



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

REFER TO OUR FILE

DECEMBER 18, 1998

R-00974104

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DUQUESNE LIGHT COMPANY
411 SEVENTH AVENUE 16-006
PITTSBURGH PA 15230-1930

DOCKETED

DEC 22 1998

Application of Duquesne Light Company for approval of its
Restructuring Plan under Section 2806 of the Public Utility Code

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted
by the Commission in Public Meeting on December 17, 1998 in the above
entitled proceeding.

DOCUMENT
FOLDER

An Opinion and Order has been enclosed for your records.

Very truly yours,

James J. McNulty,
Secretary

smk
Encls.
Cert.Mail

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held December 17, 1998

Commissioners Present:

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

DOCKETED

DEC 22 1998

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

R-00974104

OPINION AND ORDER

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FOLDER

On May 21, 1998, we approved an Order in the Duquesne Light Company ("Duquesne" or "Company") electric restructuring proceeding which established various requirements to be followed by Duquesne in the event of a divestiture of some/all of its generation assets. See, Application of Duquesne Light Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code ("Restructuring Order"), Docket No. R-00974104, Order entered May 29, 1998, pp 80-81.

In our May 29, 1998 Order we stated the following:

"We agree that it is an economic tenet that the marketplace determines the true value of an asset. Specifically, an actual "arms length" market transaction between a willing seller and a willing

buyer to determine the value of an asset is superior to the expert predictions of what the future value of that asset may be.

We find that a present divestiture of utility generation can reasonably satisfy the “known and measurable” criteria set forth in the Act. Therefore, as recommended by the ALJ, we accept the rejoinder offer of Duquesne to divest itself of generation if the proposed DQE-APS merger is not consummated. We also accept Duquesne’s proposal to offer that divestiture of its generating assets in order to determine the value of its stranded utility generation. In the event the proposed merger with APS is not consummated for any reason whatsoever, divestiture should occur, preferably within 18 months of entry of our final Order disposing of the application. As noted in Duquesne’s exceptions, we recognize that a longer time frame may be necessary. A more specific time frame will be determined in the divestiture proceeding involving Duquesne.

Within 90 days of entry of this Order in this case, and in conformity with the guidelines established below, Duquesne should file a plan of divestiture of its generating assets, together with a proposal for addressing its continuing obligation to serve under the rate cap. All interested parties should have an opportunity to respond to the divestiture and/or obligation to serve proposals.

Duquesne is directed to provide the following items in its divestiture plan:

1. Company shall file the proposed plan for divestiture within 90 days.
2. The plan shall be served on all parties to this proceeding.
3. Parties shall file comments to the filed plan within 60 days.
4. Duquesne shall file a response to comments and accepted revisions within 30 days, thereafter.
5. The plan shall detail a schedule for pre-bid conferencing and the exchange of relevant information.
6. The plan shall disclose those assets and/or operational criteria of an asset essential for the continued reliability of service in the Duquesne territory.
7. The plan shall include a discussion of the treatment of shares of nuclear and fossil units for whom Duquesne is a minority owner. Specifically, the plan shall delineate Duquesne’s

proposed treatment of nuclear ownership shares should no bids materialize for those shares, as well as Duquesne's ability to sell its stake in Beaver Valley 2 and Perry 1 to the other owners of those units or to swap Duquesne's stake in these units with the owners for the output of other fossil units.

8. Divestiture shall include both fossil and nuclear assets.
9. Proposals may be accepted for an individual asset or portion thereof.
10. The plan shall detail the approvals necessary for the acquisition of an individual asset or portion thereof.
11. The plan shall disclose environmental obligations of a particular asset and enforcement agreements entered into by Duquesne associated with an asset. The plan should detail the handling of current trust funds and reserves associated with environmental liabilities.
12. The plan shall describe the transmission access available to a particular asset and any general transmission agreements associated with a particular asset.
13. The plan shall include tracking and accounting for the transaction costs associated with the divestiture activities, both internal and external.
14. The plan shall describe the ratemaking accounting for use of proceeds of the plan as it relates to offsetting the generation and regulatory stranded costs and the computations of the CTC and shopping credit.
15. The plan shall include opportunity provisions for the continued sale of output to permit Duquesne to satisfy its obligation as provider of last resort.
16. The plan shall set forth transitional issues and the resolution of those issues in a manner that is fair to customers, investors, the employees of the Company, local communities, and other affected parties.

We would also note that as divestiture may not be accomplished by January 1, 1999, for the interim period the shopping credit in use shall continue to be the Pilot Customer Participation Credit ("CPC") and energy credits. Upon determination of the value of Duquesne's utility generation assets, following implementation of the divestiture plan, a CTC shall be adopted that reconciles the actual stranded utility generation value with the interim amount collected, as described below."

On August 27, 1998, Duquesne filed its Generation Auction Plan. Subsequently, via letter of October 14, 1998, Duquesne informed the Commission and all parties that it had entered into an agreement in principle with FirstEnergy Corporation (“FirstEnergy”) to exchange its ownership interest in all of its jointly owned plants for three FirstEnergy plants¹.

On October 21, 1998, System Council U-10, International Brotherhood of Electrical Workers (“IBEW”) filed a Motion to Suspend Proceeding and Provide for Additional Comment Period. On October 28, 1998, the Environmentalists filed a similar motion.

On November 2, 1998, Duquesne filed a combined answer to both motions.

An Order, which dealt with the two above-mentioned motions, was entered on November 19, 1998. In our November 19, 1998 Order, we ruled as follows:

1. That the Motions of System Council U-10, International Brotherhood of Electrical Workers, (“IBEW”) and The Environmentalists, are denied insofar as they request a stay of the Commission’s review of Duquesne Light Company’s (“Duquesne”) Generation Auction Plan.
2. That Duquesne shall file with the Commission and serve on all parties any definitive agreement for the exchange of assets between Duquesne and FirstEnergy Corporation (“FirstEnergy”), as well as any proposed modifications to the Generation Auction Plan which occur as a result of the agreement.

¹ Duquesne and FirstEnergy have agreed that Duquesne will transfer its partial ownership interest in Beaver Valley Power Station Units Nos. 1 & 2, Perry Unit No. 1, W. H. Sammis Unit No. 7, Bruce Mansfield Units Nos. 1, 2 & 3, and Eastlake Unit No. 5, in exchange for FirstEnergy’s transfer to Duquesne of its rights and interest in the Avon Lake, New Castle, and Niles generation stations. Duquesne Letter to Secretary James J. McNulty, October 14, 1998, page 1-2.

3. That all parties shall have a period of 30 days from the date of filing of the proposed modifications to file comments, followed by a period of 15 days for Duquesne to file reply comments.
4. That the Commission will review all comments and reply comments and consider the proposed modifications to Duquesne's Generation Auction Plan which occur as a result of a definitive agreement between Duquesne and FirstEnergy.
5. That Duquesne shall file any agreement reached with its union, and if no agreement is reached, that Duquesne shall file a plan regarding the issues which remain outstanding between Duquesne and its union.
6. That all parties shall have a period of 30 days from the date of Duquesne's filing to file comments relative to the agreement or Duquesne's plan regarding outstanding issues between Duquesne and its union, and that Duquesne shall have a period of 15 days following the comment period to file reply comments.
7. That the Commission will review all comments and reply comments and consider said agreement between Duquesne and the union or plan filed by Duquesne.

DISCUSSION

Comments concerning these matters have been filed by FirstEnergy Corp. (FirstEnergy), State Senator Jack Wagner, State Representative Mike Veon, the Office of Trial Staff (OTS), Office of Consumer Advocate (OCA), the Environmentalists, Duquesne Industrial Intervenors (DII), Utility Workers Union of America (UWUA), Local 272 International Brotherhood of electrical Workers (Local 272), Enron Power Marketing, Inc. (Enron), Hospital Shared Services and Administrative Resources, Inc. (HSSI/ARI), System Council U-10 International

Brotherhood of Electrical Workers (IBEW), State Senator Melissa A. Hart, State Senator Gerald J. LaValle, State Senator Tim Murphy, State Representative Nicholas A. Colafella, State Representative Anthony DeLuca, State Representative Frank Dermody, State Representative Frank Gigliotti, State Representative Jeffrey E. Habay, State Representative Ivan Itkin, State Representative Susan Laughlin, State Representative Victor J. Lescovitz, State Representative David Levadsasky, State Representative Joseph Markosek, State Representative Dave Mayernik, State Representative Tom Michlovic, State Representative Richard D. Olasz, State Representative Tom C. Petrone, State Representative Frank J. Pistella, State Representative Joseph Preston, Jr., State Representative Harry Readshaw, State Representative Terry E. Van Horne, State Representative Don Walko, Beaver County Commissioners Bea Schulte and Dan Donatella, Mr. David T. Kotechi, President, Local 270, Utility Workers Union of American and Mr. Kevin Bick.

