECR in effect on the effective date of the Act were designed to recover 12.8 mills/kWh in energy costs. The Company, however, proposed to increase this amount to 14.7 mills/kWh when it rolled its ECR into base rates. The 14.7 mills/kWh represents the highest level, or cap, on the Company's energy costs from a previous settlement. Since the Commission's Order did not specifically address this issue, Duquesne, in its Petition for Reconsideration, asked for clarification as to the rate adopted in the Commission's Order. The OCA answered that Petition on this issue and recommended the 12.8 mills/kWh effective rate be utilized. It is OCA's understanding that the Company has reflected the 14.7 mills/kWh rate in its compliance filing. If the Commission determines to adopt the OCA's position on this issue, the rates contained in the compliance filing will need to be modified to reflect the 12.8 mills/kWh.

Additionally, although ineffective, the Company has retained Rider No. 15, the ECR rider, with a note that it is eliminated effective January 1, 1999. The OCA submits that complete elimination of the ECR rider from the tariff would be preferable to avoid any confusion about its applicability.

J. Universal Service

With its Compliance Filing, the Company filed a narrative describing its approach to universal service and energy conservation programs and providing an overview of its proposed universal service programs. In its overview, the Company has proposed several new CAP program

options to reach customers with payment difficulty. These programs were not presented by the Company during the course of the proceeding. A preliminary review of these programs indicates that these programs may be a creative and innovative means of addressing the need for universal service in Duquesne's service territory if they are designed appropriately and run well. The OCA submits, however, that the Company's compliance filing provides too few details regarding the design of these programs for a proper review. As such, the OCA recommends that when the Company completes the design of its new programs, that it be required to submit these programs to the Commission's Bureau of Consumer Services and the interested parties in this case, including the OCA, for review and final approval by the Commission. This step will ensure that the Commission's findings in this case are properly implemented as Duquesne develops its new programs.

The Company also notes that it will continue its efforts to identify new services and programs to enable its low income customers to make affordable electric service. However, the Company, at page 9 of Appendix H, suggests that customers who file an informal or formal complaint with the Commission rather than enrolling in the universal service program, should not be referred back to the utility by the Commission for universal service. The OCA strongly objects to this suggestion. Customers have a right to file a complaint with the PUC if they feel their rights have been violated, they are receiving unreasonable service, they are being treated unfairly by the utility, or for any other potential violation of the Public Utility Code without the fear of losing affordable electric service. A customer should not have affordable service jeopardized by merely exercising a right provided to them under the law. The OCA submits that the Commission must soundly reject this suggestion.

The Company has also noted that it will perform a needs assessment in 2000, and have an impact evaluation of its programs conducted by a third party in 2003 in compliance with the Reporting Requirements Regulations. The OCA is concerned, however, that with the introduction of significant new programs, that have not been reviewed by any party to the proceeding, there is a need for earlier evaluations and monitoring of the Company's universal service programs. The OCA recommends that the Commission first establish an interim review of the Company's programs, preferably within two years of the implementation of the programs, with a procedure that allows interested parties to comment upon the review. Second, as noted above, Duquesne should be directed to continue to work with the parties to this proceeding as well as BCS as it develops and designs these new programs. Third, the Company should establish a CAP Advisory Board to provide review and advice regarding the Company's efforts.

Additionally, the OCA would note that although committing to work with community based organizations (CBOs), the Company has provided little detail on how this will be accomplished. The Company should be directed to provide additional detail on this point.

Finally, the Company has proposed a universal service charge to be applied to customers distribution rates. The Company proposes to include its universal service costs in the charge, and intends to reconcile these costs to actual expenditures. In addition, the Company includes a base universal service charge for each rate schedule. The Company plans to reconcile the Universal Service Charge on an annual basis. First, the OCA submits that as part of this reconciliation, the Company should also be directed to consider and address cost savings, such as collection cost savings and savings in uncollectible expenses, during the reconciliation process. As the evaluation of the Equitable CAP demonstrated, these programs can provide net benefits to the

Company rather than result in increased costs. The Company should not be permitted to reconcile costs without also reflecting cost savings from these programs.¹

Finally, as noted below, the OCA has identified an increase in the distribution revenue requirement proposed by the Company from the distribution revenue requirement filed by the Company in the case. This increase results from a corresponding decrease in transmission revenue requirement approved by FERC. Given the Commission's Order directing an increase in universal service funding and allowing reconciliation of universal service costs, the OCA submits that this increase in distribution revenue requirement should be considered available as an offset to the increased universal service funding requirement.

K. Reduction In Transmission Rate

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. In its compliance filing, the Company, rather than reducing its overall transmission and distribution rates, 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. For example, given the Company's

¹ Additionally, because this issue is likely to arise in each of the EDC's compliance filings, the Commission may wish to consider a further generic proceeding that will address the method of reconciliation and ratemaking for these costs and benefits.

proposal to fully reconcile universal service costs, as noted above, it may be appropriate to use this money to offset universal service cost increases. This issue could be addressed in the universal service proceeding proposed by the OCA above.

L. Tariff Issues

1. Definitions

The Company's tariff does not contain any definitions. In Rule 3, regarding Applications, the Company provides definitions for certain terms such as retail customer and electric service. Of concern is the definition or explanation of "electric service" or "service on Original Page No. 7. The Company 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 at Docket No. L-00970126.

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

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

Rule 4 concerns written contracts and has historically been used for contracts with large industrial or commercial customers. The tariff language should be clarified to indicate that it does not apply to residential customers. In addition, in the third paragraph, the last line should specifically reference the CTC as a rate to be included under the special contract.

3. Rule 5--Deposits And Advance Payments

The tariff language does not specify that deposits should relate to regulated rates or service. In other words, the Company should not be permitted to require a deposit based on unpaid supplier charges. As such, 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.

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

The Company's billing rules do not address various issues regarding billing for EDC and EGS charges. Specifically, 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, this should be embodied in the Company's tariff.

5. Rules 26-39--Termination

The Company's rules regarding termination allow termination for "nonpayment of an undisputed delinquent account." 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.

6. Rule 27--Contracts or Applications

This rule allows the Company to terminate service if a customer refuses to execute a written contract or application. It should be made clear that the requirement of a written contract, as used in this Rule, does not apply to residential customers. Since the OCA has requested that Rule

4 regarding written contracts be clarified to exclude residential customers, this Rule may require no further change if the changes to Rule 4 are implemented.

7. Rule 40--Reconnection Charges

At Rule 40, the Company sets out its policy regarding reconnection of service. 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, it should also be made clear that the Company cannot require payment of all EGS arrearages as a condition precedent to reconnection.

L. Code of Conduct

In its Order, the Commission directed Duquesne to file an Interim Code of Conduct based upon the Code approved by the Commission for PECO Energy at Docket Nos. R-00973953, et al. in its February 5, 1998 Order. The OCA’s review of Duquesne’s Code of Conduct contained in its Compliance Filing has identified two areas where the Duquesne Code of Conduct does not conform to the Code of Conduct approved in PECO Energy.

First, the Company added a provision, Rule No. 5, apparently in response to the Commission’s Order at page 235 where it indicates that Duquesne “must preclude the EDC from promoting its competitive affiliate any differently than non-affiliated suppliers.” Order at 235. Duquesne proposed the following language:

Duquesne EDC shall not promote a Duquesne Supplier any differently than a non-supplier.

Although this language mirrors the language of the Commission's Order, the OCA submits that its meaning is somewhat unclear. In the PECO Settlement, the Commission specifically adopted a Code of Conduct that addressed the issue of joint marketing between and EDC and its affiliated supplier. If the Commission intended for Duquesne to address the joint marketing situation, the OCA submits that the language contained in the PECO Settlement Code of Conduct Rule No. 7 on Original Page 101 of PECO Tariff Pa. P.U.C. No. 3 should be utilized rather than Duquesne's proposed Rule No. 5.

Second, the Company has proposed an expanded and somewhat different version of the dispute procedures than those included in the PECO Code of Conduct. In essence, the Company has proposed some longer time periods, and an option for binding or non-binding arbitration in lieu of an immediate appeal to the Administrative Law Judge or the Commission. The OCA does not object to these proposals so long as either party retains the right to reject a request for binding arbitration and move its case to the Commission.

M. Supplier Tariff Issues

1. Introduction

The Supplier Tariff submitted by Duquesne Light Company is based in almost all respects on the Tariff created in the PECO Energy Supplier Tariff proceeding. Pennsylvania Public Utility Commission v. PECO Energy Company, Docket No. R-00984298, Order entered May 28, 1998. The OCA submits that this is appropriate. In only a few instances did Duquesne make additional proposals that the OCA will discuss below. In addition, the OCA will note certain limited

instances where the proposed tariff language may need to be clarified in light of the Commission's rulemakings.

