



Duquesne Light
A DQE Company

DOCKETED
FEB 28 2001

February 5, 2001

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

R.00974104

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FEB 05 2001

**DOCUMENT
FOLDER**

PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Dear Mr. McNulty:

In compliance with Duquesne's December 22, 1999 Petition and the Commission's April 13, 2000 Order at R-00974104, Duquesne is providing notification that the CTC for Rate Class AL has been fully recovered. As noted in both Duquesne's Petition and the Commission's Order, Duquesne will continue to provide generation to Rate AL customers at the POLR I rates through December 31, 2001, after which time the POLR II generation rates approved by the Commission on December 7, 2000 will be in effect.

As required, Duquesne has also provided notice of the Rate AL CTC expiration to the Rate AL customers and all electric generation suppliers offering service to customers in our territory.

Duquesne is concurrently filing Supplement No. 2 to Tariff Electric - PA. P.U.C. No. 22 which eliminates the CTC billing component from the AL rate schedule effective upon one-day's notice.

As anticipated and noted in various filings and Orders, the CTC for Rate AL was fully recovered some time ago. The Commission's decision in its January 18, 2001 Order provided for the calculation of a final stranded cost balance for Duquesne and therefore the portion to be allocated to Rate AL customers. With this balance now known, customer-specific overcollections of CTC will be determined and refunded to the three AL customers via a letter of credit on their individual accounts.

If you have any questions about this notification, please call me at (412) 393-6334.

Sincerely,

Nancy J. D. Krajovic
Manager
Regulatory Affairs

ORIGINAL

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1440 NEW YORK AVENUE, N.W.

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TEL: (202) 371-7000

FAX: (202) 393-5760

April 16, 2001

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APR 16 2001

Mr. James J. McNulty
Secretary
Pennsylvania Public Utility Commission 18 2001
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

DOCUMENT
FOLDER

Dear Mr. McNulty:

Enclosed for filing is an original and three copies of this letter notifying the Commission that the residential customer switching options restriction provision of Duquesne Light Company ("Duquesne") Electric - PA. P.U.C. No. 22, Tariff Rule 45.2 [Supplier Switching by Residential Customers] has been triggered by the planned return of more than 50,000 residential customers to Provider of Last Resort ("POLR") service. As a result, the Rule 45.2(B) switching restrictions shall apply to all residential customers returning to POLR service after the date of this letter. The Office of Consumer Advocate has authorized Duquesne to state that it does not object to this implementation of Rule 45.2(B).

Pursuant to Rule 45.2(B), residential customers returning to POLR service after this letter's date shall be obligated to remain on POLR service for at least twelve consecutive monthly billing cycles, but not beyond December 31, 2004. At the end of the twelve-month period, the affected residential customer is free to choose an Electric Generation Supplier ("EGS") at any time.

By this letter, Duquesne is hereby providing notice to all EGSs serving customers in its service territory pursuant to Section III.E.3.d.i of the Joint Petition for Settlement of Duquesne Light Company's Petition for Approval of Plan for Post-Transition Period POLR Service ("Joint Petition for Settlement"). Duquesne will inform residential customers of the triggered obligations pursuant to Section III.E.3.d.ii of the Joint Petition for Settlement.

Thank you for your consideration of this matter. Please contact me at (202) 371-7049 if you have any questions concerning the foregoing.

Sincerely,

Kathleen L. Barron/jm

Kathleen L. Barron
Counsel to Duquesne Light Company

cc: All Parties and EGSs serving customers in Duquesne's service territory
per attached Certificate of Service

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RECEIVED

APR 16 2001

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY)
COMMISSION)**

v.)

Docket No. R-00974104

**DUQUESNE LIGHT COMPANY)
Petition for Approval of Plan for)
Post-Transition Period POLR Service)**

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing letter of Duquesne Light Company will be served, by first class mail, upon the participants on the attached service list in accordance with Section 1.54 of the Commission's regulations.

Dated this 16th day of April 2001.

