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January 26, 1999

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James J. McNulty
Secretary
Office of the Prothonotary
Pennsylvania Public Utility Commission
North Office Building
Harrisburg, Pa. 17105-3265

JAN 26 1999

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

Dear Secretary McNulty:

Pursuant to Ordering Paragraph No. 6 of the Commission's December 18, 1998 Opinion and Order concerning Duquesne Light Company's Generation Auction Plan, Duquesne hereby submits this status report regarding the potential auction of the Provider of Last Resort Service ("POLR Auction"). The Opinion and Order contemplated Duquesne holding collaborative discussions with interested parties regarding the POLR Auction. Duquesne has developed the attached Outline of POLR Auction in an effort to facilitate a technical conference with the parties concerning such a POLR Auction. Duquesne recognizes that the Commission anticipated that such a conference would be held in January, but, in our view, such a conference would have been premature in the absence of a more developed outline of the POLR Auction.


Duquesne plans to contact the active parties regarding their availability for such a technical conference during the week of February 8-12. Once a date

James J. McNulty
January 26, 1999
Page 2

and place for this technical conference is determined, Duquesne will provide notice to all parties in this case.

Thank you for your consideration of these additional materials.

Respectfully submitted,


John S. Moot

Enclosure

cc: All persons on official service list

**DUQUESNE LIGHT COMPANY
OUTLINE OF POLR AUCTION**

The following is an outline of the principal elements of Duquesne's planned auction of the Provider of Last Resort Service ("POLR Auction"). The outline is provided to interested parties in the Duquesne restructuring proceeding (No. R-00974104) to facilitate collaborative discussions regarding this auction.

I. BENEFITS OF DLC POLR AUCTION

A. Stranded Cost Mitigation

The net proceeds from the POLR Auction will be used to reduce *stranded costs for all Duquesne retail customers (shopping and non-shopping)* and shorten the transition period.

B. Facilitate Retail Competition

The POLR Auction will ensure that 100% of Duquesne's customers will be served by a generation supplier other than Duquesne, thereby providing the most expeditious transition to full retail competition in Pennsylvania.

C. Ease of Administration

The POLR Auction will be a single auction for the entire transition period and therefore will not require annual solicitations requiring annual review and approval by the Commission.

No Cost Shifting

The POLR Auction will ensure that all non-shopping customers served under the same rate schedule will be treated the same. Other "competitive default service" proposals contemplate charging similarly situated customers differently depending on the supplier to whom they are assigned.

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E. Fair Treatment of Duquesne

The POLR Auction will ensure that, following the divestiture, Duquesne is not required to supply power at capped rates without sufficient generation to meet customer demands.

II. POLR AUCTION PROCESS

A. Commencement of Auction

Duquesne will commence the POLR Auction at the same time it commences the auction of all its generating facilities ("Generation Auction").

B. Relationship to Generation Auction

Bidders in the Generation Auction will be permitted, but not required, to bid in the POLR Auction. Some bidders in the Generation Auction may view the POLR service as a valuable hedge against uncertainty in generation markets, particularly given the formative state of wholesale trading and retail access markets in the ECAR region.

C. Modifications to POLR Auction

To the extent that market information received from bidders in the first round of bidding indicates a need to modify the POLR Auction, Duquesne reserves the right to make the appropriate modifications at that time. Duquesne will apprise the Commission and interested parties of material modifications to the POLR Auction.

D. POLR Auction Procedures

Duquesne will administer the POLR Auction using, as applicable, the same protocols approved by the Commission for the Generation Auction (*e.g.*, a two-phase, sealed bid procedure). Bidder qualifications will include creditworthiness criteria and a requirement that the bidder own substantial generating assets in the region or have a substantial power marketing and trading operation in the region.

E. Information Supplied to Bidders

The information memorandum submitted to bidders will include the data necessary for bidders to evaluate the attractiveness of the POLR service, including rate and load profile data for each rate class.

F. Purchase Price; Form of Payment

Duquesne expects to require a lump-sum, cash payment from the winning bidder in the POLR Auction. The after-tax proceeds, net of transaction costs, will be used to reduce stranded costs and shorten the transition period, consistent with the accounting protocols applicable to the Generation Auction.

III. KEY TERMS OF POLR CONTRACT

A. Effective Date; Term

The winning bidder ("POLR Supplier") will commence service under its contract with Duquesne ("POLR Contract") on the closing date for the sale of Duquesne's generating assets. The requirement to supply energy under the POLR Contract will terminate, as to each rate class, when the CTC costs allocated to such class pursuant to Duquesne's restructuring orders had been fully collected.