The following is a summary of the comments filed by the above named State Senators and State Representatives.

1. Price and Quality of Service

The Legislators believe the rates established as a result of Duquesne's restructuring must be fair, reasonable and adequate, and that safeguards must be established to ensure quality service for all affected consumers.

2. Fair Treatment of Employees

The Legislators are interested in ensuring that any employee affected by the restructuring proposal or by the sale or transfer of property will be assured in a

legally binding fashion that the current terms and conditions of their employment will continue.

3. Transfer of Generation Facilities

The Legislators are concerned about whether the facilities to be transferred are of equal value, particularly considering the differences in generating capacity and fuel source.

4. Environmental Safeguards

The Legislators are interested in requiring that there are sufficient assets pledged to ensure that the nuclear facility located in Beaver County is safely and appropriately decommissioned, in a way that protects both the public health and safety and the natural environment.

5. Continuation of Lifeline Service

The Legislators are concerned that the price, terms or quality of electric service may be impacted by Duquesne's proposals for ratepayer protection, including programs for assistance to low income and elderly customers, consumer education and other measures that may impact the ability of the company or its successors to continue safe, reliable and efficient service. The Legislators are concerned that other arrangements relating to the rates could adversely affect the ability of the company or any successor entity to provide ratepayer protection programs.

6. Impact on Local Zoning and Planning

The Legislators are concerned about the impact that the transfer of ownership of generation facilities or the divestiture of generating capacity will have on the ability of local governments to implement local zoning ordinances and comprehensive plans. The Legislators are concerned about the potential impact restructuring could have on local economic development activities.

7. Impact on Local Taxing Authority

The Legislators are concerned about the implications that the restructuring plan may have on local taxing authority, including the ability to assess property, subject that property to taxation and collect taxes due and owing under state and local legal authority.

On November 6, 1998, the Utility Workers Union of America, AFL-CIO (“the UWUA”) filed a Petition to Intervene Out of Time. The UWUA requested that it be allowed to intervene in this proceeding, as Duquesne has recently filed proposals that directly affect the UWUA’s interests. These include the October 14, 1998 agreement in principle with FirstEnergy Corp. for an exchange of generating assets, and the subsequent auction of Duquesne’s reconstituted generation holdings pursuant to its Generation Auction Plan.

A petition to intervene may be filed by a person or entity claiming a right to intervene or an interest of such nature that intervention is necessary or appropriate to the administration of the statute under which the proceeding is brought. 52 Pa. Code § 5.72(a). A petitioner must show one of the following rights or interests:

(1) a right conferred by statute of the United States or of this Commonwealth; (2) an interest which may be directly affected and which is not adequately represented by existing parties, and as to which petitioners may be bound by the action of the agency in the proceeding; or (3) other interest of such nature that participation of the petitioner may be in the public interest. 52 Pa. Code § 5.71(a).

The UWUA has stated that it is the national union representing 50,000 workers primarily in the electric, gas and water industries in the United States. The UWUA has also asserted that it represents most of the nonclerical and nonmanagerial workers at the New Castle coal plant, which is one of the plants currently owned by FirstEnergy that would be transferred to Duquesne as part of the generation exchange, and subsequently sold at auction to a new owner. The UWUA contended in its petition that auctioning that plant will subject its workers to a “direct and substantial threat to their livelihoods and terms of employment”. In support of that claim, the UWUA asserted that the terms of Duquesne’s October 14, 1998 filing do not include binding assurances that Duquesne and/or the successive owner of the plant will retain existing employees and maintain the same terms of employment. The UWUA also pointed out that the plan itself does not provide for job retention, job retraining, early retirement, or severance, as contemplated by the Act.

Accordingly, the UWUA has shown that its interest, which is not represented by the existing parties, may be directly affected by the outcome of the proceeding, and also that participation of the UWUA in this proceeding may be in the public interest, pursuant to 52 Pa. Code § 5.71(a). We have therefore considered the Comments filed by the UWUA on November 6, 1998.

We will now discuss the written comments, of whatever characterization, that have been provided for our consideration by the various parties with respect to Duquesne's Generation Auction plan of August 27, 1998, and the Company's letter concerning an agreement in principle with FirstEnergy of October 14, 1998. All comments received by the Commission, whether specifically mentioned or not, have been accorded consideration.

I. GENERATION EXCHANGE WITH FIRSTENERGY

A. Merits of the Proposal

FirstEnergy states that the Central Area Power Coordinating Group (CAPCO) was formed in 1967 to jointly develop power generation and transmission facilities in an effort to enhance power coordination and reliability in northern Ohio and Western Pennsylvania. The FirstEnergy Companies and Duquesne are members of CAPCO. FirstEnergy claims that there are three fundamental issues that must be resolved by the Commission. First, the sale of CAPCO jointly owned units by Duquesne requires the consent of the FirstEnergy Companies as joint owners. Second, the right to use CAPCO transmission lines is essentially limited under existing agreements to the owners of CAPCO units. Third, the "Draft Interconnection Term Sheet" included as Appendix E to the Plan does not and can not alter the FirstEnergy Companies' operation and maintenance of jointly-owned units.

FirstEnergy also states that these issues may be entirely obviated upon the consummation of the exchange of generating units between Duquesne and FirstEnergy. If the exchange is completed as planned, the FirstEnergy Companies

will have complete ownership of the former CAPCO units. FirstEnergy states that if the exchange of units does not occur, these issues may present major hurdles for the auction to be completed.

IBEW states that the auction plan does not include an adequate discussion of the transmission rights to be transferred and the effect of such transfers on the reliability of Duquesne's system.

The OCA states that the Commission should not give final approval to the asset exchange until Duquesne has completed due diligence, resolved outstanding labor, environmental and safety issues, signed a definitive agreement and all parties have had a reasonable opportunity to review these issues.

The OTS states that, as a condition of approval of the Auction Plan and generation exchange, the Commission should require Duquesne to obtain a legally binding financial commitment from FirstEnergy sufficient to ensure that the net proceeds from the generation auction will be sufficient, at a minimum, to maintain the level of stranded cost recovery administratively determined by the Commission in Duquesne's Restructuring Order. The OTS also opines that since Duquesne's ratepayers will receive any additional value that results from the auction, a cost/benefit analysis needs to be performed to compare the values of the assets traded with the values of the assets to be obtained in exchange.

The Environmentalists state that Commission action on the Exchange and the Auction Plan proposals is premature because Duquesne has submitted an incomplete and tentative plan which must be revised in the future. The Environmentalists also state that Duquesne's plan for a capacity swap and then an

auction actually constitutes two distinct parts that must be handled sequentially, but the first part contains several inherent delays that inhibit the evaluation of the second part. The Environmentalists aver that the generation swap transforms the auction from a market-based valuation of the generation assets to a process which merely ratifies the administratively-determined value of the generation assets. The Environmentalists state that FirstEnergy's willingness to guarantee a net plant value of at least \$110 million, despite all of the risk and uncertainty in the transaction, indicates that the administratively-determined generation asset value significantly underestimates the value of these assets. The Environmentalists claim that in order for the Commission to approve the swap, it must determine that the generation assets which Duquesne obtains are no less valuable than the generation assets and transmission assets it is giving to FirstEnergy. Finally, the Environmentalists state that the Commission must consider the extra value Duquesne is giving to FirstEnergy for the transmission capacity.

The UWUA states that the full terms of Duquesne's generation exchange must be carefully scrutinized to prevent an end-run of the objective plant valuation intended by the Restructuring Order. The UWUA claims that the Commission should make an administrative determination that the value Duquesne would receive from FirstEnergy is at least equal to the value that Duquesne would give up in exchange. The UWUA also opines that the Exchange plan must be more specific; there is no way the Commission or the public can tell from what is admittedly only an agreement in principal, expressly subject to change, how transitional issues with regard to customers, investors, employees or local communities are being addressed.

HSS/ARI state that there are many uncertainties concerning the prudence of

Duquesne's proposed swap with FirstEnergy. HSS/ARI also state that in asking the Commission to approve the swap arrangement in a December 1998 order, Duquesne is asking the Commission to give it carte blanche to agree to any terms whatever concerning the swap of jurisdictional assets, notwithstanding ratepayer impacts that may result when Duquesne and FirstEnergy negotiate the actual terms of a legally binding agreement. HSS/ARI submit that it is unacceptable to grant Duquesne's request for final approval of the proposed swap transaction with no recourse against Duquesne for unreasonable results that are contrary to ratepayer interests.

IBEW states that the Commission cannot approve Duquesne's plan as it currently stands. IBEW also states there is no way to know, at the present time, how many Duquesne employees will lose their jobs and how any job losses will affect the communities where those employees live and work. IBEW opines that the Commission, therefore, must wait until Duquesne and IBEW have resolved labor issues, either through negotiation or through labor arbitration and/or litigation.