Kathleen L. Barron/jai

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Duquesne Light
A DQE Company

DOCKETED
SEP 26 2001

August 30, 2001

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

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Dear Mr. McNulty:

In compliance with Duquesne's December 22, 1999 Petition and the Commission's April 13, 2000 Order at R-00974104, Duquesne is providing notification that, based upon current kWh sales projections, the CTC for Rate Class MTS is expected to be fully recovered with the bills issued late December, 2001.

As required, Duquesne has also provided notice of the Rate MTS anticipated CTC expiration to the Rate MTS customers and all electric generation suppliers offering service to customers in our territory.

As all of the Rate MTS customers are billed on the same day of the month, the tariff changes necessary to implement the removal of the Rate MTS CTC billing component and related language from the appropriate tariff pages will be included in the tariff filed in the last week of December, to be effective January 1, 2002 that will incorporate the annual changes in the generation and CTC charges for each rate schedule as approved by the Commission in Duquesne's restructuring proceeding.

If you have any questions about this notification, please call me at (412) 393-6334.

Sincerely,

Nancy J. D. Krajovic
Manager
Regulatory Affairs

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PA P.U.C. BUREAU
SECRETARY'S BUREAU

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Duquesne Light
A DQE Company

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November 15, 2001

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

DOCUMENT
FOLDER

Dear Mr. McNulty:

R-00974104

In compliance with Duquesne's December 22, 1999 Petition and the Commission's April 13, 2000 Order at R-00974104, Duquesne is providing notification that, based upon current kWh sales projections, the CTC for Rate Class RS is expected to be fully recovered with the bills issued in early to mid March, 2002.

As required, Duquesne is also providing notice of the Rate RS anticipated CTC expiration to the Rate RS customers and all electric generation suppliers offering service to customers in our territory.

At the time that the CTC for Rate RS is recovered, Duquesne will file a tariff supplement, effective on one day's notice, to implement the removal of the Rate RS CTC billing component and related language from the appropriate tariff pages.

If you have any questions about this notification, please call me at (412) 393-6334.

Sincerely,

Nancy J. D. Krajovic
Manager
Regulatory Affairs



Duquesne Light

A DOE Company

ORIGINAL

ORIGINAL

December 31, 2001

VIA OVERNIGHT DELIVERY

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RECEIVED

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

DEC 31 2001

Tariff Electric - PA. P.U.C. No. 23

PA. PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Dear Mr. McNulty:

R-00974104

Enclosed for filing, please find an original and five copies of Duquesne Light Company's Tariff Electric, PA. P.U.C. No. 23 issued December 31, 2001, to become effective January 1, 2002, superceding Tariff No. 22 and all supplements thereto.

Tariff No. 23 incorporates the rate changes approved by the Commission in Duquesne's restructuring proceeding and post-transition settlement at R-00974104, does not require further Commission action and is therefore effective on one day's notice.

Tariff No. 23 also reflects the new State Tax Adjustment Surcharge rate of 1.5389%. The calculation supporting that rate was submitted to the Commission on December 26, 2001.

Please return a date-stamped copy of this letter in the enclosed self-addressed, stamped envelope.

If you have any questions regarding the information contained in this filing, please contact me at 412.393.6334 or nkrajovic@dqe.com.

Sincerely,

Nancy J. D. Krajovic
Manager
Regulatory Affairs

Enclosures

- | | |
|---|--------------|
| c: Mr. R. F. Wilson, Bureau of Fixed Utility Services | w/ enclosure |
| Mr. C. F. Hoffman, Office of Trial Staff | " |
| Mr. I. A. Popowsky, Consumer Advocate | " |
| Mr. B. A. Ryan, Small Business Advocate | " |

100

ORIGINAL

ELECTRIC - PA. P.U.C. NO. 23
Superseding

ELECTRIC - PA. P.U.C. NO. 22
and Supplements thereto

DUQUESNE LIGHT COMPANY

DOCKETED

JAN 08 2002

SCHEDULE OF RATES

For Electric Service in Allegheny and Beaver Counties

(For List of Communities Served, see Page No. 4)

**DOCUMENT
FOLDED**

Issued By

RECEIVED

DUQUESNE LIGHT COMPANY

411 Seventh Avenue

Pittsburgh, PA 15219

DEC 31 2001

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Victor A. Roque
President

ISSUED: December 31, 2001

EFFECTIVE: January 1, 2002

Issued in compliance with Public Utility Commission Orders at R-00974104.