B. Delivery Obligation

The POLR Supplier will provide "full requirements" service to all non-shopping and returning customers of Duquesne (*i.e.*, the POLR Supplier will supply an amount of power in each hour of the transition period that exactly matches Duquesne's non-shopping customer demands in that hour).

C. Losses

The POLR Supplier will provide transmission and distribution losses for the loads it supplies. This is the same requirement imposed on each Electric Generation Supplier ("EGS").

D. Ancillary Services

The POLR Supplier will provide the ancillary services of Regulation and Frequency Response, Operating Reserve–Spinning Reserve, and Operating Reserve–Supplemental Reserve for the load it supplies. Duquesne also may explore the feasibility of having the POLR Supplier provide these ancillary services for the entire Duquesne control area load.

Duquesne will provide the ancillary services of Scheduling, System Control and Dispatch, Reactive Supply and Voltage Control from Generation Sources, and Energy Imbalance for its control area from its own resources or by means of contractual arrangements with others.

Duquesne also may explore the feasibility of having another market participant provide all ancillary services for the Duquesne control area.

E. Scheduling and Balancing

The POLR Supplier will be subject to the same scheduling and balancing procedures contained in Duquesne's Electric Generation Supplier Coordination Tariff and the Energy Imbalance fees contained in Duquesne's Open Access Transmission Tariff. Duquesne will provide forecasts of POLR load in accordance with the procedures contained in the Supplier Tariff.

F. Payment and Billing

Duquesne will pay to the POLR Supplier the Commission-approved shopping credits for each rate schedule based on the actual energy consumption and demands of the POLR customers on such rate

schedule (net of any imbalance or other Duquesne charges). The POLR Supplier will not be subject to the risk of customer payment default; rather, Duquesne will continue to be responsible for customer collections and will pay the POLR Supplier irrespective of the level of such collections.

G. Display on Customer Bills

The POLR Supplier can display its name as "POLR contractor to Duquesne" in the supply portion of the retail customer bill to enable the POLR Supplier to build brand name recognition during the transition period.

IV. PROCEDURES IN THE EVENT OF A DEFAULT

A. Remedies Against POLR Supplier

The POLR Contract will include remedies for default by the POLR Supplier, *e.g.*, liquidated damages. In the event of a default, Duquesne will pursue available remedies against the POLR Supplier.

B. New POLR Auction

If the default is not promptly cured, Duquesne will conduct a new POLR Auction for the right to supply power at the then-existing shopping credits for the remainder of the transition period. If no qualifying bids are received in this new auction because expected market prices have risen above the shopping credits then in effect, Duquesne will solicit bids to supply POLR service at the lowest price above the then-existing shopping credits. After requesting and obtaining Commission approval to increase the generation rate cap, the winning bidder would charge the winning bid prices for the remainder of the transition period. Any liquidated damage or other payment received from the original POLR Supplier would be used to mitigate increases in the shopping credits charged by the new POLR Supplier (net of any tax and other costs, *e.g.*, litigation expense).

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Duquesne Light

411 Seventh Avenue
P.O. Box 1930
Pittsburgh, PA 15230-1930

JAN 27 1999

(412) 393-6000

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

January 27, 1999

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

Re: Compliance Tariff Filing
Docket No. R-00974104

Dear Mr. McNulty:

Enclosed please find replacements for Original Pages No. 53 through 56 to Duquesne Light Company's Tariff Electric - PA. P.U.C. No. 18. In the Compliance Filing made on December 22, 1998, the title on each of those pages referenced Rate GLH - General Service *Medium* Heating instead of GLH - General Service *Large* Heating. I ask that the enclosed Original Pages No. 53 through 56 be inserted into the officially filed tariff to rectify the error.

Thank you for your attention to this matter.

Sincerely,


Morgan K. O'Brien
Vice President - Finance

Enclosures

c: Mr. Robert F. Wilson, Manager - Bureau of Fixed Utility Services w/enclosure



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R-00974104

RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)

MONTHLY RATE - (Continued)

COMMERCIAL CUSTOMERS - (Continued)

For the Billing Months of June through September:

DEMAND CHARGES

	<u>Distribution Charge - \$</u>	<u>Competitive Transition Charge - \$</u>	<u>Transmission Charge - \$</u>	<u>Generation Charge - \$</u>
First 300 kilowatts or less of Demand	440.57	1,722.51	180.00	3,183.92
	<u>Distribution Charge \$ per kilowatt</u>	<u>Competitive Transition Charge \$ per kilowatt</u>	<u>Transmission Charge \$ per kilowatt</u>	<u>Generation Charge \$ per kilowatt</u>
Additional kilowatts of Demand	1.11	4.36	0.60	7.91