Duquesne states that it is not requesting final approval at this time. Rather Duquesne is requesting (i) a finding that the material terms of the exchange, as set forth in the Agreement of Principle, dated October 14, 1998, are in the public interest, and (ii) authorization to proceed with an auction of the FirstEnergy fossil plants to be received in the swap, provided that Duquesne submits the final agreements with FirstEnergy (and the winning bidders) for comment by the parties and final approval by the Commission as to any matter within its jurisdiction.

Duquesne also states that further analysis, as recommended by OTS, is not

necessary, since the purpose of this proceeding is to establish market values through an auction and there is no dispute that the generation swap will enhance the value that Duquesne can receive in the auction.

Duquesne states that the IBEW's transmission rights concerns are misplaced. First, the transmission facilities are not being taken out of service. Second, Duquesne and FirstEnergy will continue to coordinate the operation of their interconnected system. Third, the transfer of transmission facilities to FirstEnergy will be subject to FERC approval and any concerns the IBEW may have can be raised at FERC.

Duquesne claims that the IBEW's arguments concerning the safety and reliability of Beaver Valley's operations are outside the scope of the Commission's jurisdiction. Duquesne states that the "safety" of operations at Beaver Valley is a matter solely within the jurisdiction of the Nuclear Regulatory Commission which will make a determination of whether the plant is adequately staffed to maintain safety and reliability before authorizing Duquesne to transfer operating control to FirstEnergy.

Duquesne notes that on October 29, 1998, it submitted a comparative market value analysis which showed that the FirstEnergy plants have a higher value, on a discounted cash flow basis, than the plants being transferred from Duquesne to FirstEnergy. Furthermore, Duquesne notes that the purpose of this proceeding is not to make an administrative determination of stranded costs. Duquesne also noted that the ratepayers have the additional protection of the financial guarantee provided by FirstEnergy.

Resolution

We reaffirm the decision made in our November 19, 1998 Order referred to above, and will allow Duquesne to continue pursuit of a definitive agreement for the exchange of assets with FirstEnergy.

We note that both the OCA and the DII submit that the generation exchange with FirstEnergy may be in the best interests of the Duquesne ratepayer. The OCA states that the exchange “is likely to enhance Duquesne’s ability to maximize the value of the generation assets that are subject to divestiture and, therefore, that it is likely to maximize the value of the divestiture to ratepayers, subject to the resolution of important labor, environmental and safety-related issues and the performance of due diligence.” (OCA Comments, Page 7)

We are not granting “final approval” of the generation exchange at this point. We agree with the Company and find that the generation exchange, as set forth in the Agreement in Principle, appears to be in the public interest. Duquesne shall be allowed to proceed with an auction of the facilities received in the generation exchange provided that Duquesne, as recommended by the OCA, shall provide a report to the parties and the Commission, summarizing the results of the due diligence and the specific terms of the final agreement with FirstEnergy. Furthermore, Duquesne shall submit the final agreements with FirstEnergy and the winning bidders for comments by the parties and final approval by the Commission.

B. Nuclear Decommissioning Liability

The OCA states that the language in paragraph 5 of the Agreement in Principle needs to be clarified to make it clear that Duquesne's nuclear decommissioning liability is limited to the amount included in the Commission's Restructuring Order.

The OTS states that while Duquesne clarified that FirstEnergy has the responsibility for disposal of the spent nuclear fuel rods at Beaver Valley and Perry, and that the existing nuclear decommissioning funds and the additional funding approved by the Commission in the Restructuring Order will be transferred to FirstEnergy, but these items were not set forth in the Auction Plan and asset exchange agreement. The OTS recommends that the amended Auction Plan and final Agreement with FirstEnergy should include these items.

Representative Michael R. Veon states that setting Duquesne's liability at \$7.949 million annually for the seven year CTC recovery period appears to be reasonable and fair. Representative Veon also states that these funds should be segregated and maintained solely and exclusively for the purposes of decommissioning the affected nuclear power plants.

The Environmentalists state that the Commission must protect the ratepayers by assuring that the nuclear decommissioning provision is clear and tight, and that the exposure of ratepayers must be capped.

Duquesne states that it has established a "firm cap" on its nuclear decommissioning liability equal to the amounts already funded and those

additional amounts authorized by the PUC in the Restructuring Order. Duquesne further states that the only implementation detail remaining is to develop a method by which such funding amounts can be transferred to FirstEnergy in a manner that preserves the tax advantaged treatment that such funds would have enjoyed if retained by Duquesne.

Resolution

We agree with the Company that a firm cap on its nuclear decommissioning liability has been established. However, we will continue to have the obligation to review the method by which the funding amounts may be transferred to FirstEnergy in the most tax advantaged manner.

II. AUCTION PROTOCOLS

The OCA states that a two-phase bidding procedure could be subject to gaming since the first bids are non-binding. The OCA further states that some bidders could submit unrealistically high bids in order to get into the second phase of the bid procedure and then significantly reduce their bids in phase two. The OCA recommends that Duquesne consider imposing some type of boundary on the downward variation between the first-phase bid and the second-phase bid that would trigger a review by Duquesne of the bid results.

The Environmentalists state that the Commission should have oversight of the auction. The Environmentalists suggest that Duquesne should confer with the Commission after the first round of bidding to present its plan for the second round and to receive some Commission input about the strategy for moving forward.

HSS/ARI request that the Commission accept Duquesne's Auction Plan only if there is a post-auction review which they claim is necessary to promote competition and protect ratepayers. HSS/ARI state that a review of auction results will not in any way diminish potential auction revenues. HSS/ARI also state that the review would not entail any question of whether it is appropriate for Duquesne to transfer the assets to buyers, nor would the orders resulting from the review provide for any increase in the prices buyers commit to pay under the bids they submit in the auction. The review would focus exclusively on Duquesne's actions and the relationship of those actions to auction results and net stranded cost liabilities. If the review shows that Duquesne acted in an unreasonable way, the Commission could impute, solely for purposes of calculating stranded costs, a higher market value than established by the auction, thereby reducing the amount of stranded costs Duquesne would be entitled to recover from ratepayers.

The Environmentalists state that the bidder confidentiality agreement will discourage bidder participation in the auction. The Environmentalists state that only the truly-necessary provisions should be permitted

Duquesne claims that it will use the same two-phase, sealed bid procedure that has been used by virtually all the other recent generating plant divestitures. Duquesne argues that these protocols are designed to maximize the value of Duquesne's assets. Duquesne notes that the OCA agrees with the Company that to the extent the Commission finds Duquesne's Auction procedures and protocols, to be reasonable at this time, the Commission should not conduct a post-hoc review of these procedures and protocols.

Duquesne states that the position of HSS/ARI should be rejected. First, Duquesne has requested approval of well-accepted protocols and stated that it will “keep the Commission staff apprised of material developments during the pendency of the auction.” Second, Duquesne will earn a higher return on the cash proceeds from the auction than it can on the CTC established at the Commission-approved rate of return. Finally, Duquesne will have the incentive to maximize value because higher auction proceeds will shorten the transition period, which in turn will release Duquesne from its obligation to provide power at capped rates, thereby eliminating this regulatory burden on Duquesne.

Resolution

We will approve the Auction protocols proposed by Duquesne. We note the comments by the OCA that the Company’s auction design is generally reasonable and that this process has been used successfully in other divestitures, if implemented properly. We agree with the OCA that Duquesne must continue to attempt to achieve the maximum proceeds and that Duquesne must retain the right to reject all bids if it determines that there were factors in the process which significantly affected the number of participants and the level of bids.

III. PROVIDER OF LAST RESORT (POLR)

OCA states that the Commission should direct Duquesne to review the GPU divestiture process regarding transition contracts in developing a more specific plan for meeting its POLR obligation. The OCA recommends that Duquesne evaluate a combination of short-term and long-term transition contracts, particularly as it considers whether an auction process for a portion of its POLR

obligation is viable.

The OCA states that under a Competitive Default Service (CDS) process, alternative suppliers that meet certain standards, terms, conditions and criteria to be established by the Commission can bid to provide the CDS. The OCA submits that Duquesne should pursue the option of meeting some portion of its POLR obligation through CDS. The OCA further submits that Duquesne's auction proposals should be coordinated and operated with the same or similar policies applicable to the CDS contemplated by the Settlements reached for PECO Energy, PP&L, GPU Energy and West Penn Power.

The OCA agrees with Duquesne that it should not rely on wholesale market contracts at this time as a means of providing POLR service.