NOTICE

THIS TARIFF CHANGES RATES AND INCREASES AN EXISTING RIDER - See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

CTC and Generation rates have been modified pursuant to the Commission's May 29, 1998, Order at R-00974104. Changes noted on:

Original Page No. 34
Original Page No. 36
Original Page No. 39
Original Page No. 42
Original Page No. 43
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Rate MTS - Municipal Traffic Signals

Original Page No. 78

CTC rates have been removed from Rate MTS to reflect the completion of CTC recovery. New generation rates reflect those approved by the Commission's November 29, 2000, Order at R-00974104.

INCREASE

Rider No. 10 - State Tax Adjustment Surcharge

Original Page No. 105

Issued in compliance with Section B-1 of the Pennsylvania Public Utility Commission Order of March 10, 1970, the State Tax Adjustment Surcharge of (0.6417%) has been increased to 1.5389%, reflecting the Revenue Neutral Reconciliation Tax Rate of 15 mills for the year 2002.

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LIST OF COMMUNITIES SERVED

The Company renders service in portions of Allegheny and Beaver Counties, Pennsylvania. Electric service is available in all localities where the Company has distribution facilities, including all or a portion of the following cities, boroughs and townships.

ALLEGHENY COUNTY

Cities and Boroughs

Aspinwall	Dormont	Jefferson	Roslyn Farms
Avalon	Dravosburg	Leetsdale	Sewickley
Baldwin	Duquesne	Liberty	Sewickley Heights
Bell Acres	East McKeesport	Lincoln	Sewickley Hills
Bellevue	East Pittsburgh	McKeesport	Sharpsburg
Ben Avon	Edgewood	McKees Rocks	Swissvale
Ben Avon Heights	Edgeworth	Millvale	Thornburg
Bethel Park	Emsworth	Monroeville	Trafford
Blawnox	Etna	Mt. Oliver	Turtle Creek
Braddock	Forest Hills	Munhall	Verona
Braddock Hills	Fox Chapel	North Braddock	Versailles
Brentwood	Franklin Park	Oakmont	Wall
Carnegie	Glassport	Osborne	West Homestead
Castle Shannon	Glenfield	Pennsbury Village	West Mifflin
Chalfant	Green Tree	Pittsburgh	West View
Churchill	Haysville	Pleasant Hills	Whitaker
Clairton	Heidleberg	Plum	Whitehall
Coraopolis	Homestead	Port Vue	White Oak
Crafton	Ingram	Rankin	Wilkinsburg
			Wilmerding

Townships

Aleppo	Kilbuck	Ohio	Shaler
Baldwin	Leet	Penn Hills	Stowe
Collier	McCandless	Pine	Upper St. Clair
Crescent	Moon	Reserve	West Deer
Findlay	Mt. Lebanon	Richland	Wilkins
Hampton	Neville	Robinson	
Indiana	North Versailles	Ross	
Kennedy	O'Hara	Scott	

LIST OF COMMUNITIES SERVED - (Continued)

BEAVER COUNTY

Cities and Boroughs

Aliquippa	East Rochester	Glasgow	Patterson Heights
Ambridge	Eastvale	Hookstown	Rochester
Baden	Economy	Industry	Shippingport
Beaver	Fallston	Midland	South Heights
Beaver Falls	Frankfort Springs	Monaca	West Mayfield
Bridgewater	Freedom	New Brighton	
Conway	Georgetown	Ohioville	

Townships

Brighton	Hanover	New Sewickley	Raccoon
Center	Harmony	Patterson	Rochester
Daugherty	Hopewell	Potter	Vanport
Greene	Independence	Pulaski	White