ENERGY CHARGES

	<u>Distribution Charge cents per kilowatt-hour</u>	<u>Competitive Transition Charge cents per kilowatt-hour</u>	<u>Transmission Charge cents per kilowatt-hour</u>	<u>Generation Charge cents per kilowatt-hour</u>
All kilowatt-hours	0.2740	1.0709	0.2063	1.8860

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RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)

MONTHLY RATE - (Continued)

INDUSTRIAL CUSTOMERS

For the Billing Months of October through May:

CUSTOMER CHARGE

Customer Distribution Charge \$9.07

ENERGY CHARGES

	<u>Distribution Charge cents per kilowatt-hour</u>	<u>Competitive Transition Charge cents per kilowatt-hour</u>	<u>Transmission Charge cents per kilowatt-hour</u>	<u>Generation Charge cents per kilowatt-hour</u>
First 1,250 kilowatt-hours plus 150 kilowatt-hours for each kilowatt of Demand over 6 kilowatts	0.8846	4.5759	0.2063	5.4304
Additional kilowatt-hours	0.2740	1.4173	0.2063	1.5396

For the Billing Months of June through September:

DEMAND CHARGES

	<u>Distribution Charge - \$</u>	<u>Competitive Transition Charge - \$</u>	<u>Transmission Charge - \$</u>	<u>Generation Charge - \$</u>
First 300 kilowatts or less of Demand	440.57	2,279.44	180.00	2,626.99
	<u>Distribution Charge \$ per kilowatt</u>	<u>Competitive Transition Charge \$ per kilowatt</u>	<u>Transmission Charge \$ per kilowatt</u>	<u>Generation Charge \$ per kilowatt</u>
Additional kilowatts of Demand	1.11	5.77	0.60	6.50

ENERGY CHARGES

	<u>Distribution Charge cents per kilowatt-hour</u>	<u>Competitive Transition Charge cents per kilowatt-hour</u>	<u>Transmission Charge cents per kilowatt-hour</u>	<u>Generation Charge cents per kilowatt-hour</u>
All kilowatt-hours	0.2740	1.4173	0.2063	1.5396

RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers will be eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. Customers who are not eligible to choose an EGS will be billed according to the above charges. Customers who are eligible to choose their supplier may purchase their electricity from the Company, from an EGS, or from the Company and an EGS. Customers who elect to purchase their electric generation requirements from the Company will be charged according to the above charges. Customers who elect to purchase all of their electric energy requirements from an EGS will be charged the full Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their selected EGS. Customers who purchase part of their electricity from the Company and the balance from an EGS will be billed the full Distribution and Competitive Transition Charges, and the prorated share of the Transmission and Generation Charges associated with Company supplied electricity. The balance of the transmission and generation requirements must be purchased from the customers' selected EGS. Customers may change suppliers or return to the Company for electric generation requirements as defined in Rule 45.

The above Generation Charge includes transmission ancillary services, line losses and the market price of electricity. Transmission ancillary services include reactive power service, regulation and frequency control service, spinning reserve service and supplemental reserve service. Losses include transmission line losses and distribution line losses. The market price of power is based on the price established by the Pennsylvania Public Utility Commission for the Retail Access Pilot Program in Pennsylvania.

For customers who elect to purchase their generation from an EGS, the customer is responsible for any other charges from the EGS. Any month in which the supplier becomes unavailable or during which the customer has not chosen a supplier, the Company will supply electricity at the above charges.

Customers who are eligible to choose an EGS may elect Consolidated Billing or Separate Billing as defined in Rule 20.1.

Commercial customers are those customers in Company revenue classes 421 and 425. Industrial customers are those customers in Company revenue class 426. In general, industrial customers are those customers engaged in a manufacturing or processing operation as defined in the Division D Manufacturing Standard Industrial Classification (SIC) categories as described in the 1987 Edition of "Standard Industrial Classification Manual," supplements thereto, or later editions.

MINIMUM CHARGE

For the months of October through May, the Minimum Charge shall be \$9.07 for the first kilowatt (kW) of demand plus a transmission charge of \$0.60 per kW, a distribution charge of \$0.56 per kW, a CTC charge of \$2.31 per kW and a generation charge of \$3.89 per kW for each additional kilowatt, but not less than \$9.07. For the months of June through September, the Minimum Charge shall be the Demand Charge based on 50% of the Contract On-Peak Demand. The Demand Charge shall be determined using the distribution and competitive transition charges, and the transmission and generation charges associated with Company supplied transmission and generation, if any, but in total not less than \$2,163.08 for Commercial Customers nor less than \$2,720.01 for Industrial Customers.

RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)

MONTHLY RATE - (Continued)

RIDERS

Bills rendered under this schedule are subject to the charges stated in any applicable rider.