The OCA recommends that the Commission direct Duquesne to continue to evaluate a combination of transition contracts and CDS and file a report with the Commission and all interested parties. The OCA states that a collaborative process, including all interested parties, may then be appropriate to develop a process for Duquesne to meet its POLR obligation. The OCA also recommends that Duquesne's efforts to establish a CDS be coordinated with the Commission's on-going efforts to establish standards, terms, conditions and processes for CDS throughout the Commonwealth.

The Environmentalists state that the provider of last resort proposal is incomplete. The Environmentalists also state that the Commission should consider a requirement in the sale of Duquesne's generation assets that these plants provide some POLR service for the first two years until the market works smoothly.

The OTS states that Duquesne has not yet adequately supported its choice to auction the POLR service. The OTS further states that Duquesne should refile or supplement its Auction Plan to include its selection of a POLR auction and a detailed analysis showing why this choice is beneficial to ratepayers and why it should be selected over other options.

State Representative Michael R. Veon states that Duquesne should serve as the provider of last resort at rates comparable to those consumers would pay if they had in fact exercised their ability to select an alternative provider. Representative Veon claims that the Commission should require Duquesne to retain ownership of sufficient generating capacity to ensure that all of its current customers have access to a reliable supply of energy at a reasonable and fair cost until such time that these customers have had ample opportunity to select alternative providers.

It is Enron's position that the negotiated GPU POLR-retail competitive bid solution is an appropriate precedent to be utilized by Duquesne as part of this auction process. Enron states that in any retail provision of POLR service, the customer is going to expect the electric generation supplier to be a full service company; this will not be possible without Duquesne agreeing to allow the competitive provision of billing and metering. Enron also states that the West Penn Settlement includes the provision for competitive metering and billing. Enron claims that the Duquesne Auction Plan and POLR Retail Service Plan should include a projected date of July 1, 1999 for unbundling billing and metering services.

IBEW states that the plan does not include an adequate discussion of the

effects of its plan on its obligation to serve as the POLR. IBEW claims that Duquesne has no idea how it will reliably meet its legal obligation as the POLR for its customers if it sells its power plants. IBEW further states that the law requires Duquesne to be responsible for providing energy for its customers so long as it is collecting a CTC.

Duquesne notes that there are three options to ensure that the price cap obligation can be reliably met following the asset divestiture. Duquesne could bundle transition power contracts with some or all of its generation assets to provide a contractual source of capacity and energy during the rate cap period. Duquesne notes that it is considering auctioning the POLR service. Furthermore, Duquesne states that to the extent the sale of the POLR service through the auction process yields net proceeds to Duquesne, such proceeds would be credited to stranded cost recovery. Duquesne states that it could contract for power in the wholesale power markets to provide this service. However, the Company is of the opinion that it is unknown, at this point in time, if there is adequate market liquidity to obtain these option contracts in sufficient quantity and duration to reliably meet its obligations to provide rate cap service. The Company states that it expects to evaluate, through the generation auction process, whether either of the first two options would provide an appropriate balance between maximizing auction proceeds and reliably meeting its POLR obligations.

Duquesne states that it will not agree to follow the settlements with GPU and other Pennsylvania utilities, as recommended by the OCA and Enron. Duquesne argues that the POLR auctions contemplated in those settlements will not produce sale proceeds that can be used to reduce stranded costs. Duquesne believes that the settlements are inappropriate under the circumstances here

because they contemplate auctioning only a portion of the POLR service and, even then, only for a short period (e.g., annual auctions) of time. Duquesne claims its proposal is easier to implement than the structures envisioned by the settlements. Duquesne urges the Commission to permit it to auction the POLR service as proposed, provided that the Commission reserves authority to review and approve any final agreement as to matters within the Commission's jurisdiction.

In response to the IBEW, Duquesne notes that it will retain its POLR obligation and abide by the mandated price cap on generation throughout the CTC recovery period for each rate class. The Company argues that this eliminates the need for the Commission to approve a transferring of POLR responsibility and the need for the Commission to develop CDS credit worthiness standards and bond requirements. The Company states that as the POLR provider, it will provide metering and billing services, as well as assume the customer collection risk.

Duquesne requests that the Commission permit it to auction the POLR service as proposed, provided that the Commission reserves authority to review and approve any final arrangement as to matters within the Commission's jurisdiction.

Resolution

We will allow Duquesne to continue to pursue its proposed POLR options. It is important to note that we have adopted the CDS concept in several other cases as a means of obtaining the benefits of competition for those customers who do not or cannot shop. However, we are reluctant to impose such a requirement on Duquesne at this stage of the proceedings. We are equally concerned that

Duquesne's auction proposal may not provide the POLR customers with the equivalent competitive benefits of the CDS process. Accordingly, we will allow Duquesne to auction the POLR service as proposed, but subject to Commission review and approval of any final arrangements.

We also believe that Duquesne should proceed with collaborative discussions with the parties concerning the exact nature of the POLR service to be auctioned. There may be opportunity for Duquesne to enhance the results of a POLR auction by including a CDS type portion, or other services in addition to the generation services that it currently contemplates. Duquesne should report the results of its discussions by January 26, 1999. Duquesne is aware that 66 Pa. C.S.A. §28 contemplates the Commission developing rules which affect the scope of POLR service, as well as metering and billing services. Any POLR option will need to be flexible to accommodate future Commission determinations.

IV. ACCOUNTING FOR AUCTION PROCEEDS

A. Timing of Approval of Auction Accounting

The OCA submits that the Commission should wait until the auction is complete before approving accounting and ratemaking protocols to be used for determining a final stranded cost amount and establishing a final CTC. The OCA states that at that time, many of the uncertainties surrounding the auction will be resolved and accounting protocols can be adopted which will account for all known and unknown aspects of the divestiture.

The OCA states that the Commission's administrative determination of net

margins as of January 1, 1999, included allowances for capital additions to generation plants. OCA states that any capital additions during 1999 until the time the sale is closed which were included in the administrative determination must be removed at the time of reconciliation after the auction.

DII states that the Commission should expressly reserve the opportunity for further comments on the Accounting Protocols during subsequent proceedings that address stranded cost true-up, as necessary to ensure that stranded costs are accurately and fairly reconciled with actual divestiture results.

The Environmentalists state that the plan wrongly requires ratepayers to pay all of the costs of the auction and the swap. The Environmentalists also state that the Commission should allocate much of the transaction costs to the shareholders.

HSS/ARI state there is one category of costs that the Commission should not allow. HSS/ARI further state that the level of current taxes has to be clarified or modified depending on what Duquesne means by "current taxes payable." HSS/ARI opine that the taxes to be deducted should be actual taxes paid, consistent with the Commission's long-standing practice, regardless of the maximum combined federal-state income tax rate. HSS/ARI claim that Duquesne should not be permitted to retain for shareholders any benefit that might result from Duquesne paying taxes at a lower rate than the maximum.

HSS/ARI state that Duquesne's convoluted accounting protocols are suspect. HSS/ARI further state that the Commission should reject Duquesne's accounting protocols and require Duquesne to account for the auction results in a straight-forward manner that excludes consideration of forecasts and assumptions

that are irrelevant to a determination of stranded costs in the context of an actual sale. HSS/ARI opine that actual sale results then can be easily verified by the Commission's audit staff, thereby avoiding the unnecessary delay, confusion and potential overcharges that could result from the use of Duquesne's proposed protocols.

Duquesne maintains that it must have sufficient certainty that it will recover its actual stranded costs in order to commit to binding contractual terms with winning bidders. Duquesne believes that otherwise, there will be an increased level of uncertainty which will harm the auction. Duquesne argues that the OCA's accounting proceeding in which the Commission would, on an after-the-fact basis, permit recovery of only those capital additions that were "reasonable" and "were actually completed prior to closing" of the auction would add uncertainty to the accounting protocols. Duquesne states that it is important for all parties to provide Duquesne a reasonable level of certainty regarding accounting protocols before the auction progresses substantially further. Duquesne has provided a description of three alternative methodologies that, if implemented properly, would, according to Duquesne, ensure that net proceeds from the auction are accounted for in a manner which enables Duquesne to recover its actual stranded costs.

Duquesne proposes to arrange another technical conference that would focus solely on auction accounting protocols. Duquesne expects that a mutually agreeable plan could be achieved by the end of the year. Duquesne would then file a report with the Commission describing any agreements that have been reached. If no agreements are possible, Duquesne will present its own proposal for comment by the parties and Commission review and approval.

Resolution

We accept Duquesne's proposal to convene a technical conference to discuss the protocols for accounting for auction proceeds and to file a report on these discussions. This report shall also include comments from the technical conference participants. The report including the participants comments shall be filed with the Secretary of the Commission by the close of business on February 1, 1999.

B. FAS 109 Recoverable Taxes

The OCA notes that Duquesne proposes to determine the net auction proceeds on an after-tax basis based on the actual taxes paid as a result of the sale. The OCA submits that since Duquesne is divesting its generation assets and will pay taxes associated with these assets at the time of the sale, the SFAS 109 asset should be removed from the stranded cost calculation.