RULES AND REGULATIONS

THE ELECTRIC SERVICE TARIFF

1. **FILING AND POSTING** A copy of the tariff, comprising the Rules and Regulations, Rates and Riders, and governing electric service, is filed with the Pennsylvania Public Utility Commission and is posted and open to inspection at the offices of the Company where payments are made by customers.
2. **REVISIONS** The tariff is subject to such change and modification as may be made from time to time in the manner prescribed by the Public Utility Law. If any rate for electric service is increased, the affected customer shall have the option of discontinuing service, but shall be obligated to pay the increased rate from the effective date thereof until service has been discontinued.
3. **APPLICATION** Rates of the tariff apply only to the Company's Standard Service delivered from overhead supply lines except in certain restricted areas where the Company is required to provide underground distribution. Riders of the tariff amend or modify the terms governing the electric service under the rates to which they apply. Standard Service is alternating current of sixty cycles frequency, conforming as to voltage and phase with the following list of standard nominal service delivery voltages.

<u>SINGLE-PHASE</u>	<u>THREE-PHASE</u>	
120 volts, 2 wire	120/208 volts, 4 wire	11,500 volts, 3 wire
120/240 volts, 3 wire	230 volts, 3 wire	13,200/23,000 volts, 4 wire
120/208 volts, 3 wire	277/480 volts, 4 wire	23,000 volts, 3 wire
230 volts, 2 wire	460 volts, 3 wire	69,000 volts, 3 wire
460 volts, 2 wire	2,400 volts, 3 wire	138,000 volts, 3 wire
230/460 volts, 3 wire	2,400/4,160 volts, 4 wire	345,000 volts, 3 wire
2,400 volts, 2 wire		
23,000 volts, 2 wire		

Unbundled rates of this tariff apply as a result of the "The Electricity Generation Customer Choice and Competition Act," (Act) Title 66 Pa.C.S. Chapter 28, and shall apply to retail customers accessing Duquesne Light Company's transmission and distribution systems. The supply of generation may be provided by the Company, by an alternative EGS, or by the Company and an alternative EGS. Rates for generation shall apply per applicable tariffs of the Company or the EGS.

3.1 **DEFINITIONS** The following definitions used throughout this tariff apply as a result of passage of the Act:

- (1) **The Act** - "The Electricity Generation Customer Choice and Competition Act," (Act) Title 66 Pa.C.S. Chapter 28, effective January 1, 1997. The Act modifies existing legislation and regulations to establish standards and procedures in order to create direct access by retail customers to the competitive market for the generation of electricity while maintaining the safety and reliability of the electric system for all parties.
- (2) **Aggregator or Market Aggregator** - An entity, licensed by the Commission, that purchases electric energy and takes title to electric energy as an intermediary for sale to retail customers.

RULES AND REGULATIONS - (Continued)

THE ELECTRIC SERVICE TARIFF - (Continued)

Definitions - (Continued)

- (3) **Basic Services** - The services necessary for the physical delivery of electricity service including generation, transmission, distribution and transition charges. Unless indicated otherwise, "electric service" or "service" used throughout this tariff shall have the same meaning.
- (4) **Broker or Marketer** - An entity, licensed by the Commission, that acts as an agent or intermediary in the sale and purchase of electric energy but does not take title to electric energy.
- (5) **Commission** - The Pennsylvania Public Utility Commission.
- (6) **Competitive Transition Charge (CTC)** - A non-bypassable charge applied to the bill of every customer accessing the Company's transmission or distribution system which (charge) is designed to recover the Company's transition or stranded costs as determined by the Commission in 66 Pa. C.S. §§ 2804 and 2808 (relating to standards for restructuring of the electric industry, and competitive transition charge).
- (7) **Customers** - A retail electric customer or potential customer of retail electricity service who are direct purchasers of electric power for use at their facility. Unless indicated otherwise, "retail customer" and "customer" used throughout this tariff shall have the same meaning.
- (8) **Direct access** - The right of Electric Generation Suppliers and retail customers to utilize and interconnect with the electric transmission and distribution system of the Company on a non-discriminatory basis at rates and terms and conditions of service comparable to the Companies' own use of the system to transport electricity from any generator of electricity to any retail customer.
- (9) **Distribution Charges** - Basic service charges for delivering electricity over a distribution system (e.g. wires, transformers, substations and other equipment) to the home or business from the transmission system. The distribution charge is regulated by the Commission. These charges include basic service under 52 Pa. Code §56.15 (4) (relating to Billing Information) and universal service, as applicable.
- (10) **Electric Distribution Company (EDC)** - Duquesne Light Company (the Company) owning and providing facilities for the jurisdictional transmission and distribution of electricity to retail customers, except building or facility owners or operators that manage the internal distribution system serving such building or facility and that supply electric power and other related electric power services to occupants of the building or facility.