LATE PAYMENT CHARGE

Bills will be calculated on the rates stated herein, and are due and payable on or before fifteen days from the date of mailing of the bill to the ratepayer. The bill is overdue when not paid on or before the due date indicated on the bill. An overdue bill is subject to a Late Payment Charge of 1.25% interest per month on the full unpaid and overdue balance of the Company charges on the bill. The Charge shall be calculated on the overdue portions of the Company charges on the bill and shall not be charged against any sum that falls due during a current billing period.

DETERMINATION OF DEMAND

The demand will be measured where a customer's monthly use exceeds 1,000 kilowatt-hours or where the demand is known to exceed 5 kilowatts. The demand will be the sum of individual demands of each metered standard service. Individual demand, except in unusual cases, will be determined by measurement of the average kilowatts during the fifteen minute period of greatest kilowatt-hour use during the billing period. For the months of June through September, demand will be determined as defined in Rate GL.

STANDARD CONTRACT RIDERS

For modifications of the above rate under special conditions, see "Standard Contract Riders".

SPECIAL PROVISION

Any renewable energy source system that produces electric energy may not be interconnected with circuits supplied by the Company's service except upon written approval from the Company.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

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February 1, 1999

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James J. McNulty
Secretary
Office of the Prothonotary
Pennsylvania Public Utility Commission
North Office Building
Harrisburg, Pa. 17105-3265

FEB 01 1999

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

Dear Secretary McNulty:

Duquesne Light Company ("Duquesne") hereby submits (i) a status report regarding the accounting for the proceeds from its generation auction, and (ii) an agreement with the union regarding the effect of the auction on Duquesne's union employees.

The Commission's December 18, 1998 Opinion and Order regarding the Generation Auction Plan required Duquesne to initiate discussions with the parties regarding the accounting for auction proceeds and to submit a status report on this date. Pursuant to this directive, the parties that filed comments on this issue were invited to participate in a teleconference. In that teleconference, it appeared that there may be substantial support for "Method B," as described in Duquesne's Reply Comments (at page 22 and Appendix B). The participants agreed to continue discussing the matter and Duquesne agreed to provide certain additional information (which it expects to distribute soon).

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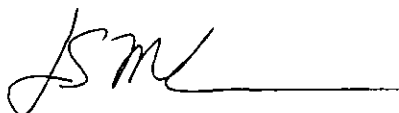
James J. McNulty
February 1, 1999
Page 2

The upcoming technical conference, to be held the week of February 8-12, provides a further opportunity to discuss this issue. (Duquesne expects to circulate a final date for this conference later this week after receiving input from the active participants.) Subsequent to that conference, Duquesne will submit a further status report and recommend further procedures to resolve this issue.

This letter also encloses, as required by Paragraph 5 of the Commission's Opinion and Order of November 19, 1998, the Memorandum of Agreement, dated as of January 26, 1999, between Duquesne and System Council U-10 and its affiliated locals. The Memorandum of Agreement, which addresses the treatment of union employees who are affected by the auction, was approved by vote of the union on January 25, 1999. Pursuant to the November 19 Order, interested parties have 30 days to file comments on the Memorandum of Agreement.

Thank you for your consideration of these additional materials.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'JSM', followed by a horizontal line extending to the right.

John S. Moot

Enclosure

cc: All persons on official service list

R-00974104

MEMORANDUM OF AGREEMENT

WHEREAS, Duquesne Light Company ("Company") has previously announced that it intends to sell, transfer or otherwise divest their generation plants;

WHEREAS, System Council U-10 and its affiliated Locals 140, 142, 144, 147, 148 and 149 ("Union"), represents certain classifications of employees at these plants ("Affected Employees"), pursuant to an agreement between the Union and the Company, as amended effective October 31, 1996 and has expressed its desire to provide certain protections and benefits for the Union and the Affected Employees;

WHEREAS, the Union and the Company have commenced and engaged in negotiations over the effects that the Company's decision to divest its generation plants may have on the Affected Employees;

WHEREAS, the Union and the Company now enter into this Memorandum of Agreement ("Memorandum"), this 21st day of January, 1999, as a means of defining the rights of the Union and the Affected Employees once the sale or transfer of these plants has been completed.

WITNESSETH:

- 1. As a condition of the transfer, sale, or other disposition of its generation plants, the Company agrees to provide in its definitive agreements with the Acquiring Parties, the following:
 - a. Recognize the Union or its successor as the exclusive bargaining agent for all those Company employees who become employees of an Acquiring Party.

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become party to and otherwise assume the Labor Agreement, including all its job security and seniority provisions. This will also include all other written agreements that are currently in effect between the Union and the Company. The parties agree to meet and identify those other written agreements.