2. Rule 5.3.5-- Switching to PLR Service

At Supplier Tariff Rule 5.3.5, Duquesne proposes that the 15-day notice period and 10-day confirmation period apply to customer's contacting Duquesne to revert to PLR service. The OCA submits that this section must not apply, however, to those instances where a customer's service is discontinued by the EGS. In the Commission's Final Rulemaking Order Establishing Standard for Changing a Customer's Electric Supplier, Docket No. L-00970121, Order entered February 27, 1998, Section 57.178 rendered all of the outlined switching standards inapplicable to instances where an EGS discontinues service. The OCA submits that the Commission should require that this section of the Duquesne Supplier Tariff conform to the Section 57.178 referenced above wherein it states that:

The provisions of this subchapter do not apply in instances when the customer's service is discontinued by the EGS and subsequently provided by the provider of last resort because no other EGS is willing to provide service to the customer.

3. Rule 5.3.6--Customer Move

The OCA submits that Rule 5.3.6 of the Supplier Tariff is unclear and may contain an unnecessary restriction on customers who change service locations within the Duquesne's service territory. The rule provides that Duquesne will notify the EGS of the customer's discontinuance of service at the old location, but it does not specify what actions will be taken by Duquesne regarding the supplier for the new location. The PECO Supplier Tariff at Rule 5.3.6(a) contained an additional sentence as follows:

The Company will also send an electronic transaction to the Customer's selected EGS for its new location, which may or may not be the current EGS.

The OCA submits that Duquesne's Supplier Tariff should be clarified in a similar manner. Customers should not be harmed in their selection of an EGS simply by moving within the service territory.

4. Fees and Charges

Duquesne has proposed several new fees or charges in its Supplier Tariff. Although the OCA is concerned about the imposition of charges in the supplier tariff, the OCA is particularly concerned about the Supplier Switching Fee and the Supplemental Billing Information Charge and will address those charges here. The OCA anticipates that other parties will address some of the other charges proposed by Duquesne.

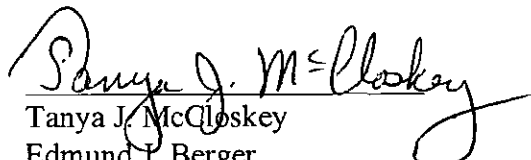
At Tariff page 56, the Company proposes a charge of \$1.05 per customer per switch. The Commission specifically prohibited the Company from charging a switching fee to customers during the transition period. Now, however, the Company seeks to impose such a charge on suppliers when a customer switches to that supplier. The OCA submits that this is simply an attempt to obtain through the back door what it could not get through the front door. These fees, even if to suppliers, are likely to be passed on to customers, particularly residential and small business customers. This is the exact effect that the Commission sought to avoid in its Order. As such, these charges should be rejected. In accordance with the Commission's Order, however, the Company retains the right to track data on its costs of switching customers and propose appropriate cost based switching fees after the transition to competition.

The Supplemental Billing Information Charge is to be applied if an EGS wishes supplemental information, such as contract expiration dates, placed on the bill. The Company proposes to charge \$84/hour for development and customization. These fees should also be rejected at this time. The Company should be required to track any requests for such supplemental information, and track its costs of including such information on the bill. The Company can then make a request for appropriate cost-based fees after it has obtained this information.

III. CONCLUSION

For the reasons set forth above, the Office of Consumer Advocate respectfully urges the Commission to order modifications to Duquesne Light Company's Compliance Tariffs consistent with the positions set forth within these Comments and to make any further modifications deemed necessary upon any further review conducted by the Commission.

Respectfully submitted,


Tanya J. McCloskey
Edmund J. Berger
Assistant Consumer Advocates

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1921
(717) 783-5048

Dated: June 26, 1998
47245

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the foregoing document,
Office Consumer Advocate's Comments Regarding Duquesne Light Company's Compliance Filing,
upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54
(relating to service by a participant), in the manner and upon the persons listed below:

Dated this 26th day of June, 1998.

SERVICE BY INTEROFFICE MAIL

Kandace Melillo, Esquire
Wayne Scott, Esquire
Office of Trial Staff
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

SERVICE BY FACSIMILE AND FEDERAL EXPRESS

John S. Moot, Esquire
Skadden, Arps, Slate, Meagher
& Flom, LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005

Larry R. Crayne, Esquire
Duquesne Light Company
411 Seventh Avenue
P.O. Box 1930
Pittsburgh, PA 15230-1930

SERVICE BY U.S. MAIL, POSTAGE PREPAID

Stephen L. Feld, Esquire
Pennsylvania Power Company
1 East Washington Street
P.O. Box 891
New Castle, PA 16103-0891

Sheila S. Hollis, Esquire
Mary Ann Ralls, Esquire
Stephenie A. Sugrue, Esquire
Duane, Morris & Heckscher LLP
Suite 700
1667 K Street, N.W.
Washington, DC 20006-1608

Scott J. Rubin, Esquire
3 Lost Creek
Selinsgrove, PA 17870

Joseph A. Dworetzky, Esq.
John P. Lavelle, Jr., Esq.
Hangley, Aronchick, Segal & Pudlin
12th Floor, One Logan Square
Philadelphia, PA 19103

Douglas F. John, Esq.
JOHN & HENGERER
Suite 600
1200 17th Street, N.W.
Washington, D.C. 20036

Roger Clark, Esq.
The Environmentalists
905 Denston Drive
Ambler, PA 19002-3901

Gary Jeffries, Esq.
CNG Energy Services, Inc.
One Parkridge Center
Pittsburgh, PA 15244-0746

Mary McFall Hopper, Esquire
PECO Energy Company
2301 Market Street S23-1
Philadelphia, PA 19103

Vickiren S. Aeschleman
QST Energy Inc.
Suite 300
300 Hamilton Blvd.
Peoria, IL 61602

David Hughes
4037 Ludwick Street
Pittsburgh, PA 15217

Jim Ferlo, Councilman
510 City-Council Building
Pittsburgh, PA 15219

Rodney R. Akers, Esq.
Assistant City Solicitor
313 City-County Building
414 Grant Street
Pittsburgh, PA 15219

Howard M. Louik, Esq.
Allegheny County Law Dept.
300 Fort Pitt Commons
445 Fort Pitt boulevard
Pittsburgh, PA 15219

Margaret Peters, Esq.
The Peoples Natural Gas Company
625 Liberty Avenue
Pittsburgh, PA 15222-3197

John Stember, Esq.
Low Income Advocate Parties
1705 Allegheny Bldg.
429 Forbes Avenue
Pittsburgh, PA 15219

Donald A. Kaplan, Esq.
Lisa M. Halpert, Esq.
Preston, Gates, Ellis & Rouvelas
Meeds, LLP
1735 New York Avenue, NW, Suite 500
Washington, DC 20006-4759

David M. Boonin
New Energy Ventures East, LLC
Suite 2525
1845 Walnut Street
Philadelphia, PA 19103

David Cruthirds
Electric Clearinghouse, Inc.
Suite 5800
1000 Louisiana
Houston, TX 77002-5050

James P. Dougherty, Esq.
Robert A. Weishaar, Jr., Esq.
Pamela C. Polacek, Esq.
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108

Kevin J. McKeon, Esq.
Todd Stewart, Esq.
Malatesta, Hawke & McKeon, LLP
P.O. Box 1778
Harrisburg, PA 17101

David M. DeSalle, Esq.
Terrance J. Fitzpatrick, Esq.
Ryan, Russell, Ogden & Seltzer, LLP
Suite 101
800 North Third Street
Harrisburg, PA 17102-2025

Angela Jones, Esquire
Office of Small Business Adv.
Suite 1102, Commerce Bldg.
300 North Second Street
Harrisburg, PA 17120

Mark J. McGuire, Esq.
Ronald N. Carroll, Esq.
Jenner & Block, Suite 1200
601 13th Street, NW
Washington, DC 20005

Tim Merrill, Esq.
Suite 200
4 Penn Center West
Pittsburgh, PA 15276

Paul E. Russell, Esq.
Pennsylvania Power & Light Company
2 North 9th Street
Allentown, PA 18101

Kenneth L. Wiseman, Esq.
Mark F. Sundback, Esq.
Andrews & Kurth, LLP
1701 Pennsylvania Avenue
Washington, DC 20006

Brian A. Rider, President
Pennsylvania Retailers' Association
224 Pine Street
Harrisburg, PA 17101-1325

Kenneth Zielonis, Esq.
Stevens & Lee
Suite 310
208 North Third Street
Harrisburg, PA 17108