RULES AND REGULATIONS - (Continued)

THE ELECTRIC SERVICE TARIFF - (Continued)

Definitions - (Continued)

- (11) **Electric Generation Suppliers (EGS)** - A person or corporation, including municipal corporation, which provides service outside its municipal limits except to the extent provided prior to the Act. This includes brokers and marketers, aggregators or any other entities that sell to end-use customers electricity or related services utilizing the jurisdictional transmission or distribution facilities of an electric distribution company. The term excludes building or facility owner/operators that manage the internal distribution system for the building or facility and that supply electric power and other related power services to occupants of the building or facility. The term also excludes electric cooperative corporations except as provided in 15 Pa. C.S. Ch. 74 (relating to generation choice for customers of electric cooperatives).
- (12) **Electricity Provider** - The term refers collectively to the EDC, EGS, electricity supplier, marketer, aggregator and/or broker, as well as any third party acting on behalf of these entities.
- (13) **Generation Charges** - Basic service charges for producing electricity for supply to retail customers. This excludes charges for transmission or other charges related to electric service.
- (14) **Marketer or Broker** - An entity, licensed by the Commission, that acts as an agent or intermediary in the sale and purchase of electric energy and does not take title to the electric energy.
- (15) **Non-Basic Services** - Optional recurring services which are distinctly separate and clearly not required for the physical delivery of electric service.
- (16) **Renewable Resource** - Includes technologies such as solar photovoltaic energy, solar thermal energy, wind power, low-head hydropower, geothermal energy, landfill or other biomass-based methane gas, mine-based methane gas, energy from waste and sustainable biomass energy.
- (17) **Provider of Last Resort** - The Company will provide electricity to the customer in the event that a customer: 1) is not eligible to obtain electricity from an EGS; 2) elects not to obtain electricity from an EGS; 3) elects to have the Company supply electricity after having previously purchased electricity from an EGS, or 4) contracts with an EGS who fails to supply electricity.
- (18) **Transition Charges** - Basic service charges for costs defined as transition or stranded costs, comprised of a CTC, designed to recover the Company's transition or stranded costs as authorized by the Commission.

RULES AND REGULATIONS - (Continued)

THE ELECTRIC SERVICE TARIFF - (Continued)

Definitions - (Continued)

(19) **Transition or Stranded Costs** - The Company's known and measurable net electric generation-related costs, determined on a net present value basis over the life of the asset or liability as part of its restructuring plan, which traditionally would be recoverable under a regulated environment but which may not be recoverable in a competitive electric generation market and which the Commission determines will remain following mitigation by the Company. Transition and stranded costs also include other items as defined in the Act.

(20) **Transmission Charges** - Basic charges for the cost of transporting electricity over high voltage wires from the generator to the distribution system of the Company.

3.2 ELECTRIC GENERATION SUPPLIER TARIFF The rules and guidelines provided in the Company's "Electric Generation Supplier Coordination Tariff" (Supplier Tariff) shall apply to EGS's accessing the Company's transmission and distribution systems to supply electricity to retail customers. Those rules and guidelines pertaining to direct access procedures shall apply accordingly to customers who elect to purchase part or all of their electricity from an EGS. Copies of these rules may be obtained at the Company's offices.