DII states that Duquesne's FAS 109 regulatory asset must be eliminated because net divestiture proceeds are calculated on an after-tax basis. DII also states that Duquesne must be required to eliminate its FAS 109 regulatory asset of \$179 million and associated deferred taxes of \$57.48 million.

HSS/ARI state that in listing the \$179 million as a regulatory asset, Duquesne is *double counting the deferred taxes; once in the calculation of net plant and a second time as a regulatory asset.* HSS/ARI further state that Duquesne should be required to remove the \$179 million in deferred taxes as a regulatory asset.

Duquesne agrees that the FAS 109 Regulatory Asset should be eliminated if its proposal to account for the auction proceeds on a net of tax basis is accepted.

Resolution

We accept Duquesne's Agreement with the OCA and DII position that the FAS 109 Regulatory Asset (and associated deferred tax balance) should be eliminated if the accounting for auction proceeds is on a net of tax basis.

C. Beaver Valley 2 Lease Agreement

The OCA states that paragraph 3 of the agreement requires Duquesne to terminate its lease arrangement for its Beaver Valley 2 interest, which may cost as much as \$90 million and is to be deducted from the divestiture proceeds, as a transaction cost. The OCA submits that Duquesne should explore with FirstEnergy any possible alternatives to the termination of this lease. The OCA also states that further analysis is needed to determine whether all of the \$90 million cost is incremental to Duquesne.

The Company contends that the OCA does not oppose recovery of the Beaver Valley lease termination expenses, provided that (i) such expenses are "incremental cost(s) to Duquesne" and (ii) Duquesne has adequately "explore(d) with FirstEnergy any possible alternative to termination of this lease." The Company claims that these costs are incremental and that it has explored every reasonable alternative. The Company states that a full accounting for the final lease termination costs will be provided at the time a final accounting for stranded

costs is made following completion of the auction.

Resolution

To the extent that Duquesne may demonstrate that the lease termination costs were reasonably incurred we will allow such costs to be recovered.

D. Accounting for Unsold Assets

The OCA states that Duquesne's proposal that the market value of any asset which remains unsold after the auction is zero is unreasonable without determining the underlying reasons why the asset did not sell. The OCA also states that during the final reconciliation of stranded cost, any unsold asset should be valued at its administratively determined market value unless Duquesne can demonstrate that a different valuation is appropriate.

DII states that the Commission should reject an arbitrary assumed \$0 sales price for unsold units. DII opines that Duquesne's rationale for including the \$0 sales price provision evaporates upon completion of the FirstEnergy transaction. DII also states that the Commission should address this issue in further detail in the stranded cost true-up proceeding following divestiture.

The Environmentalists state that the plan does not require alternative strategies if plants are not sold in the auction.

Duquesne states that the OCA's contention is barred by the Restructuring Order, which approved Duquesne's divestiture proposal without modification.

Duquesne expects that the “zero value” may be mooted by the Generation Exchange, since the zero value scenario was expected to occur, if at all, in the auction of Duquesne’s nuclear interests in the Beaver Valley and Perry plants. Duquesne states that the Commission may defer resolution of this issue, provided that it approves the Generation Exchange.

Resolution

We agree with the Company’s assertion that “the issue of whether the assets have great value or no value is for the market to decide.” This market value, along with the details of disposition, will receive appropriate Commission scrutiny at the proper time.

E. Deferred Fuel Regulatory Asset

The OCA states that Duquesne claims that the deferred fuel regulatory asset should be increased to \$25 million since the Commission denied a roll-in of the ECR at the value Duquesne sought. The OCA submits that the Commission addressed this issue in its August 13, 1998 Order when it allowed \$6.73 million in deferred fuel. The OCA argues that there has been no additional information provided by Duquesne to change this determination. The OCA recommends that Duquesne’s deferred fuel should be reduced to \$6.73 million as ordered by the Commission in both the restructuring and compliance orders.

DII states that Duquesne provides no basis for its proposed \$18.27 (\$6.76 to \$25) million increase to its deferred fuel regulatory asset and an associated deferred tax increase of \$12.95 (\$4.78 to \$17.73) million, or a total of \$31.22

million. DII also states that the Commission must once again rebuff Duquesne's attempt to increase the deferred regulatory asset.

Duquesne states that the OCA and DII position should be rejected for three reasons. First, the Commission's March 27, 1997 order on Duquesne's ECR filing determined that "Duquesne is permitted to create a regulatory asset in an amount equal to its accumulated under collection of its energy costs incurred during the period commencing February 1, 1996 through the conclusion of its restructuring proceeding." Second, no party objected to the inclusion of the updated deferred fuel balance in the first compliance filing. Third, Duquesne is perplexed by DII's claim that the Compliance Order "expressly rejected" the updated deferred fuel balance. Duquesne states that there is no language in the Compliance Order rejecting the updated deferred fuel regulatory asset.

Resolution

We will adopt the recommendations of the OCA and DII and direct Duquesne to reflect \$6.73 million as the Deferred Fuel regulatory asset along with the associated deferred taxes as part of the Stranded Cost Allowance, as we concluded in our August 13, 1998 Order at this docket and in the Restructuring Order.

V. IMPACTS ON EMPLOYEES AND COMMUNITIES

OTS states that Duquesne has not satisfied the Commission's directive to resolve labor-related transitional issues with fairness to the employees and the local communities. OTS also states that this should be done prior to Commission

approval of Duquesne's Auction Plan.

State Senator Jack Wagner states that the Commission must ensure that massive layoffs of employees does not happen. Senator Wagner also states that everyone should know precisely what the plan is for these generation facilities and the people employed therein. Senator Wagner opines that the benefits of electric competition can and must ensure that programs for assistance to low-income and elderly consumers are safeguarded. Senator Wagner proposes that no approval should be granted unless customers, employees and communities are properly protected.

State Representative Michael R. Veon states the Commission should require clear and compelling evidence that employees have participated in discussions and agree with decisions about such issues as continuation of collective bargaining agreements; reductions in force; severance pay; early retirement incentives; retraining, relocation and outplacement services; protection of employee pension rights; protection of health care benefits and other benefits which those employees now enjoy. Representative Veon also states that the Commission should require Duquesne and FirstEnergy to include evidence of meetings with local government officials. Representative Veon opines that Duquesne should be required to show evidence that it has fully evaluated the potential tax implications of its restructuring program. Representative Veon proposes that the Commission should require clear, definitive statements from Duquesne and FirstEnergy about their willingness to support local economic development activities, expressing the extent of their financial commitment to support such activities.

The Environmentalists state that the plan fails to adequately address

employee impacts. The Environmentalists also state that the Commission needs much more information before it can approve the Auction Plan.

The UWUA states that the plan must protect New Castle workers. The UWUA further states that the exchange-and-auction plan does not provide for severance, early retirement, retraining or job retention in other positions, as expressly contemplated by the Electricity Generation, Customer Choice and Competition Act. The UWUA proposes that the plan must protect workers whose plants would be transferred to FirstEnergy. The UWUA avers that FirstEnergy's labor relations have been and remain poor.

Local 272 is concerned that the proposed generation swap could have an adverse effect on FirstEnergy's employees at the Bruce Mansfield plant. Bruce Mansfield and Duquesne's Beaver Valley plant are located next to each other. Local 272 is concerned that if FirstEnergy owns and operates both plants, it will attempt to reduce employment levels at one or both plants, combine job functions, transfer employees between plants and otherwise change the working conditions for members of Local 272. Local 272 states that there is nothing in Duquesne's filings that address the effect of the generation swap on FirstEnergy's employees or on the safety and reliability of the Bruce Mansfield station. Local 272 further states that the Commission should not approve Duquesne's plan at the present time.

IBEW states that the issue of what happens to the people who work at Beaver Valley 1-2 is scarcely addressed in the agreement in principle. IBEW also states that if these nuclear units are transferred without an acceptable plan for these people, there is a very real risk that the plants could not be operated in a safe and

reliable manner. IBEW claims that the auction plan and the agreement in principle with FirstEnergy do not provide sufficient information for the Commission to assess several critically important issues about the jointly owned units. IBEW opines that Duquesne must provide additional information that addresses the effect of any such transfer on its employees, the local communities and the safety and reliability of the Duquesne system. IBEW is very concerned that Duquesne's "plan" to deal with employees may be to have hundreds of them lose their jobs. IBEW avers that at the present time, it is not possible for the Commission to be aware of the full impact of Duquesne's plan on its employees because neither Duquesne nor anyone else can tell how its employees will be affected by the auction plan.