John Wilson, Executive Director
Community Action Association of PA
222 Pine Street
Harrisburg, PA 17101

Allegheny Electric Cooperative, Inc.
212 Locust Street
P.O. Box 1266
Harrisburg, PA 17108-1266

William T. Hawke, Esq.
Mid Atlantic Power Supply Association
100 North 10th Street
Harrisburg, PA 17105

Daniel Clearfield, Esquire
Gerald Gornish, Esquire
Alan Kohler, Esquire
Robert Longwell, Esquire
Wolf, Block, Schorr and Solis-Cohen
Suite 401
305 North Front Street
Harrisburg, PA 17101

James D. Steffes
Enron Power Marketing Inc.
1400 Smith Street
P.O. Box 4428
Houston, TX 77002

Steven Baicker-Mckee, Esq.
Wanda Schiller, Esq.
Babst, Calland, Clements & Zomnir PC
8th Floor, Two Gateway Center
Pittsburgh, PA 16222

Michael L. Kurtz, Esq.
David F. Boehm, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Brian Kalcic
Excel Consulting
Suite 720-T
225 S. Meramec Avenue
St. Louis, MO 63105

Michael Reid, Director
Materials Management Services
Administrative Resources, Inc.
500 Commonwealth Drive
Warrendale, PA 15086-7513

Patricia Armstrong, Esquire
Thomas, Thomas, Armstrong & Niesen
212 Locust Street
P.O. Box 9500
Harrisburg, PA 17108-9500

Albert M. Benincasa, Esq.
Director, Regulatory Affairs
Skipping Stone
46 9th Avenue
Sea Cliff, NY 11579

Stephen J. Baron
J. Kennedy and Associates, Inc.
Suite 475
35 Glenlake Parkway
Atlanta, GA 30328

Robert J. Stefanko, Esq.
341 South Bellefield Avenue
Pittsburgh, PA 151213

Thomas J. Augspurger, Esq.
Midcon Corporation
Office of General Counsel
701 East 22nd Street
Lombard, IL 60148

Craig Nifong
Midcon Corporation
3200 Southwest Freeway
Houston, TX 77027

Cindy Datig, Esq.
\$1 Energy Fund
P.O. Box 42329
Pittsburgh, PA 15203

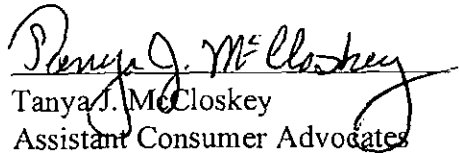
Donald R. Ayersman, Jr., Esq.
1125 Denver Avenue
Morgantown, PA 26505

Thomas P. Gadsden, Esq.
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103-6993

Timothy Moran
986 Greentree Road
Pittsburgh, PA 15222

John O'Brien, Esq.
Wheeled Electric Power Company
Suite 207
50 Charles Lindburgh Blvd.
Uniondale, NY 11553

Robert B. Weisenmiller
MRW & Associates, Inc.
Suite 1440
1999 Harrison Street
Oakland, CA 94612-3517


Tanya J. McCloskey
Assistant Consumer Advocates

Counsel For
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1921
(717) 783-5048
43679

RECEIVED
98 JUN 26 PM 3:37
PA.P.U.C.
SECRETARY'S BUREAU

Direct Dial: 330/761-4207
Fax: 330/384-3875

ORIGINAL

June 26, 1998

Mr. James McNulty
Secretary
Pennsylvania Public Utility Commission
North Office Building
P. O. Box 3265
Harrisburg, PA 17105-3265

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

Dear Secretary McNulty:

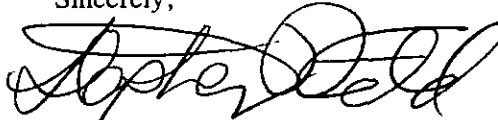
I request that my address for service of documents in this proceeding be changed to:

Stephen L. Feld
FirstEnergy Corp.
76 South Main Street
Akron, OH 44308
Phone: 330/761-4207
Fax: 330/384-3875

I continue to represent Pennsylvania Power Company in this proceeding.

As shown on the attached Certificate of Service, I have served this notice on all parties of record and ask that they change my address as well.

Sincerely,



Stephen L. Feld
Attorney

sf
attachment

cc: Parties of Record

Robert A. Christianson
Chief Administrative Law Judge

[28228]

POCKETED

JUL 07 1998

**DOCUMENT
FOLDER**

KJR
155439

RECEIVED
SECRETARY'S BUREAU
98 JUL -2 AM 8:42

2

CERTIFICATE OF SERVICE

Duquesne Light Company Docket No. R-00974104

I hereby certify that I have served a copy of the foregoing document by first-class mail upon the following parties in accordance with 52 Pa. Code §1.54.

Kenneth Zielonis
Stevens & Lee
208 North Third St., Suite 310
P. O. Box 12090
Harrisburg, PA 17108-2090
(Pa. Retailers Assn.)

Brian A. Rider
President
Pennsylvania Retailers' Assn.
224 Pine Street
Harrisburg, PA 17101-1325

James P. Dougherty
David M. Kleppinger
Robert A. Weishaar
Pamela C. Polacek
McNees, Wallace & Nurick
100 Pine Street
P. O. Box 1166
Harrisburg, PA 17108

Kndace F. Melillo
Wayne T. Scott
PA Public Utility Commission
Office of Trial Staff
901 N. 7th Street, Rear
Third Floor, Pitnick Building
Harrisburg, PA 17105-3265

Jacqueline R. Morrow
Rodney R. Akers
Assistant City Solicitor
City of Pittsburgh
313 City County Building
414 Grant Street
Pittsburgh, PA 15219

Stephen J. Baron
J. Kennedy & Associates, Inc.
Suite 475
35 Glenlake Parkway
Atlanta, GA 30328

Angela T. Jones
Office of Small Business Advocate
Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Howard M. Louik
Allegheny County Law Department
300 Fort Pitt Commons
445 Fort Pitt Boulevard
Pittsburgh, PA 15219

Marisa A. Sifontes
Irwin A. Popowsky
Steven K. Steinmetz
Office of Consumer Advocate
1425 Strawberry-Square
Harrisburg, PA 17120

Wanda Schiller
Steven Baicker-McKee
Babst, Calland, Clements & Zomnir PC
8th Floor, Two Gateway Center
Pittsburgh, PA 15222

Kenneth L. Wiseman
Robert M. Lamkin
Andrews & Kurth, LLP
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Mark F. Sundback
Robert M. Lamkin
Andrews & Kurth, LLP
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Matthew Kahal
Exeter Associates, Inc.
Suite 350
12510 Prosperity Drive
Silver Spring, MD 20904

Terrance J. Fitzpatrick
David M. DeSalle
Ryan, Russell, Ogden & Seltzer, LLP
Suite 101
800 North Third Street
Harrisburg, PA 17102-2025

Michael Reid, Director
Materials Management Services
Administrative Resources, Inc.
500 Commonwealth Drive
Warrendale, PA 15086-7513

Margaret Peters
The Peoples Natural Gas Company
625 Liberty Avenue
Pittsburgh, PA 15222-3197

Mark J. McGuire
Ronald N. Carroll
Jenner & Block
Suite 1200
601 13th Street, N.W.
Washington, D.C. 20005

Kevin J. McKeon
Malatesta, Hawke & McKeon, LLP
P. O. Box 1778
Harrisburg, PA 17101

David Hughes
4037 Ludwick Street
Pittsburgh, PA 15217

William T. Hawke
Janet L. Miller
Todd S. Stewart
Malatesta, Hawke & McKeon, LLP
P. O. Box 1778
Harrisburg, PA 17101

David F. Boehm
Michael I. Kurtz
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Robert B. Weisenmiller
MRW & Associates, Inc.
Suite 1440
1999 Harrison Street
Oakland, CA 94612-3517

Robert J. Stefanko
341 South Bellefield Avenue
Pittsburgh, PA 15213

John Stember
Low Income Advocate Parties
1705 Allegheny Building
429 Forbes Avenue
Pittsburgh, PA 15219

Donald R. Ayersman, Jr.
1125 Denver Avenue
Morgantown, WV 26505

Tim Merrill
Suite 200
4 Penn Center West
Pittsburgh, PA 15276

Thomas P. Gadsden
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Thomas J. Augspurger
Midcon Corporation
Office of General Counsel
701 East 22nd Street
Lombard, IL 60148

Joseph A. Dworetzky
Luke E. Dembosky
John P. Lavelle, Jr.
Hangley, Aronchick, Segal & Pudlin
One Logan Square, 12th Floor
Philadelphia, PA 19103