- c. That at least 90 days prior to the sale and exchange of the plants the Acquiring Party will provide the Company with notice of its staffing level requirements, listed by classification and operation, and offer employment to that number of Affected Employees, including any such employees absent from active service by reason of Company sick leave or other leave of absence, whether paid or unpaid, necessary to satisfy such staffing level requirements. In each classification, all offers of employment to Affected Employees shall be in order of their seniority. An Affected

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SECRETARY'S BUREAU

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Employee offered a job by an Acquiring Party must accept such position or will be treated as having voluntarily quit the Company, unless that employee is bumped by a more senior employee. Affected employees who are transferred to an Acquiring Party will receive no severance benefits of any kind from the Company.

- d. If the Acquiring Party finds it necessary to have a reduction in force in a given classification within said 90 days prior to the sale and exchange of the plants, the least senior employees in the affected classification will be required to bump or receive severance.

- e. It is understood that all employees located within the plants are "Generation" and will be considered Affected Employees. There are Generation Support positions within the T&D, Customer Operations, and the Administrative Groups that are Generation or support Generation and therefore could be transferred or eliminated. These "Generation Support positions" will also be designated as Affected Employees. The Company will, as soon as practical, but no later than 90 days following the date of this Agreement, create and provide to the Union a list of all such Generation Asset positions and employees designated as Affected Employees. For bidding and bumping purposes, these employees will be treated in accordance with Sections 1f, 1g and 2 of this Agreement. Under this Article, individuals in Generation Support that will continue to exist in these departments at the Duquesne Light Company, will be given a choice, by seniority, to go with the Acquiring Party or stay with Duquesne Light. In the event the Acquiring Party's staffing levels are not met under this process, the least senior employees in the Generation Support positions will be required to transfer.

- f. Affected Employees who did not elect or were not eligible for the Early Retirement Offer in Paragraph 3 and who are not offered work by an Acquiring Party of a Company Generation Asset, including those employees who are assigned to a Generation Asset that is not sold and therefore shut down and any other Company employees who are bumped as a result of the divestiture and who in turn would have further bumping rights, will be offered a choice of exercising their bumping rights or accepting the transition package in Paragraph 5. The Company employment and seniority of those employees who opt for the transition package described in Paragraph 5 rather than bumping will cease upon the earlier of either their last day of work for the Company or acceptance of the transition package, except that pension benefits will accrue until

their last day of work for the Company. Such employees will have no recall rights with the Company.

- g. Because of the Company's obligation to turn over to the new owners viable operating plants, effective upon ratification, employees at these plants shall not be eligible to bump into any other jobs unless the conditions in Paragraphs 1c and 1d exist or they are bumped by employees under Paragraphs 1e and 1f of this Agreement. Any employee who is not offered a job with the new owner or bumped under Paragraph 1f shall thereafter be able to exercise their bumping rights or choose the severance package. Once a Generation Asset is sold, there will be no bumping between the Company and the Acquiring Party.
- h. The Acquiring Party shall establish, for the length of the Labor Agreement, benefit plans, including a Pension Plan and 401 (k) plan that, to the extent possible, provide a comparable level of benefits and are based on the same eligibility criteria as those set forth in the Labor Agreement and the Pension Plan. There will be no transfer of pension plan assets from the Company to the Acquiring Party. The Acquiring Party's pension plan shall provide pension benefits which, in combination with the benefits provided under the Company's pension plan, are no less than the benefits which would be provided to employees whose entire service and earnings history had been covered by the Company's pension plan as presently in effect. All Transferred Employees who at the time of transfer, are vested in the Company's Pension Plan will be immediately vested in the Acquiring Party's Pension Plan. To achieve this result, the Acquiring Party shall make whatever amendments that are necessary to its Pension Plan. Existing balances in the 401(k) Plan will be transferred to the Acquiring Party's 401 (k) Plan. All 401(k) participants shall be fully vested in the transferred account balances.
- i. With respect to service and seniority, the Company will require that the Acquiring Party recognize each such Affected Employee's service with the Company for purposes of determining eligibility for benefits such as vacation, NOI&I and other such benefits that are determined by service time.
2. The bidding provisions in the Labor Agreement are modified effective the date of ratification of this Agreement. The parties agree that the Affected Employees can continue to bid and be awarded positions within the Company. Affected Employees who are successful bidders may not be released to accept jobs outside the division in which they are employed at the time of ratification of this Agreement (i.e., Nuclear, Cheswick,