Duquesne states the "safety" of operations at Beaver Valley is a matter solely within the jurisdiction of the NRC and outside the scope of the Commission's jurisdiction. Duquesne also states that once the auction has been completed, including negotiations with FirstEnergy, it will provide the Commission with a discussion of the impacts of the auction on its employees in more precise terms, including quantification of the related transition costs. Duquesne opines that there is no statutory basis to prohibit it from commencing the auction until all "effects" on employees have been identified. Duquesne states that the Commission is not a taxing authority and has no jurisdiction to consider or alter any effects on tax revenues. Duquesne claims that if there are local or state tax authorities that will be impacted by the auction, they can raise and address their concerns in any manner provided for by law. Duquesne proposes that the auction is the best method for ensuring the long-term employment and growth of a generation-related workforce at the plants currently owned by Duquesne.

Resolution

We are keenly aware of the concerns expressed by the majority of the commenters with respect to the impact of Duquesne's proposals on employees and communities. We do not take lightly our responsibility to oversee this process in such a way that affected communities and employees are protected to the extent possible.

We fully intend to proceed in a manner that will bring these very sensitive matters to a just and reasonable conclusion. Nevertheless, at this point in time, we stand by the parameters we enunciated in our November 19, 1998 order. We will allow Duquesne to proceed, while once again reminding the Company of our intention to carry out our legislatively mandated responsibilities.

VI. OTHER ISSUES

A. Affiliate or FirstEnergy Participation

The OCA states that Duquesne's affiliates and FirstEnergy will not bid for the generation assets. The OCA recommends that this be specifically stated in the Commission's Order.

Duquesne confirms that it nor FirstEnergy, nor any of their affiliates will bid in the auction, provided that the Generation Exchange with FirstEnergy is approved.

Resolution

In its reply comments, Duquesne confirms the fact neither it nor FirstEnergy (nor any of their affiliates) will be permitted to submit bids in the auction. We shall so direct in the ordering paragraphs.

B. Market Power Considerations

The OCA recommends that Duquesne identify the circumstances under which a market power analysis is required from a bidder, explain how these analyses will impact Duquesne's decisions regarding accepting final bids, limiting bidders, or bundling of assets, and whether the Commission is to review these analyses in relation to the winning bidders.

The OTS states that Duquesne should be required to provide a market power study to the Commission at the conclusion of the auction.

Duquesne states that it has no objection to providing the Commission with *the information necessary to consider market power issues at the time a winning bidder is selected and final approval of the auction is requested.*

Resolution

As stated in its reply comments, Duquesne will provide the Commission with the information necessary to consider market power issues at the time a winning bidder(s) is selected and final approval of the auction is requested. We hereby accept this proposal.

C. Asset Bundles - Phillips and Brunot Island, and the Power Sale Agreement (PSA)

The OCA states that since the Commission excluded these plants, which are currently in cold reserve, from the determination of stranded costs, Duquesne will retain the net proceeds from the sale of these two plants. OCA recommends that these plants be sold in a separate package from other generation assets in order to accurately determine the value of these assets.

The OCA states that Duquesne plans to transfer its rights and obligations under its eight year PSA to one of the winning bidders. The OCA submits that the PSA should be separately auctioned or auctioned in conjunction with the auction of Phillips and Brunot Island. The OCA claims that ratepayers should not be held liable for this PSA.

Duquesne states that if the Commission accepts the recommendation of the OCA, which Duquesne strongly opposes, it would agree to flow through to ratepayers all the net proceeds from the sale of both the rate base and non-rate base portions of Phillips and Brunot Island if the Commission permits Duquesne to bundle the PSA and the non-rate base portions of the Phillips and Brunot Island plants in the auction. Duquesne further states that this alternative will clearly benefit ratepayers in two respects that could not be achieved without this offer. First, it will allow Duquesne to auction Brunot Island as a stand alone plant, which will maximize the value of the entire plant, thereby mitigating stranded cost recovery for the rate base portions of it. Second, it will allow ratepayers to reap the benefits of the sale of non-rate base portions of Brunot Island, which are no

longer entirely cold-reserved. Duquesne therefore requests the Commission to reject the comments of the OCA regarding Phillips and Brunot Island and the PSA or, in the alternative, that it accept Duquesne's alternative proposal.

Resolution

We reiterate our belief that it is better to deal with the sale of a unit as a whole, rather than trying to auction off a minority/partial interest. We also agree that the PSA furthered the Commission's goals to encourage the Pilot Program and enhance the sources of Retail Access.

Thus, we will accept Duquesne's alternative proposal to bundle the PSA and the non-rate base portions of the Phillips and Brunot Island plants in the auction. The entire net proceeds from said sale(s) shall be flowed through to ratepayers.

D. Cheswick and Elrama

The OCA states that Duquesne intends to impose restrictions on the purchasers of these units to ensure that reliability is maintained. Duquesne will be allowed to call on the new owners to operate each plant during certain hours of peak load. The OCA claims that this could have an adverse impact on the value placed on these units. The OCA also states that Duquesne should be directed to pursue the most cost-effective and reliable solutions to this problem in a timely manner.

The OTS states that further detail is needed concerning the "must run"

agreements. OTS further states that the Auction Plan contains no limitation on the level of costs to be reimbursed to the new owners of Cheswick and Elrama. The OTS claims that there should be limitations, such as a “rule of reasonableness,” written into the operation agreements to protect ratepayers.

The Environmentalists state that the Cheswick station has accumulated 12,000 tons of SO₂ allowances which will be assigned to the new owner of the facility. The Environmentalists would like the Commission to require Duquesne to retire these allowances, thus preventing the future release of 12,000 tons of SO₂ into Pennsylvania’s environment. If the allowances are not retired, the Environmentalists suggest that they be auctioned separately and not as part of the Cheswick plant.

The UWUA states that Duquesne’s generation transfers to FirstEnergy and the auction should include conditions requiring the new owner to provide ancillary services and must-run generation. The UWUA also states that the ancillary service rates and must-run generation rates should be capped based on the plants’ original net cost and not marked up for any market-value premium that the new owner may pay for the plants. The UWUA claims that sales of the Elrama and Cheswick plants need to be conditioned to ensure that they are not retired before the transmission system is upgraded to maintain reliability and system security in their absence.

IBEW states that Duquesne’s auction plan fails to fully disclose and identify the operational criteria for the generating units that will be necessary to maintain the safety and reliability of Duquesne’s electric system. IBEW further states that if Duquesne fails to control both Elrama and Cheswick during peak

periods, it will be unable to ensure the reliability of its system. IBEW opines that Duquesne greatly overstates the case when it asserts that a must-run agreement will “ensure that the reliable supply of electric power is not jeopardized by the divestiture of Duquesne’s generating facilities.” IBEW claims that there is no certainty about the specific terms and conditions that will be acceptable to the parties and to FERC. IBEW states that there is no certainty that the Elrama and Cheswick plants will remain available since the purchaser’s obligation to operate the units when Duquesne requires them lasts for only five years.

Duquesne agrees that it should pursue the most cost-effective solutions to must-run issues and will, during the course of the auction, continue to evaluate whether transmission or distribution investments are a more economical means for addressing the local area reliability issues than a must-run agreement, or whether some combination of the is economic. Duquesne believes that installing capacitors on the transmission and distribution system would allow it to relieve the Cheswick facility from any must-run agreements and would reduce the need to call on Elrama at a cost of \$10 million. Duquesne requests Commission guidance as to whether it would authorize this cost to be deducted from auction proceeds as a transaction cost.

Duquesne states that the Must Run Agreement is FERC-jurisdictional. Duquesne states that the OTS concerns about reasonableness of costs can be addressed by at the FERC at the time an executed agreement is filed with FERC.

Duquesne agrees with the IBEW that not every issue relating to the must-run arrangements has been fully resolved. Duquesne states that it will be making a subsequent filing for final approval of the auction, including those arrangements

necessary for maintaining reliability. Duquesne states that the IBEW's request for delay therefore should be rejected as another Catch-22 designed to delay the auction.

Resolution

The Commission is charged with the duty to ensure the continuation of safe and reliable electric service to all consumers in the restructuring of the electric utility industry. The specific actions Duquesne must take and the specific must-run contractual obligations it must negotiate cannot be determined at this point in the auction process. Duquesne has requested guidance from the Commission concerning potential capital additions which may, in combination with other contractual requirements serve to continue reliable service in a cost-effective manner. Obviously, given the lack of specifics and an evaluation of the alternatives, the Commission cannot endorse a specific course of possible action. However, the Commission will consider the reasonableness of any combination of reasonable capital additions and appropriate contractual provisions which provide ratepayers continuation of reliable service in a cost-effective manner. Duquesne must make subsequent filings for the Commission's final approval of the Auction, which include the steps necessary to maintain reliable service in a reasonable cost effective manner.

We fully intend to fulfill our statutory obligations as to reliability, and will take any necessary action at the appropriate time.