Attorney of Record
Environmental Energy Project
3700 Vartan Way
Harrisburg, PA 17110

Patricia Armstrong
Thomas, Thomas, Armstrong & Niesen
212 Locust Street, Suite 500
P. O. Box 9500
Harrisburg, PA 17106-9500

David M. Boonin
New Energy Ventures East, LLC
1845 Walnut Street
Suite 2525
Philadelphia, PA 19103

Daniel Clearfield
Gerald Gornish
Alan Kohler
Robert J. Longwell
Wolf, Block, Schorr & Solis-Cohen, LLP
212 Locust Street
Suite 300
Harrisburg, PA 17101

Brian Kalcic
Excel Consulting
Suite 720-T
225 S. Meramec Avenue
St. Louis, MO 63105

Douglas F. John
Gordon J. Smith
John & Hengerer
1200 17th Street, N.W.
Suite 600
Washington, D.C. 20036

Vickiren S. Aeschleman
Director, Regulatory Policy
QST Energy, Inc.
300 Hamilton Boulevard - Suite 300
Peoria, IL 61602

Roger E. Clark
The Environmentalists
905 Denston Drive
Andler, PA 19002-3901

Scott J. Rubin
3 Lost Creek Drive
Selingsgrove, PA 17870-9357

Paul R. Russell
Pennsylvania Power & Light Company
2 North 9th Street
Allentown, PA 18101

John O'Brien
Wheeled Electric Power Co.
Suite 207
50 Charles Lindburgh Boulevard
Uniondale, NY 11553

James D. Steffes
Enron Power Marketing, Inc.
1400 Smith Street
P. O. Box 4428
Houston, TX 77002

Albert M. Benincasa
Director, Regulatory Affairs
Skipping Stone
46 9th Avenue
Sea Cliff, NY 11579

Larry R. Crayne
Richard S. Herskovitz
Duquesne Light Company
411 Seventh Avenue, 15th Floor
Pittsburgh, PA 15219

Mary Ann Ralls
Duane, Morris & Heckscher LLP
1667 K Street, N.W.
Suite 700
Washington, D.C. 20006

Mary McFall Hopper
PECO Energy Company
2301 Market Street
P. O. Box 8699
Philadelphia, PA 19101

Craig R. Kuennen, Ph.D.
904 Melaleuca Avenue, #N
Carlsbad, CA 92009

John Wilson
Executive Director
Community Action Association of Pennsylvania
222 Pine Street
Harrisburg, PA 17101

Samuel W. Braver
Bruce A. Americus
Buchanan Ingersoll, PC
One Oxford Centre, 20th Floor
301 Grant Street
Pittsburgh, PA 15219-1410

Donald A. Kaplan
Lisa M. Helpert
Preston, Gates, Ellis & Rouvelas Meeds LLP
1735 New York Avenue, N.W.
Suite 500
Washington, D.C. 20006-4759

Gary A. Jeffries
CNG Energy Services Corporation
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

Keith M. Sappenfield, II
Director of Marketing Support
NorAm Energy Management, Inc.
P. O. Box 2628
Houston, TX 77252-2628

John R. Orr
Duke Energy Trading & Marketing LLC
One Westchester Center
10777 Westheimer, Suite 650
Houston, TX 77042

David Cruthirds
Electric Clearinghouse, Inc.
100 Louisiana, Suite 5800
Houston, TX 77002-5050

Lawrence E. Moncrief
1364 Silverton Avenue
Pittsburgh, PA 15206

Pennsylvania Public Utility Commission v. System Council
U-10, International Brotherhood of Electrical Workers

R-00974104

NOTICE OF PETITION by System Council U-10,
International Brotherhood of Electrical Workers, at
No. 1724 C.D. 1998, Commonwealth Court of
Pennsylvania, from the order of the Commission dated
May 29, 1998 in the above-captioned proceeding.

B-00983704

Filed: June 26, 1998

DOCUMENT
FOLDER

CKETE
JUL 14 1998

KJR



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

IN REPLY PLEASE
REFER TO OUR FILE

June 26, 1998

Mr. Paul G. Lang
Vice President, Facilities
South Hills Health System
Coal Valley Road
P. O. Box 18119
Pittsburgh, PA 15236-0119

R-0097,4104

Dear Mr. Lang:

Thank you for your recent letter to Governor Tom Ridge regarding the restructuring filings made by the Duquesne Light Company and the West Penn Power Company which is a part of the Allegheny Power System.

Please know that on May 21, 1998, the Pennsylvania Public Utility Commission voted to finalize the restructuring plans for both of these utilities. The Commission's final approval allows Duquesne to collect \$1.331 billion in stranded costs over seven years starting in January 1999. Please find under cover of this letter the press releases summarizing the Commission's decisions. Also, please note that I have taken the liberty of forwarding your letter to the Secretary of the Commission for inclusion into the official file of this proceeding.

Thank you again for the benefit of your thinking on these important issues.

Sincerely,

Rosemary Chiavetta, Esq.
Director of Legislative Affairs

55077

Enclosures

cc: The Hon. Tom Ridge
Chairman John Quain
Secretary James McNulty

DOCKETED

JUN 29 1998

DOCUMENT
FOLDER

RECEIVED
SECRETARY'S BUREAU
98 JUN 29 PM 12:47

South Hills Health System

May 21, 1998

Coal Valley Road
P.O. Box 18119
Pittsburgh, PA 15236-0119

412-469-5000

The Honorable Tom Ridge
Governor of Pennsylvania
225 Main Capitol
Harrisburg, PA 17120

Dear Governor Ridge:

Re: Duquesne Light Company

We understand that an administrative law judge at the Public Utility Commission ("PUC") recently recommended a partial disallowance of Duquesne Light Company's ("Duquesne" or the "Company") claim that it has \$1.9 billion in so-called "stranded costs," but nonetheless recommended that Duquesne be permitted to collect from its customers an unspecified amount (which could exceed \$1 billion) of that claim. Duquesne's "stranded cost" claim arises under legislation enacted in 1996, which gives utilities the opportunity to seek "stranded costs" from ratepayers if the utility would be harmed by competition. The judge's recommended decision now is being reviewed by the full PUC in Docket No. 00974104. We are very concerned about this decision. We ask that you, as our representative, undertake appropriate actions to help ensure that Duquesne is not provided an unwarranted windfall at our expense.

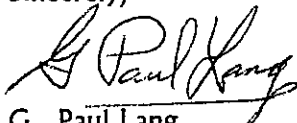
Consider that:

- If Duquesne is permitted to collect \$1 billion as claimed stranded costs, that means that the average consumer would pay the equivalent of another year of their current electric bill, in addition to whatever other costs (e.g., generation of power, transmission and distribution of that power to the consumer) they would pay for unbundled electric service;
- In contrast to Duquesne's claim that it has significant stranded costs, its internal studies, as well as studies by its consultants and merger advisor, concluded that Duquesne could sell its generation plants at profits of more than \$700 million;
- Duquesne's and its consultants' conclusions are corroborated by recent sales of generation plants around the country at premiums over the facilities' depreciated costs, including Duquesne's own sale in 1995 of a power generating facility for 450% of its depreciated book value.

As you are aware, the healthcare industry is one of the most important sources of economic development for the Pittsburgh economy. Our healthcare system employs 2700 people, and has a budget of \$162 million. Because Medicaid and Medicare reimbursements have declined, institutions like ours face a series of stark choices in the critical drive to cut expenses. We can (1) reduce the costs of supplies, (2) reduce the number of employees caring for patients, or (3) delay improvements to healthcare service to patients. If we must help fund Duquesne's claims for stranded costs, we will have to take steps to reduce our costs in other ways.

We are requesting that you act to represent the interests of healthcare institutions and their employees throughout your district.

Sincerely,



G. Paul Lang,
Vice President, Facilities





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

IN REPLY PLEASE
REFER TO OUR FILE

June 26, 1998

Mr. Paul Winkler
Senior Vice President and COO
Presbyterian Senior Care
1215 Hulton Road
Oakmont, PA 15139-1196

R-00974104

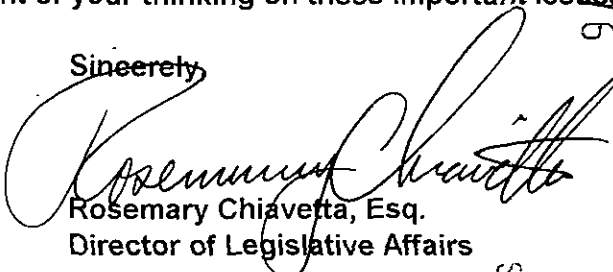
Dear Mr. Winkler:

Thank you for your recent letter to Governor Tom Ridge regarding the restructuring filings made by the Duquesne Light Company and the West Penn Power Company which is a part of the Allegheny Power System.