Elrama, or T&D) from the date of ratification of this Agreement until the close of the sale or other disposition of the Generation Asset to which they are assigned. This does not preclude these individuals from being released outside their division at an earlier time if the Company deems it possible. Individuals who hold a position in Nuclear Operations or Nuclear Maintenance will not be released to accept jobs within or outside their division from the date of ratification of this Agreement until the close of the sale or other disposition of the Nuclear Generation Asset. This does not preclude individuals from being released at an earlier time if the Company deems it possible. At the time of the close of the sale or other disposition of the applicable Generation Plant, successful bidders that are being held who have not been offered a position with an Acquiring Party will be awarded the position earlier bid upon. Successful bidders who are being held and are offered a position with an Acquiring Party will not be released to the position earlier bid upon unless they are being bumped because of the divestiture. During this period of time, if the Company deems it necessary to fill positions that are being held, the Company will, when possible, fill such positions with upgrades. Where it is not possible to upgrade to fill positions, it may fill such positions with temporary hires and/or contractors. Immediately following the close of sale date, if these positions are not filled because of the successful bidders transferring to the Acquiring Party, they will be filled from the original bid lists. If there are no successful bidders obtained from these lists and the Company still has a need to fill these positions, they will be reposted. The positions will not continue to be filled with temporary hires or contractors. If the Company does not release an affected employee sooner than 60 days prior to the close of the sale or other disposition of the asset to which the Affected Employee is assigned, the Company will waive the 30 day probationary period for the position to which the Employee bumps, provided the Employee is otherwise qualified for the position.

3. The Company will offer a Special Retirement Option to Union employees who are at least 58 years of age, and have at least 10 years of service with the Company as of February 29, 2000. The beginning and ending dates of the election period will be determined and announced in the future, but the election period must be within 60 days of signing this Agreement. Retirements will occur within the 12 months following the close of the election period. The Company will determine the actual retirement date for each employee but employee preferences will be taken into consideration. The early retirement penalty will be eliminated for purposes of this Special Retirement Option only. The pension multiplier will be increased from 1.4% to 1.5% for past and future service, pursuant to covered compensation as defined under the Trusteed Pension Plan. The past service window will be moved three years forward from where it is at the time of the effective date of the special retirement offer. A \$400 per month supplement to age 62, or 12 months at the option of the participant, will also be provided. Employees who elect this Special Retirement Option will not be eligible for any other severance benefits of any kind, including, without limitation, separation allowance as described at Page 173 of the Labor Agreement or the transition package in Paragraph 5.
4. The parties agree to administer the bumping procedure in a more efficient manner by using advance and concurrent testing, use of electronic media to send and retrieve

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materials, and waiving demonstration portions of equipment when currently holding similar positions.

5. **Company employees who are displaced because of the bumping process caused by the divestiture, and who are unable to displace other employees, will be laid off in accordance with the Labor Agreement. For all such employees, the following transition package will be paid, subject to legally required deductions, in lieu of any other wages or benefits set forth in the Labor Agreement. If an employee who receives this transition package is recalled to the Company in accordance with the Labor Agreement, the employee must return a pro-rated portion of the package in accordance with the Separation Allowance Policy set forth in the Labor Agreement.**
 - a. **The Company will pay separation pay equal to one and one-half weeks of straight time pay, exclusive of any add-ons, such as shift differential, for each completed year of service with a maximum of one year, or the separation pay set forth in the Labor Agreement, whichever is greater, to be paid as salary continuance.**
 - b. **Medical and dental coverage for the period covered by the separation pay with a maximum of one year, with employees paying the contribution required by the Labor Agreement to maintain eligibility for such coverage.**
 - c. **Outplacement services offered by an outplacement provider of the Company's choosing for the period of the separation pay with a maximum of one year.**
 - d. **Reimbursement, up to \$2000 for career training upon proof of enrollment and successful completion in such a course or a program. This reimbursement will be available for up to 24 months from the date an employee's employment with the Company ceases.**
 - e. **The Company agrees to pay relocation expenses of up to \$1500 for the cost of moving household items, upon submission of receipts, and copy of an offer letter from a new employer requiring and verifying relocation.**
6. **Any disputes arising out of this Memorandum of Agreement will be subject to the Labor Agreement's Grievance and Arbitration procedure.**
7. **The parties agree that the provisions of this Agreement represent a fair and reasonable approach to the issues concerning Affected Union Employees as a result of the divestiture of the Company's Generation Plants. Provided the Company complies with the provisions of this Agreement, the Union agrees further that it will not institute any new**

legal action or intervention that would impede the achievement of the divestiture and that it will withdraw its current unfair labor charge pending at the NLRB and pleadings currently on file with the PA PUC.

8. The Union unanimously agrees to support, recommend and submit the terms of this Memorandum of Agreement to its members and to diligently use their best efforts to obtain prompt ratification by the membership.
9. The offering of proposals or the withdrawal of any proposals during the bargaining that led to this agreement will not be used by either party for any reason in any forum, including arbitration, as a method of suggested interpretation of the Labor Agreement or for any other reason except for the enforcement of this Memorandum of Agreement.
10. This Memorandum of Agreement will expire on September 30, 2001, but the recall rights accorded to certain employees in Paragraph 5 will continue as described in the Labor Agreement.