E. Ancillary Services

The Environmentalists state that Duquesne's claim of the right to call on the Buyer's assets to provide ancillary services will reduce the value of the generation assets.

The OCA states that Duquesne anticipates using a formula rate that allows it to recover the costs of ancillary services necessary to maintain the integrity of the transmission system. The OCA is concerned with the imposition of an automatically adjusting formula rate mechanism on retail customers' bills in the environment of competitive supply. The OCA recommends that the Commission reserve judgment on whether such mechanism is appropriate for the recovery of costs associated with ancillary services. The OCA submits that all ancillary charges must be in accordance with the rate cap provisions of the Act.

Duquesne states that the OCA's concerns are premature because at the conclusion of the auction, Duquesne will develop a plan for recovering ancillary service costs and, at that time, any interested parties can comment on the plan when it is filed with the FERC.

Resolution

We agree with the OCA and will reserve judgment on whether the Company's proposed mechanism for recovery of these costs is appropriate. Furthermore, we also agree with the OCA that if a formula is permitted at all, the impact of such a rate is limited by the rate cap provisions of the Act.

F. Environmental Liabilities

The OTS states that the current Auction Plan does not contain sufficient information to satisfy the Commission's directive concerning environment obligations. The OTS also states that these responsibilities need to be clearly set forth, at this time, so that they may be considered by the Commission in its deliberations on the Auction Plan.

Representative Michael R. Veon states that the Commission should require Duquesne to attach a market value to its air quality credits.

Duquesne states that it does not understand the OTS concern since it is not requesting recovery of any environmental liabilities it may retain under the asset sale or exchange agreements. Duquesne states that there is nothing for the Commission to consider in its deliberations on the Auction Plan.

Duquesne contends that the purchaser will assume most of the environmental liabilities associated with the plant sites.

Resolution

Duquesne is not requesting recovery of the cost of any environmental liabilities it may retain under the asset sale or exchange agreements.

The issue of environmental liabilities may be part of the final agreements with FirstEnergy and the final agreement with the successful auction bidders. We have previously directed Duquesne to provide these agreements to the Commission

and the parties.

VII. CONCLUSION

We take this opportunity to thank all of the commenters for their input to the Commission on this important matter. We would also like to remind everyone that our decision at this point in time is not a final resolution of these matters. There will be further opportunities, as Duquesne's plan proceeds, for the various parties to once again provide further input to the Commission.

We have considered all of the material that has been presented to us by the various parties in this case; **THEREFORE,**

IT IS ORDERED:

1. That Duquesne's Generation Auction Plan is hereby approved consistent with the findings in this Order.

2. That Duquesne shall file the definitive agreements regarding the generation exchange with the Commission for approval of all matters within its jurisdiction. Comments shall be filed consistent with our Order of November 19, 1998.

3. That the generation exchange with FirstEnergy appears to be in the public interest and Duquesne is authorized to proceed with an auction of the FirstEnergy plants it will receive in the exchange.

4. That the auction protocols set forth in Section II of the Auction Plan are hereby approved, subject to a requirement that Duquesne provide the Commission with periodic updates on the progress of the auction.

5. That Duquesne's proposal to commence an auction of the POLR service is hereby approved, subject to a requirement that Duquesne file with the Commission any agreement to sell the POLR for review and final approval of all matters within its jurisdiction.

6. That Duquesne is directed to proceed with collaborative discussions with the parties concerning the POLR service and shall report the results of these discussions to the Commission by January 26, 1999.

7. That Duquesne is directed to convene a technical conference to discuss the protocols for accounting for auction proceeds and to file a report with comments on these discussions by the close of business on February 1, 1999.

8. That Duquesne is authorized to recover, as modified by this order and as an offset to auction proceeds, the categories of transaction costs identified in the Auction Plan and supplemental materials.

9. That Duquesne is authorized to include in the auction the non-rate base units at the Phillips and Brunot Island plants and the Power Sale Agreement.

10. That Duquesne shall continue to explore the least-cost solution to addressing must-run and other reliability issues associated with the Auction. To the extent that the installation of facilities reduces must-run requirements,

Duquesne may recover the related costs as transaction costs as modified by this order.

11. That neither Duquesne nor FirstEnergy, nor any of their affiliates, shall be permitted to submit a bid in the auction.

12. That Duquesne shall submit, following selection of the winning bidder(s), information and analyses regarding the effect of the auction on competition in retail electric markets.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: December 17, 1998

ORDER ENTERED: **DEC 18 1998**

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PITTSBURGH PA 15219

GPU ENERGY
2800 POTTSVILLE PIKE
READING PA 196740-0001

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

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

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

ALAN J BARAK ESQUIRE
3700 VARTAN WAY
HARRISBURG PA 17110

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

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

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

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

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

GERALD GORNISH ALAN KOHLER
& DANIEL CLEARFIELD ESQS
WOLF BLOCK SHORR & SOLIS-
COHEN
STE 300 212 LOCUST STREET
HARRISBURG PA 17101

ANGELA JONES ESQUIRE
SMALL BUSINESS ADVOCATE
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MESSENGER

KEVIN MCKEON & JANET MILLER
WILLIAM T HAWKE ESQUIRES
TODD STEWART ESQUIRE
MALATESTA HAWKE & MCKEON
PO BOX 1778
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GARY JEFFRIES ESQUIRE
CNG ENERGY SERVICES
ONE PARK RIDGE CENTER
PO BOX 15746
PITTSBURGH PA 15244-0746

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

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

SHEILA HOLLIS ESQUIRE
MARY ANN RALLS ESQUIRE
1667 K STREET NW STE 700
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JOSEPH DWORETZKY ESQUIRE
JOHN LAVELLE JR ESQUIRE
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KURT BILAS ESQUIRE
VICTOR A CONTRACE
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HOWARD LOUIK ESQUIRE
300 FORT PITT COMMONS
445 FORT PITT BLVD
PITTSBURGH PA 15219

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

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

ROGER CLARK ESQUIRE
THE ENVIRONMENTALISTS
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ANDLER PA 19002-3901

THOMAS GADSDEN ESQUIRE
MORGAN LEWIS & BOCKUIS
2000 ONR LOGAN SQUARE
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BRIAN KALCIC
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KENNETH ZIELONIS ESQUIRE
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SUITE 310
P O BOX 12090
HARRISBURG PA 17108-2090

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

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

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

HONORABLE PATRICK E FLEAGLE
HOUSE POST OFFICE BOX 202020
MAIN CAPITOL BUILDING
HARRISBURG PA 17120-2020
MESSENGER

ALBERT BENINCASA ESQUIRE
46 9TH AVENUE
SEA CLIFF NY 11579

DONALD AYERSMAN JR ESQUIRE
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MORGANTOWN WV 26505

JOHN O'BRIEN ESQUIRE
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SUITE 207
UNIONDALE NY 11553

LAWRENCE E MONCRIEF ESQUIRE
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PITTSBURGH PA 15206

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

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

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

JEFFREY M BLADEN MGR
CORP DEVELOPMENT
NEW ENERGY VENTURES EAST
1845 WALNUT STREET
SUITE 2525
PHILADELPHIA PA 19103

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

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

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

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

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

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

HONORABLE RICHARD F VIDMER
CHAIRMAN
WESTMORELAND COUNTY COMMRS
101 COURTHOUSE SQUARE
GREENSBURG PA 15601

JOHN E MOLINDA PE
STRATEGIC ENERGY LTD
2 GATEWAY CENTER
PITTSBURGH PA 15222-1458

JAMES CAWLEY ESQUIRE
RHOADS & SINON
DAUPHIN BANK, BLDG 12TH FL
ONE SOUTH MARKET SQ
P O BOX 1146
HARRISBURG PA 17108-1146

DR ROGER ODISIO
170 DRAKE ROAD
BETHEL PARK PA 15102

MARY RUGH SR ELECTRICAL ENG
UNIVERSITY OF PITTSBURGH,
FACILITIES MANAGEMENT DIV
EUREKA BLDG 3400 FORBES AVE
PITTSBURGH PA 15260