Please know that on May 21, 1998, the Pennsylvania Public Utility Commission voted to finalize the restructuring plans for both of these utilities. The Commission's final approval allows Duquesne to collect \$1.331 billion in stranded costs over seven years starting in January 1999. Please find under cover of this letter the press releases summarizing the Commission's decisions. Also, please note that I have taken the liberty of forwarding your letter to the Secretary of the Commission for inclusion into the official file of this proceeding.

Thank you again for the benefit of your thinking on these important issues.

Sincerely,


Rosemary Chiavetta, Esq.
Director of Legislative Affairs

Enclosures

cc: The Hon. Tom Ridge
Chairman John Quain
Secretary James McNulty /

55046
RECEIVED
SECRETARY'S BUREAU
98 JUN 29 PM 12:47



Presbyterian SeniorCare

A Regional
Network of
Living & Care
Options

May 19, 1998

The Honorable Tom Ridge
Governor of Pennsylvania
225 Main Capitol
Harrisburg, PA 17120

R-00974104

Dear Governor Ridge:

RE: Duquesne Light Company

We understand that an administrative law judge at the Public Utility Commission ("PUC") recently recommended a partial disallowance of Duquesne Light Company's ("Duquesne" or the "Company") claim that is \$1.9 billion in so-called "stranded costs," but nonetheless recommended that Duquesne be permitted to collect from its customers an unspecified amount (which could exceed \$1 billion) of that claim. Duquesne's "stranded cost" claim arises under legislation enacted in 1996, which gives utilities the opportunity to seek "stranded costs" from ratepayers if the utility would be harmed by competition. The judge's recommended decision now is being reviewed by the full PUC in Docket No. R-00974104. We are very concerned about this decision. We ask that you, as our representative, undertake appropriate actions to help ensure that Duquesne is not provided an unwarranted windfall at our expense.

Consider that:

- If Duquesne is permitted it collect \$1 billion as claimed stranded costs, that means that the average consumer would pay the equivalent of another year of their current electric bill, in addition to whatever other costs (e.g., generation of power, transmission and distribution of that power to the consumer) they would pay for unbundled electric service;
- In contrast to Duquesne's claim that it has significant stranded costs, its internal studies, as well as studies by its consultants and merger advisor, concluded that Duquesne could sell its generation plants at profits of more than \$700 million;

1215 Hulton Road
Oakmont, PA 15139-1196
(412) 828-5600
FAX (412) 826-6074
TDD (412) 826-6135



- Duquesne's and its consultants' conclusions are corroborated by recent sales of generation plants around the country at premiums over the facilities' depreciated costs, including Duquesne's own sale in 1995 of a power generating facility for 450% of its depreciated book value.

As you are aware, the healthcare industry is one of the most important sources of economic development for the Pittsburgh economy. Our organization employs 450 people, and has a budget of \$15 million. Because Medicaid and Medicare reimbursements have declined, institutions like ours face a series of stark choices in the critical drive to cut expenses. We can (1) reduce the costs of supplies, (2) fire employees, or (3) delay improvements to healthcare service to patients. If we must help fund Duquesne's claims for stranded costs, we will have to take steps to reduce our costs in other ways.

We are requesting that you act to represent the interests of healthcare institutions and their employees throughout your district. We may call you in the coming weeks to discuss what you have been able to do regarding this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Winkler". The signature is written in a cursive, flowing style.

Paul Winkler
Senior Vice President and C.O.O



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

IN REPLY PLEASE
REFER TO OUR FILE

June 26, 1998

Ms. Sandra S. O'Toole, FACHCA, RHP, CALA
Administrator
LGAR Health and Rehabilitation Center
800 Elsie Street
Turtle Creek, PA 15145

R-00974104

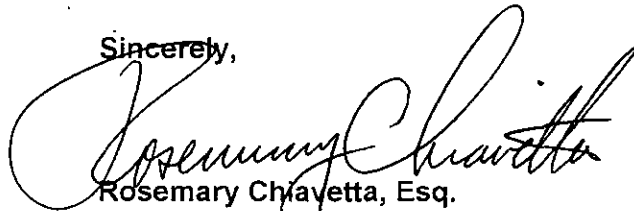
Dear Ms. O'Toole:

Thank you for your recent letter to Governor Tom Ridge regarding the restructuring filings made by the Duquesne Light Company and the West Penn Power Company which is a part of the Allegheny Power System.

Please know that on May 21, 1998, the Pennsylvania Public Utility Commission voted to finalize the restructuring plans for both of these utilities. The Commission's final approval allows Duquesne to collect \$1.331 billion in stranded costs over seven years starting in January 1999. Please find under cover of this letter the press releases summarizing the Commission's decisions. Also, please note that I have taken the liberty of forwarding your letter to the Secretary of the Commission for inclusion into the official file of this proceeding.

Thank you again for the benefit of your thinking on these important issues.

Sincerely,


Rosemary Chavetta, Esq.
Director of Legislative Affairs

Enclosures

cc: The Hon. Tom Ridge
Chairman John Quain
Secretary James McNulty ✓

RECEIVED
SECRETARY'S BUREAU

98 JUN 29 PM 12:47

155075



MAY 20, 1998

THE HONORABLE TOM RIDGE
GOVERNOR OF PENNSYLVANIA
225 MAIN CAPITOL
HARRISBURG, PA 17120

RE: DUQUESNE LIGHT COMPANY

DEAR GOVERNOR RIDGE:

I UNDERSTAND THAT AN ADMINISTRATIVE LAW JUDGE AT THE PUBLIC UTILITY COMMISSION ("PUC") RECENTLY RECOMMENDED A PARTIAL DISALLOWANCE OF DUQUESNE LIGHT COMPANY'S ("DUQUESNE" OR THE "COMPANY") CLAIM THAT IT HAS \$1.9 BILLION IN SO-CALLED "STRANDED COSTS," BUT NONETHELESS RECOMMENDED THAT DUQUESNE BE PERMITTED TO COLLECT FROM ITS CUSTOMERS AN UNSPECIFIED AMOUNT (WHICH COULD EXCEED \$1 BILLION) OF THAT CLAIM. DUQUESNE'S "STRANDED COST" CLAIM ARISES UNDER LEGISLATION ENACTED IN 1996, WHICH GIVES UTILITIES THE OPPORTUNITY TO SEEK "STRANDED COSTS" FROM RATEPAYERS IF THE UTILITY WOULD BE HARMED BY COMPETITION. THE JUDGE'S RECOMMENDED DECISION NOW IS BEING REVIEWED BY THE FULL PUC IN DOCKET IN NO. ^{R5}00974101. I AM VERY CONCERNED ABOUT THIS DECISION. I ASK THAT YOU, AS OUR REPRESENTATIVE, UNDERTAKE APPROPRIATE ACTIONS TO HELP ENSURE THAT DUQUESNE IS NOT PROVIDED AN UNWARRANTED WINDFALL AT EVERYONE'S EXPENSE.

CONSIDER THAT:

- IF DUQUESNE IS PERMITTED TO COLLECT \$1 BILLION AS CLAIMED STRANDED COSTS, THAT MEANS THAT THE AVERAGE CONSUMER WOULD PAY THE EQUIVALENT OF ANOTHER YEAR OF THEIR CURRENT ELECTRIC BILL, IN ADDITION TO WHATEVER OTHER COSTS (E.G., GENERATION OF POWER, TRANSMISSION AND DISTRIBUTION OF THAT POWER TO THE CONSUMER) THEY WOULD PAY FOR UNBUNDLED ELECTRIC SERVICE;
- IN CONTRAST TO DUQUESNE'S CLAIM THAT IT HAS SIGNIFICANT STRANDED COSTS, ITS INTERNAL STUDIES, AS WELL AS STUDIES BY ITS CONSULTANTS AND MERGER ADVISOR, CONCLUDED THAT DUQUESNE COULD SELL ITS GENERATION PLANTS AT PROFITS OF MORE THAN \$700 MILLION;

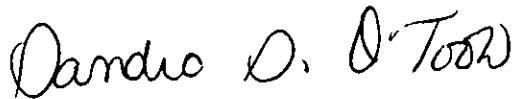
THE HONORABLE TOM RIDGE
GOVERNOR OF PENNSYLVANIA
PAGE 2

- DUQUESNE'S AND ITS CONSULTANT'S CONCLUSIONS ARE CORROBORATED BY RECENT SALES OF GENERATION PLANTS AROUND THE COUNTRY AT PREMIUMS OVER THE FACILITIES' DEPRECIATED COSTS, INCLUDING DUQUESNE'S OWN SALE IN 1995 OF A POWER GENERATING FACILITY FOR 450% OF ITS DEPRECIATED BOOK VALUE.