FOR THE UNION

Timothy J. Moran
John Dain
Thomas E. Barber
Robert M. Kalyan
Richard J. Mann

James C. Butch
Charles A. Kraler
Nicholas Spehar
Daniel H. Gearhart
Richard E. Hopkins
Paul M. Thomas

FOR THE COMPANY

Victor W. ...
Manuel D. ...
Jim Jones
Ronald H. ...
James J. Griffin
Manuel M. ...

(union 12099)

Scott J. Rubin
Attorney • Consultant

36287

3 Lost Creek Drive • Selinsgrove, PA 17870 • (570)743-2233 • Fax: (570)743-8145 • sjrubin@ptd.net

ORIGINAL
February 9, 1999
FILED

99 FEB 10 AM 8:57
RECEIVED
SECRETARY'S BUREAU

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

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

Dear Mr. McNulty:

This letter is in response to the letter from John Moot, counsel for Duquesne Light Company ("Duquesne"), dated February 1, 1999, in the above-referenced proceeding. That letter provides the Public Utility Commission ("Commission") and the parties with a copy of an agreement entered into between Duquesne and System Council U-10, IBEW ("System Council"), on behalf of Duquesne's unionized employees.

The agreement concerns the effects on Duquesne's unionized employees of Duquesne's proposed divestiture of its power plants. The agreement has been ratified by the members of System Council and has been agreed to by Duquesne. The agreement includes the following provisions, among others:

- ▶ The recognition of the union, and the assumption of the current collective bargaining agreement, by the acquirer of each of Duquesne's power plants;
- ▶ Employees who are transferred to the acquirer of the plants will retain their seniority, pension, and other benefits;
- ▶ An early retirement program for certain qualifying employees; and
- ▶ Severance, training, relocation, medical, and out-placement benefits for qualifying employees who terminate their employment with Duquesne as a result of the divestiture of the plants.

**DOCUMENT
FOLDER**

The agreement also includes the following statement: "The parties agree that the provisions of the Agreement represent a fair and reasonable approach to the issues concerning Affected Union Employees as a result of the divestiture of the Company's Generation Plants. Provided the Company complies with the provisions of this Agreement, the Union agrees further that it will not institute any new legal action or intervention that would impede the achievement of the divestiture and that it will withdraw its current unfair labor charge pending at the NLRB and pleadings currently on file with the PA PUC."

SD

James McNulty
February 9, 1999
Page 2

In accordance with that provision of the agreement, System Council hereby notifies the Commission and the parties that, so long as Duquesne remains in compliance with the terms of the agreement, System Council will not oppose the divestiture of Duquesne's power plants and will not ask the Commission to take any further action regarding the impact of the divestiture on Duquesne's unionized employees. System Council will remain a party to this proceeding and reserves the right to raise additional issues if Duquesne does not remain in compliance with the agreement.

If you or any of the parties have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,



Scott J. Rubin
Counsel for System Council U-10, IBEW

cc: All parties of record
Hon. John Quain
Hon. Robert Bloom
Hon. David Rolka
Hon. Nora Mead Brownell
Hon. Aaron Wilson, Jr.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.

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DIRECT DIAL
371-7310
DIRECT FAX
371-7933

ORIGINAL

February 10, 1999

By overnight delivery

James J. McNulty
Secretary
Office of the Prothonotary
Pennsylvania Public Utility Commission
North Office Building
Harrisburg, Pa. 17105-3265

RECEIVED
FEB 10 1999
PUBLIC UTILITY COMMISSION
SECRETARYS BUREAU
FEB 22 1999
DOCUMENT
FOLDER

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

Dear Secretary McNulty:

After polling the active parties, it appears that the best date for a technical conference regarding the POLR auction is February 19, 1999. The technical conference will be held in Commission Hearing Room 2 at 10:00 a.m. and will continue until complete. The primary purpose of the technical conference will be to discuss the POLR auction. After discussions on that issue are complete, Duquesne will be prepared to discuss, and answer questions regarding, the accounting for auction proceeds and, thereafter, any other matter related to the auction that the parties wish to discuss.

Respectfully submitted,

JS Moot
John S. Moot

cc: All persons on official service list

28

ORIGINAL

JOHN & HENGERER

A LAW PARTNERSHIP
1200 17TH STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20036-3013

DOUGLAS F. JOHN
EDWARD W. HENGERER
KEVIN M. SWEENEY
KIM M. CLARK
GORDON J. SMITH
JOELLE K. OGG
KEVIN D. RYAN

February 19, 1999 RECEIVED

TELEPHONE
(202) 429-8812

TELECOPIER
(202) 429-8805

FEB 19 1999

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

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RE: NorAm Energy Management, Inc.: Change of Company Name

Dear Secretary McNulty:

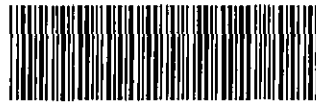
NorAm Energy Management, Inc. has recently changed its name to Reliant Energy Retail, Inc. Accordingly, please reflect this name change on all the official service lists in each of the following proceedings.