DAVID E POMPER ESQUIRE
SPEIGEL & MCDIARMID
1350 NEW YORK AVENUE NW
WASHINGTON DC 20005-4798

HONORABLE JACK WAGNER
SENATE BOX 203042
HARRISBURG PA 17120-3042
MESSENGER

HONORABLE MELISSA HART
SENATE POST OFFICE
MAIN CAPITOL
HARRISBURG PA 17120
MESSENGER

HONORABLE MICHAEL R VEON
HOUSE BOX 202020
MAIN CAPITOL
HARRISBURG PA 17120-2020
MESSENGER

HONORABLE TIM MURPHY
SENATE POST OFFICE
MAIN CAPITOL
HARRISBURG PA 17120
MESSENGER

R DAVID MYERS
HONORABLE SUSAN LAUGHLIN
16 EAST WING
HARRISBURG PA 17120
MESSENGER

HONORABLE FRANCIS J DERMODY
600 WOODLAND AVENUE
OAKMONT PA 15139

HONORABLE ANTHONY DELUCA
ALLEGHENY CO DEMOCRATIC
DELEGATION
11609 PENN HILLS DRIVE
PITTSBURGH PA 15235-3329

HONORABLE FRANK DERMODY
ALLEGHENY CO DEMOCRATIC
DELEGATION
801 FREEPORT ROAD
CHESWICK PA 15024-1209

HONORABLE DAVID LEVDANSKY
ALLEGHENY CO DEMOCRATIC
DELEGATION
112 SECOND AVENUE
ELIZABETH PA 15037-1539

HONORABLE SUSAN LAUGHLIN
ALLEGHENY CO DEMOCRATIC
DELEGATION
555 MERCHANT STREET
AMBRIDGE PA 15003-2464

HONORABLE TOM MICHLOVIC
ALLEGHENY CO DEMOCRATIC
DELEGATION
519 PENN AVENUE
TURTLE CREEK PA 15145

HONORABLE IVAN ITKIN
ALLEGHENY CO DEMOCRATIC
DELEGATION
1148 GREENFIELD AVENUE
PITTSBURGH PA 15217-2053

HONORABLE TERRY E VAN HORNE
ALLEGHENY CO DEMOCRATIC
DELEGATION
1625 FIFTH AVENUE
ARNOLD PA 15068-4415

HONORABLE FRANK J. PISTELLA
ALLEGHENY CO DEMOCRATIC
DELEGATION
506 S MILLVALE AVENUE
PITTSBURGH PA 15224-2118

HONORABLE FRANK GIGLIOTTI
ALLEGHENY CO DEMOCRATIC
DELEGATION
2023 EAST CARSON STREET
PITTSBURGH PA 15203-1929

HONORABLE HARRY READSHAW
ALLEGHENY CO DEMOCRATIC
DELEGATION
5101 OLD CLAIRTON ROAD
PITTSBURGH PA 15236

HONORABLE TOM PETRONE
ALLEGHENY CO DEMOCRATIC
DELEGATION
179 STEUBEN STREET
PO BOX 8557
PITTSBURGH PA 15220

HONORABLE RICHARD D OLASZ
ALLEGHENY CO DEMOCRATIC
DELEGATION
3702 GREENSPRINGS AVENUE
WEST MIFFLIN PA 15122-1753

HONORABLE DON WALKO
ALLEGHENY CO DEMOCRATIC
DELEGATION
3722 BRIGHTON ROAD
PITTSBURGH PA 15212

HONORABLE JOSEPH PRESTON JR
ALLEGHENY CO DEMOCRATIC
DELEGATION
6203 PENN AVENUE
PITTSBURGH PA 15206-4005

HONORABLE JOSEPH MARKOSEK
ALLEGHENY CO DEMOCRATIC
DELEGATION
4232 NORTHERN PIKE
MONROEVILLE PA 15146-2732

HONORABLE DAVE MAYERNIK
ALLEGHENY CO DEMOCRATIC
DELEGATION
440 PERRY HIGHWAY
PITTSBURGH PA 15229

HONORABLE JEFFREY HABAY
HOUSE BOX 202020
ROOM 163B EAST WING
HARRISBURG PA 17120
MESSENGER

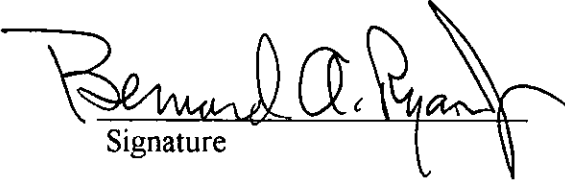
BEA SCHULTE COMMISSIONER
DAN DONATELLA COMMISSIONER
BEAVER COUNTY COURTHOUSE
BEAVER PA 15009

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 29th day of December, 1998,

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of **COPY OPINION & ORDER** an official Commission document entered, issued, or otherwise promulgated under date of **DECEMBER 18, 1998** at Docket No. **R-00974104** on behalf of:

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


Signature

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

SECRETARY'S BUREAU FILE RETENTION SECTION
PA PUBLIC UTILITY COMMISSION
B-20 NORTH OFFICE BUILDING
HARRISBURG PA 17105-3265

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98 DEC 29 PM 1:53

029298

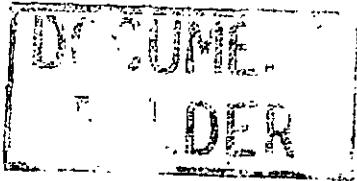
SRB

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 22nd day of December, 1998,

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of COPY OPINION & ORDER an official Commission document entered, issued, or otherwise promulgated under date of DECEMBER 18, 1998 at Docket No. R-00974104 on behalf of:

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



Deneice Covert Zeve
Signature

98 DEC 24 AM 13
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SECRETARY'S BUREAU

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

SECRETARY'S BUREAU FILE RETENTION SECTION
PA PUBLIC UTILITY COMMISSION
B-20 NORTH OFFICE BUILDING
HARRISBURG PA 17105-3265

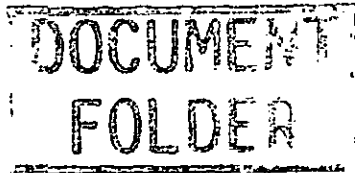
EEF

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 27 day of December, 1998

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of **COPY OPINION & ORDER** an official Commission document entered, issued, or otherwise promulgated under date of **DECEMBER 18, 1998** at Docket No. **R-00974104** on behalf of:

HONORABLE MELISSA HART
SENATE POST OFFICE
MAIN CAPITOL
HARRISBURG PA 17120
MESSENGER




Signature

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

SECRETARY'S BUREAU FILE RETENTION SECTION
PA PUBLIC UTILITY COMMISSION
B-20 NORTH OFFICE BUILDING
HARRISBURG PA 17105-3265

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SECRETARY'S BUREAU
58 DEC 23 AM 11:31

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ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

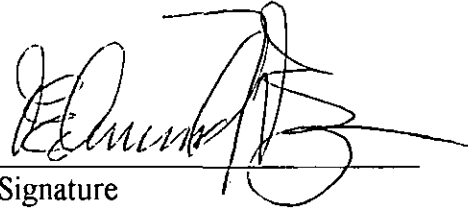
AND NOW, to wit, this 21st day of December, 1998,

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of COPY OPINION & ORDER an official Commission document entered, issued, or otherwise promulgated under date of DECEMBER 18, 1998 at Docket No. R-00974104 on behalf of:

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

DOCUMENT
OLDER

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98 DEC 21 PM 4:09
PA.P.U.C.
SECRETARY'S BUREAU


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EEF

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


SECRETARY'S BUREAU FILE RETENTION SECTION
PA PUBLIC UTILITY COMMISSION
B-20 NORTH OFFICE BUILDING
HARRISBURG PA 17105-3265

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 21st day of December, 1998,

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of **COPY OPINION & ORDER** an official Commission document entered, issued, or otherwise promulgated under date of **DECEMBER 18, 1998** at Docket No. **R-00974104** on behalf of:

HONORABLE MICHAEL R VEON
HOUSE BOX 202020
MAIN CAPITOL
HARRISBURG PA 17120-2020
MESSENGER



Signature

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98 DEC 21 PM 2:24
PA.P.U.C.
SECRETARY'S BUREAU

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SECRETARY'S BUREAU FILE RETENTION SECTION
PA PUBLIC UTILITY COMMISSION
B-20 NORTH OFFICE BUILDING
HARRISBURG PA 17105-3265

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 21st day of December, 1998,

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of **COPY OPINION & ORDER** an official Commission document entered, issued, or otherwise promulgated under date of **DECEMBER 18, 1998** at Docket No. **R-00974104** on behalf of:

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

DOCUMENT
FOLDER

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DEC 21 AM 9:38
OFFICE OF TRIAL STAFF

Elaine C. Messinger
Signature

EEF

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

To: → SECRETARY'S BUREAU FILE RETENTION SECTION
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HARRISBURG PA 17105-3265

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98 DEC 22 AM 8:44

ACKNOWLEDGEMENT OF RECEIPT & ACCEPTANCE OF SERVICE

AND NOW, to wit, this 21 day of December, 1998,

the undersigned, as evidence by execution hereof, acknowledges receipt and accepts service of COPY OPINION & ORDER an official Commission document entered, issued, or otherwise promulgated under date of DECEMBER 18, 1998 at Docket No. R-00974104 on behalf of:

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



Louis J. Sauer
Signature

EEF

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

SECRETARY'S BUREAU FILE RETENTION SECTION
PA PUBLIC UTILITY COMMISSION
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98 DEC 22 AM 8:47
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