AS YOU ARE AWARE, THE HEALTHCARE INDUSTRY IS ONE OF THE MOST IMPORTANT SOURCES OF ECONOMIC DEVELOPMENT FOR THE PITTSBURGH ECONOMY. THE LGAR HEALTH AND REHABILITATION CENTER EMPLOYS 86 PEOPLE AND HAS A BUDGET OF \$4.5 MILLION. BECAUSE MEDICAID AND MEDICARE REIMBURSEMENTS HAVE DECLINED, INSTITUTIONS LIKE OURS FACE A SERIES OF STARK CHOICES IN THE CRITICAL DRIVE TO CUT EXPENSES. WE CAN ① REDUCE THE COST OF SUPPLIES; ② FIRE EMPLOYEES; OR ③ DELAY IMPROVEMENTS TO HEALTHCARE SERVICES TO RESIDENTS. IF WE MUST HELP FUND DUQUESNE'S CLAIMS FOR STRANDED COSTS, WE WILL HAVE TO TAKE STEPS TO REDUCE OUR COSTS IN OTHER WAYS.

I AM REQUESTING THAT YOU ACT TO REPRESENT THE INTERESTS OF HEALTHCARE INSTITUTIONS AND THEIR EMPLOYEES THROUGHOUT YOUR DISTRICT. PLEASE FEEL FREE TO CALL OR DROP ME A NOTE IN THE COMING WEEKS TO DISCUSS WHAT YOU HAVE BEEN ABLE TO DO REGARDING THIS ISSUE.

SINCERELY,



SANDRA S. O'TOOLE, FACHCA, RHP, CALA
ADMINISTRATOR

ORIGINAL

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

TEL: (202) 371-7000
FAX: (202) 393-5760

FIRM/AFFILIATE OFFICES

- BOSTON
- CHICAGO
- HOUSTON
- LOS ANGELES
- NEWARK
- NEW YORK
- SAN FRANCISCO
- WILMINGTON
- BEIJING
- BRUSSELS
- FRANKFURT
- HONG KONG
- LONDON
- MOSCOW
- PARIS
- SINGAPORE
- SYDNEY
- TOKYO
- TORONTO

DIRECT DIAL
371-7310

July 6, 1998

VIA FACSIMILE AND OVERNIGHT MAIL

James J. McNulty
Office of the Prothonotary
Pennsylvania Public Utility Commission
North Office Building
North St. & Commonwealth Ave.
Harrisburg, PA 17105-3265

RECEIVED

Re: Duquesne Light Company
Docket No. R-00974104

JUL 6 1998

Dear Mr. McNulty:

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Enclosed is an original and three copies of the Reply Comments of Duquesne Light Company Regarding Compliance Filing. I also have enclosed two additional copies and request that your office time-stamp them and return them in the enclosed self-addressed, stamped envelope.

Thank you for your assistance in this matter.

Sincerely,



John S. Moot
Counsel to
Duquesne Light Company

Enclosure

cc: All Parties (via first-class mail)
Office of Special Assistants (via facsimile)

DOCUMENT
FOLDER

ORIGINAL

RECEIVED

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JUL 6 1998

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

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

Docket No. R-00974104

**REPLY COMMENTS OF DUQUESNE LIGHT COMPANY
REGARDING COMPLIANCE FILING**

Duquesne Light Company ("Duquesne") hereby requests leave to submit limited reply comments to the comments of the intervenors on the compliance filings. These reply comments address requests for clarification or matters raised for the first time in the intervenors' comments. By so limiting these reply comments, Duquesne is not acceding to other comments not specifically addressed herein. The issues addressed in these reply comments are organized in the same manner as the issues appear in the Final Order.

I. TRANSMISSION AND DISTRIBUTION RATES - UNBUNDLING ISSUES

DII contends that Duquesne has "overstated" its distribution rates by calculating the unbundled distribution rates as the "residual" after deducting FERC-approved charges from the total T&D revenue requirement approved by the Commis-

DOCKETED
JUL 09 1998

**DOCUMENT
FOLDER**

sion. DII Comments at 3. DII argues that any reductions in the FERC-jurisdictional revenue requirement for transmission and ancillary services should be flowed through to reduce the total T&D revenue requirement. Id.

Duquesne disagrees. The Final Order approves a total T&D revenue requirement that was not developed from the "ground up," with an approved cost of service, based on required returns, for each component thereof. Final Order at 40-41. By contrast, the Commission made clear that the approved T&D revenue requirement simply represents the unbundling of current rates. Id. It is inconsistent with this finding for DII now to argue that one component thereof (transmission and ancillary services) must be determined from the "ground up." In the alternative, to the extent the total T&D revenue requirement is reduced, a corresponding increase to the CTC is appropriate, given that most of the costs at issue relate to ancillary services. These costs were reclassified by FERC to the competitive generation supply function and thus can only be recovered through an appropriate adjustment to the CTC. See Final Order at 43 (removal of distribution losses from T&D rate accompanied by appropriate adjustment to stranded costs).¹

¹ OCA requests clarification that the changes in sales volumes do not affect rate design. OCA at 5. The changes, which relate to correcting the omission of pilot customers from the 1996 T&D sales volumes, will slightly, but not significantly, affect T&D class rates.

II. TRANSITION OR STRANDED COSTS

DII contends that Duquesne should not recover the deferred taxes associated with the approved level of generation-related stranded costs. DII at 23-26. DII argues that Duquesne cannot recover deferred taxes because "the parties never litigated this issue." DII at 24. This claim is preposterous. The stranded cost claims of every major party included a proposed treatment of deferred taxes. For example, Duquesne and the OCA have quantified total stranded costs on a "net of tax" basis. DLC Ex. DJC-10. This approach provides for a return on and of the net of tax stranded cost balance, with a return of (but not on) the deferred tax balance. DLC St. 2-R at 44-45; DLC Pet. for Recons. at 6.

By contrast, DII's approach to deferred tax recovery is an unexplainable hodgepodge of concepts. DII first recommended allowing recovery of the "gross" amount (i.e., including deferred taxes) of regulatory assets, but only the "net" amount of generation-related stranded costs. See DII St. 3 at 6; DLC Ex. DJC-10. Nowhere did DII explain the basis for this differential treatment. When Duquesne opposed the apparent failure to permit recovery of the generation-related deferred taxes (DLC St. 2-R at 44-45), DII responded that it had, in fact, accounted for the recovery of the deferred taxes in its "margin" analysis. DII St. 3-S at 4-5.

DII's explanation of its approach to deferred taxes, in our view, is incomprehensible and unverifiable. The relevant point, however, is that the Presid-

ing Judge² and Commission rejected DII's margin analysis and, hence, rejected its proposed treatment of deferred taxes. By contrast, the Commission accepted the proposals of OCA and Duquesne on generation-related stranded cost issues and, pertinent here, the OCA does not object to the treatment of deferred taxes contained in the compliance filing. Duquesne's proposal therefore should be approved.³

III. TARIFF ISSUES

DII contends that Duquesne is proposing to "force" Rule 4 and Tariff Rider 8 and 20 customers to "return to a firm rate schedule" in order to access the competitive market. DII Comments at 8. Duquesne's compliance filing provides, for

² The Presiding Judge also held that deferred taxes, in particular, should be addressed in the compliance filing. R.D. at 557.

³ DII also contends that "PECO was not permitted to gross-up its stranded costs for deferred taxes" and that Duquesne will recover "the same stranded costs twice" if it recovers a deferred tax liability and a SFAS 109 deferred tax regulatory asset. DII at 23, 25. DII knows, or should know, that these statements are patently false. DII's own witness here (Mr. Kollen) testified in the PECO case that there is a difference between a utility's "deferred income tax liability" balance and its SFAS 109 regulatory asset. Kollen Direct Testimony at 11, Docket No. R-00973953. Mr. Kollen did not dispute recovery of the former, but rather contended that PECO's quantification of the latter (the SFAS 109 asset) was incorrect. Id. at 13. The Commission approved recovery by PECO of its deferred tax liability based on the difference between PECO's net book value (which, in PECO's case, included deferred taxes) and the market value of generation (which included only the portion of deferred taxes recoverable in market revenues). Here, a similar netting of total deferred taxes against those recoverable through market revenues was performed. DLC Ex. DJC-10. The resulting "above market" deferred tax liability balance is then amortized in the CTC (without a return "on" that balance).