- Docket No. P-00981625: Petition of NorAm Energy Management, Inc. for a Declaratory Order, or, in the Alternative, a Petition for Amendment of Section 57.173 of the Public Utility Code
- Docket No. M-00960890: Interim Guidelines Regarding Notification by an
F.0013 Electric Generation Supplier of Operational Changes Affecting Customer Service and Contracts
- Docket No. M-00960890: Proposed Enrollment Procedures Applicable to
F.0014 Electric Distribution Companies and Electric Generation Suppliers During the Phased-In Implementation of Direct Access
- Docket No. M-00960890: Proposed Standards for Electronic Data
F.0015 Transfer and Exchange Between Electric Distribution Companies and Electric Generation Suppliers
- Docket No. L-00970126: Rulemaking Re: Customer Information Disclosure for Electric Providers
- Docket No. L-00970129: Rulemaking Re: Licensing Requirements for Electric Generation Suppliers

FS

FROM: Joelle K. Ogg (202)429-8812
John & Hengerer
1200 17th Street, N.W.
Suite 600
Washington, DC 200363006

SHIPPER'S FEDEX ACCOUNT NUMBER



TO: James McNulty (717)787-1013
PA PUC
Commonwealth + North Sts
N Ofc Bldg, Rm B-20

SHIP DATE: 20FEB99
MAN-WGT: 1 LBS

Harrisburg, PA 17105-3265

REF: 377



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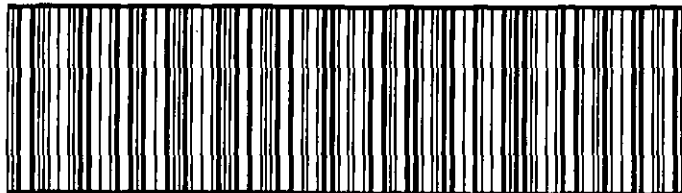
TRK # 7902 0786 3769 FORM 0201

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17105-PA-US
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- Docket No. L-00980136: Rulemaking Re: Amending Annual Resource Planning Report Filing Requirements
- Docket No. I-00980076: Year 2000 Compliance Questionnaire
- Docket No. I-00980078: Chapter 28 Electricity Generation Customer Choice and Competition Act; Capacity Issues Within the PJM Interconnection
- Docket No. R-00973953: Petition for Approval of PECO's Restructuring Plan
- Docket No. R-00973954: Application of Pennsylvania Power & Light Company for Approval of its Restructuring Plan
- Docket No. R-00973975: Application of UGI Utilities, Inc for Approval of its Restructuring Plan
- Docket No. R-00973981: Application of West Penn Power Company for Approval of its Restructuring Plan
- Docket No. R-00974008: Petition for Approval of Metropolitan Edison's Restructuring Plan
- Docket No. R-00974009: Petition for Approval of Pennsylvania Electric's Restructuring Plan
- Docket No. R-00974104: Application of Duquesne Light Company for Approval of its Restructuring Plan
- Docket No. R-00984298: Pennsylvania Public Utility Commission v. PECO Energy Company (Supplier Tariff Proceeding)

DOCKETED
 FEB 25 1999

Please date-stamp and return the 2 additional copies in the enclosed envelope. If you have any questions concerning this matter, please do not hesitate to contact me.

Respectfully submitted,

Joelle Ogg
 Douglas F. John, Esq.
 Gordon J. Smith, Esq.
 Joelle K. Ogg, Esq.

**DOCUMENT
 FOLDER**

Counsel for Reliant Energy Retail, Inc.

cc: Keith Sappenfield
 Janet Patrick
 Service List

COMMONWEALTH OF PENNSYLVANIA
Public Utility Commission
March 1, 1999

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

TO: James J. McNulty
Secretary

FROM: Lawrence F. Barth *LF*
Assistant Counsel

RECEIVED
MAR 2 1999

PUBLIC UTILITY COMM.
SECRETARY'S BUREAU

Attached please find a copy of a secretarial letter which the commissioners have approved by notational vote. Please see that this letter is issued as soon as practicable.

The letter is dated for March 2, 1999, however, if you need to change the date, you can access the letter at # 120705 in the DOCS system.

Should you have any questions, please do hesitate to call me at 2-8579.

Attachment