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. This does not "force" the customer to do anything. Rather, 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.⁴

IV. COMPETITIVE SAFEGUARDS

Several commenters object to certain aspects of Duquesne's Supplier Tariff. Because these matters were not addressed during the restructuring proceeding, Duquesne will provide a more detailed response to these comments.

A. Proposed Charges

Several parties contend that no charges at all can be included in the Supplier Tariff, arguing that such charges were "rejected" by the Presiding Judge or the Commission. This is not accurate. First, it was not appropriate or timely for Duquesne to submit any such charges during the hearing in this case. The Presiding Judge made very clear that the purpose of the hearing was not to address generic

⁴ Duquesne objects to DII's proposal that it adopt language "similar" to that incorporated in PECO's Economic Efficiency Rider. DII at 18. Duquesne does not have such a rider (nor a Rate HT) and thus no such modifications are appropriate.

issues, such as supplier tariffs. Fifth Prehearing Order at 3 (Dec. 9, 1997); Recommended Decision at 632. Second, the Presiding Judge did not prohibit the filing of any such charges in the compliance filing; rather, he held that fees, such as switching fees, could be proposed if "Duquesne can substantiate the cost-basis for this charge." R.D. at 740. These findings were upheld by the Commission. Final Order at 253, 285 & 289 (charges permitted "upon documentation of incremental cost"). Accordingly, there is no merit to the suggestion that it is "too late" to propose such charges now. The only issue is their cost support, a matter on which no party mounts a serious challenge. The charges therefore should be approved.

B. Scheduling Issues

Rule 6.4.2 of the Duquesne Supplier Tariff permits an EGS to adjust its forecast and supply on a day-ahead basis, as approved in the PECO Supplier Tariff. PECO Supplier Tariff Order, Docket No. R-00984298, Rule 6.3.2 (May 21, 1998). However, SEL proposes hour-ahead scheduling,⁵ which exceeds the protocols adopted by the Commission in PECO, and accordingly should be rejected.

⁵SEL further comments that Duquesne "intends to mandate that EGSs take load forecasting and pre-scheduling services." SEL Comments at p. I. This is incorrect. Rule 6.1 clearly states that either the EGS is responsible or the EGS may elect the Company to supply these services.

C. Meters

The Commission has determined that Duquesne, as the EDC, shall be responsible for installing meters. Final Order at 273. SEL's proposal that an EGS should be able to install hourly metering equipment contradicts the Commission's Order and should be rejected. SEL Comments at ¶ B.

D. Scheduling Coordinators

SEL recommends that, when an EGS elects to use a Scheduling Coordinator, the Company should separately maintain and bill preschedules and energy imbalance amounts for the individual EGS. SEL Comments at ¶ E. SEL apparently does not understand the purpose of Rule 9.1 which is to relieve the EGS of its responsibilities to coordinate with the Control Area Operator. Rule 9.1 authorizes, and in fact requires, the Scheduling Coordinator to act on behalf of an EGS. Therefore, SEL's proposal defeats the purpose of using a Scheduling Coordinator, which is to execute a task.

E. Consumption Energy Imbalance

As adopted by the Commission in the PECO Supplier Tariff, Duquesne's energy imbalance proposal complies with the FERC OATT energy imbalance protocol. SEL's objections are beyond what the Commission adopted and should be rejected. See PECO Supplier Tariff Order, Docket No. R-00984298.

F. Default PLR Service

As suggested by OCA, Duquesne will revise Rule 5.3.5, as follows, to clarify how a Customer will obtain Default PLR service when no EGS agrees to provide service to the Customer.

5.3.5 If a Customer contacts the Company to request a change of EGS to the Company's tariffed Energy and Capacity Charges for Default Provider-of-Last-Resort (PLR) Service under the EDC Tariff, the Company will process the request as follows. The Company will send the Customer a confirmation letter notifying the Customer of the right to rescind. If the Customer does not contact the Company within 10 days of the date on the confirmation letter, then the Company will process the request. The request will be effective as of the next scheduled Meter Read Date and the Company as the Provider-of-Last Resort will become the supplier of record for delivery provided that: (1) the Company has received at least 15 days prior notice from the Customer; and (2) the 10-day waiting period has expired; and (3) the Customer has not contacted the Company to rescind or dispute the switch to Default PLR Service. Once the preceding process is complete, the Company will notify the Customer's prior EGS, via Electronic Exchange, of the discontinuance of service to the Customer from that prior EGS. The preceding process will not apply when an EGS discontinues a Customer's service, no other EGS has agreed to provide such service and that Customer is subsequently provided by Default PLR Service.

G. Rule 5.3.6 - Customer Move

As suggested by OCA, Duquesne will revise its proposed Rule 5.3.6, as follows, to clarify the purpose of this Rule when a Customer moves within Duquesne's service territory:

5.3.6 (a) If a Customer contacts the Company to discontinue electric service at the Customer's then current location, and initiates a request for service at a new location in the Company's service territory, the Company will notify the current EGS, via Electronic Exchange, of the Customer's

discontinuance of service for the account at the Customer's prior location. Final bill(s) will be issued to the date of discontinuance of service. The Company will also notify, via Electronic Exchange, the Customer's selected EGS for its new location, which may or may not be the current EGS, of the basic information described in Rule 4.14(a). If the selected EGS is not the same EGS that served the Customer at the prior location, the Company will provide the EGS that served the Customer at the old location with the Customer's new mailing address or forwarding address. This process shall be updated as necessary pursuant to the EDEWG.

H. Code of Conduct

Duquesne agrees with comments concerning the alternative dispute resolution procedures and proposes to replace Rule 9 of the Company's Proposed Interim Code of Conduct with the following:

9. Dispute Resolution Procedures

Regarding any dispute between Duquesne EDC, and/or a Duquesne Supplier, and an EGS (each individually referred to as "Party" and collectively referred to as "Parties") alleging a violation of any of these Code of Conduct provisions, the EGS must provide Duquesne EDC and/or Duquesne Supplier, as applicable, a written Notice of Dispute that includes the names of the Parties and customer(s), if any, involved and a brief description of the matters in dispute.

Within five (5) days of Duquesne EDC's and/or Duquesne Supplier's receipt of a Notice of Dispute, a designated senior representative of each of the Parties shall attempt to resolve the dispute on an informal basis.

In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of said referral, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judges. A party may request mediation prior to that time if it appears that informal resolution is not productive.

If mediation is not successful, then the matter shall be converted to a formal proceeding before a Commission Administrative Law Judge. Any Party may file a complaint concerning the dispute with the Commission under relevant provisions of the Public Utility Code.

V. UNIVERSAL SERVICE

Several parties commented on Duquesne's restructuring compliance filing on universal service, noting that Duquesne had added several new CAP programs to reach customers with payment difficulty. *See, e.g.*, OCA at 9-10. Consistent with the Commission's directive to increase CAP and LIURP program funding levels, Duquesne's restructuring compliance filing included program changes designed to increase the number of customers eligible to participate in the programs. As it has in the past, the Bureau of Consumer Services, on behalf of the Commission, will review these changes, and monitor the Company's performance. Although several parties request the formation of an advisory board to review and provide advice to Duquesne on its program, OCA at 11, CAAP at 4, 7-8, Duquesne has already committed to forming such a group. Duquesne's Supplemental Response to OCA Interrog. Set V, # 3 at 21-22 ("[w]e will establish an advisory panel . . . to advise us on the scope, design, and administration of our universal service programs"). Duquesne has taken steps to activate this panel.

In response to Duquesne's compliance filing, CAAP proposes that the Commission impose a new obligation on Duquesne to submit a program to encour-

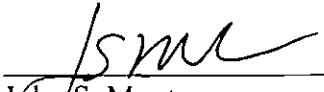
age the use of community-based organizations ("CBOs") in the delivery of its universal service and conservation programs. CAAP at 8-9. As CAAP recognizes, Duquesne acknowledged in its compliance filing (at 3) that it will continue to make appropriate use of CBOs in the delivery of universal service as required by the Act; Duquesne has used CBOs in its universal service-related programs since 1988. No new submission to the Commission is necessary, as Duquesne will issue a request for proposals in late summer or early fall inviting interested parties to bid to provide universal service and energy conservation services to Duquesne's customers.

Finally, OCA objects to Duquesne's suggestion that customers who are unable to pay and refuse an offer of enrollment in a universal service program in favor of filing a complaint with the PUC should not be referred back to Duquesne for universal service enrollment. Duquesne explained in its compliance filing (at 9) that such a policy would reduce costs by preventing unnecessary collection activities. Although OCA is concerned that this policy will inhibit customers from seeking relief from the Commission for law violations, Duquesne clarifies that this is not the intention or effect of such a policy. Rather, customers who are unable to pay and have a complaint regarding Duquesne's service may both enroll in a universal service program and file a complaint with Commission. Contrary to OCA's suggestion, no customer will "have affordable service jeopardized by exercising a right provided to them under law." OCA at 10.

WHEREFORE, Duquesne's compliance filing, as clarified in these
reply comments, should be accepted.

Respectfully submitted,

Larry R. Crayne
Assistant General Counsel
Richard S. Herskovitz
Corporate Attorney
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219
(412) 393-6049



John S. Moot
Victor Contract
Skadden, Arps, Slate,
Meagher & Flom LLP
1440 New York Ave., N.W.
Washington, D.C. 20005-2111
(202) 371-7310

Dated: July 6, 1998


BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

CERTIFICATE OF SERVICE

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

Dated this 6th day of July, 1998.



John S. Moot
Skadden, Arps, Slate,
Meagher & Flom LLP
1440 New York Ave., N.W.
Washington, D.C. 20005
(202) 371-7310

Counsel to
Duquesne Light Company

Kenneth Zielonis
(Pa. Retailers Assn.)
Stevens & Lee
208 North Third St., Ste. 310
P. O. Box 12090
Harrisburg, PA 17108-2090

Brian A. Rider
President
Pennsylvania Retailers' Assn.
224 Pine Street
Harrisburg, PA 17101-1325

James P. Dougherty
David M. Kleppinger
Robert A. Weishaar
Pamela C. Polacek
McNees, Wallace & Nurick
100 Pine Street
P. O. Box 1166
Harrisburg, PA 17108

Kandace F. Melillo
Wayne T. Scott
PA Public Utility Commission
Office of Trial Staff
901 N. 7th Street, Rear
Third Floor, Pitnick Bldg.
Harrisburg, PA 17105-3265

Jacqueline R. Morrow
Rodney R. Akers
Assistant City Solicitor
City of Pittsburgh
313 City County Building
414 Grant Street
Pittsburgh, PA 15219

Stephen J. Baron
J. Kennedy & Associates, Inc.
Suite 475
35 Glenlake Parkway
Atlanta, GA 30328

Angela T. Jones
Office of Small Business Advocate
Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Howard M. Louik
Allegheny County Law Dept.
300 Fort Pitt Commons
445 Fort Pitt Blvd.
Pittsburgh, PA 15219

Marisa A. Sifontes
Irwin A. Popowsky
Steven K. Steinmetz
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Wanda Schiller
Steven Baicker-McKee
Babst, Calland, Clements & Zomnir PC
8th Floor, Two Gateway Center
Pittsburgh, PA 15222

Kenneth L. Wiseman
Robert M. Lamkin
Andrews & Kurth, LLP
1701 Pennsylvania Ave., N.W.
Washington, D.C. 20006

Mark F. Sundback
Robert M. Lamkin
Andrews & Kurth, LLP
1701 Pennsylvania Ave., N.W.
Washington, D.C. 20006

Matthew Kahal
Exeter Associates, Inc.
Suite 350
12510 Prosperity Drive
Silver Spring, MD 20904

David F. Boehm
Michael I. Kurtz
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Terrance J. Fitzpatrick
David M. DeSalle
Ryan, Russell, Ogden & Seltzer, LLP
Suite 101
800 North Third Street
Harrisburg, PA 17102-2025

Robert B. Weisenmiller
MRW & Associates, Inc.
Suite 1440
1999 Harrison Street
Oakland, CA 94612-3517

Michael Reid, Director
Materials Management Services
Administrative Resources, Inc.
500 Commonwealth Drive
Warrendale, PA 15086-7513

Robert J. Stefanko
341 South Bellefield Avenue
Pittsburgh, PA 15213

Margaret Peters
The Peoples Natural Gas Co.
625 Liberty Avenue
Pittsburgh, PA 15222-3197

John Stember
Low Income Advocate Parties
1705 Allegheny Building
429 Forbes Avenue
Pittsburgh, PA 15219

Stephen L. Feld
[for Pa. Power Co.]
FirstEnergy Corp.
76 South Main Street
Akron, OH 44308

Donald R. Ayersman, Jr.
1125 Denver Avenue
Morgantown, WV 26505

Mark J. McGuire
Ronald N. Carroll
Jenner & Block
Suite 1200
601 13th Street, N.W.
Washington, D.C. 20005

Tim Merrill
Suite 200
4 Penn Center West
Pittsburgh, PA 15276

Kevin J. McKeon
Malatesta, Hawke & McKeon, LLP
100 N. Tenth Street
P. O. Box 1778
Harrisburg, PA 17101

Thomas P. Gadsden
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

David Hughes
4037 Ludwick Street
Pittsburgh, PA 15217

Thomas J. Augspurger
Midcon Corporation
Office of General Counsel
701 East 22nd Street
Lombard, IL 60148

William T. Hawke
Janet L. Miller
Todd S. Stewart
Malatesta, Hawke & McKeon, LLP
100 N. Tenth Street
P. O. Box 1778
Harrisburg, PA 17101

Joseph A. Dworetzky
Luke E. Dembosky
John P. Lavelle, Jr.
Hangley, Aronchick, Segal & Pudlin
One Logan Square, 12th Floor
Philadelphia, PA 19103

Roger E. Clark
The Environmentalists
905 Denston Drive
Andler, PA 19002-3901

Attorney of Record
Environmental Energy Project
3700 Vartan Way
Harrisburg, PA 17110

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870-9357

Patricia Armstrong
Thomas, Thomas, Armstrong & Niesen
212 Locust Street, Suite 500
P. O. Box 9500
Harrisburg, PA 17106-9500

Paul E. Russell
Pennsylvania Power & Light Co.
2 North 9th Street
Allentown, PA 18101

David M. Boonin
New Energy Ventures East, LLC
1845 Walnut Street
Ste. 2525
Philadelphia, PA 19103

John O'Brien
Wheeled Electric Power Co.
Suite 207
50 Charles Lindburgh Blvd.
Uniondale, NY 11553

Daniel Clearfield
Gerald Gornish
Alan Kohler
Robert J. Longwell
Wolf, Block, Schorr &
Solis-Cohen, LLP
212 Locust St., Suite 300
Harrisburg, PA 17101

James D. Steffes
Enron Power Marketing, Inc.
1400 Smith Street
P. O. Box 4428
Houston, TX 77002

Brian Kalcic
Excel Consulting
Suite 720-T
225 S. Meramec Avenue
St. Louis, MO 63105

Albert M. Benincasa
Director, Regulatory Affairs
Skipping Stone
46 9th Avenue
Sea Cliff, NY 11579

Douglas F. John
Gordon J. Smith
John & Hengerer
1200 17th Street, N.W.
Suite 600
Washington, D.C. 20036

Larry R. Crayne
Richard S. Herskovitz
Duquesne Light Company
411 Seventh Avenue, 15th Floor
Pittsburgh, PA 15219

Vickiren S. Aeschleman
Director, Regulatory Policy
QST Energy, Inc.
300 Hamilton Blvd., Suite 300
Peoria, IL 61602

Mary Ann Ralls
Duane, Morris & Heckscher LLP
1667 K Street, N.W., Suite 700
Washington, D.C. 20006

Mary McFall Hopper
PECO Energy Company
2301 Market Street
P. O. Box 8699
Philadelphia, PA 19101

Craig R. Kuennen, Ph.D.
904 Melaleuca Avenue, #N
Carlsbad, CA 92009

John Wilson
Executive Director
Community Action Association
of Pennsylvania
222 Pine Street
Harrisburg, PA 17101

Samuel W. Braver
Bruce A. Americus
Buchanan Ingersoll, P.C.
One Oxford Centre, 20th Floor
301 Grant Street
Pittsburgh, PA 15219-1410

Donald A. Kaplan
Lisa M. Helpert
Preston, Gates, Ellis & Rouvelas
Meeds LLP
1735 New York Ave., N.W., Ste. 500
Washington, D.C. 20006-4759

Gary A. Jeffries
CNG Energy Services Corporation
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

Keith M. Sappenfield, II
Director of Marketing Support
NorAm Energy Management, Inc.
P. O. Box 2628
Houston, TX 77252-2628

John R. Orr
Duke Energy Trading & Marketing LLC
One Westchester Center
10777 Westheimer, Suite 650
Houston, TX 77042

David Cruthirds
Electric Clearinghouse, Inc.
100 Louisiana, Suite 5800
Houston, TX 77002-5050

Lawrence E. Moncrief
1364 Silverton Avenue
Pittsburgh, PA 15206

Douglas C. Smith
La Capra Associates
333 Washington Street
Boston, MA 02108