3.3 COMPETITIVE TRANSITION CHARGE RECONCILIATION Each month, the Company will separately account for competitive transition charge (CTC) revenues collected from each rate class under the applicable interim tariff rates. The revenues collected from each rate class during the interim period prior to the sale of the generation assets will be used to adjust the amount owed by each rate class. Subsequent to the sale of its generation assets, the Company will establish final CTC rates for each rate class considering the amount of divestiture proceeds and revenues recovered under the interim CTC rates. The exact methodology for determining final CTC rates was established by the Commission when it approved the Company's auction plan.

CONTRACTS, DEPOSITS AND ADVANCE PAYMENTS

4. CONTRACTS The Company reserves the right to require non-residential customers to sign a written contract indicating the rate for electric service and to require a contract term which, in the judgment of the Company, is sufficient to justify the cost of any facilities installed for the exclusive use of the customer. Customers who have facilities extended for their exclusive use will be permitted to purchase electricity from an EGS according to the provisions of direct access and the Act. Extension of such facilities will not be conditioned on the customer's agreement to purchase generation from the Company. Receipt of electric service by any entity, however, shall constitute the receiver a customer of the Company, subject to its rules and regulation, whether service is based upon contract, agreement, accepted signed application or otherwise. The customer shall notify the Company, in advance of receipt of electric service, of the customer's name, address to which the electricity is to be delivered, the address to which the bill is to be mailed, the date delivery of electricity is to commence, and provide information requested by the Company regarding the customer's credit standing. The customer shall notify the Company to cancel electric service and the customer shall be responsible for payment for all electric charges until the customer has so notified the Company to cancel electric service.

RULES AND REGULATIONS - (Continued)

CONTRACTS, DEPOSITS AND ADVANCE PAYMENTS - (Continued)

4. CONTRACTS - (Continued)

The Company at its sole discretion may enter into special contracts for electric service with industrial or commercial customers having load of at least 100 kW to address changing business needs or operating conditions, for incremental sales of at least 100 kW from existing or new industrial customers, or to address less expensive competitive alternatives for energy to be used for applications other than space heating. If requested by the Company, the customer shall provide to the Company, on a confidential basis, all information, records and financial analysis necessary to evaluate the customer's request for a special contract.

Terms and conditions of service will be mutually agreed upon by the Company and the customer and included in a signed contract, which will be filed with the Public Utility Commission. The Company at its sole discretion may request Public Utility Commission approval. The terms of the agreement will be confidential upon filing with the Commission. Rates established under special contracts will be sufficient to recover, at a minimum, all appropriate incremental costs, and an appropriate contribution towards transition costs.

The contract shall contain all terms and conditions and the rates and charges to be paid for electric service. The contract shall be for a period of no less than five years and no greater than ten years.

The contract will be terminated by the Company if the Company charges are not paid when due as specified in Tariff Rule No. 21, before the addition of the Late Payment Charge. Upon termination of the contract under these conditions, the regular electric tariff rates will be applied to electric service rendered from that point forward. A new special contract will not be made available to a customer whose previous special contract was terminated because of failure to pay bills as specified in Tariff Rule No. 21.

For contracts that do not contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract effective as of January 1, 1999, in a manner that retains the customer discount and reflects the amount of transmission, distribution, CTC and generation charges in the customer contract. The customer may continue to purchase electricity from the Company in accordance with the terms and conditions of the contract; terminate the contract and obtain electricity from an EGS on the otherwise applicable tariff rates according to the eligibility under direct access; or, retain the Company's services under the unbundled rates of the contract and purchase electrical energy from an EGS. The customer's discount from the otherwise applicable tariff rates will be allocated equally between the CTC components and the generation components of the unbundled rates. The discount will be applied to the demand and energy components of the unbundled rate elements. Contract expiration shall not affect the applicability of any statutory rate cap.

For contracts that contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract and the customer will be eligible to obtain electricity from an EGS only in accordance with the terms and conditions of the customer's contract.

RULES AND REGULATIONS - (Continued)

CONTRACTS, DEPOSITS AND ADVANCE PAYMENTS - (Continued)

5. **DEPOSITS AND ADVANCE PAYMENTS** The Company reserves the right to require a cash deposit from applicants taking service for a period of less than thirty days, in an amount equal to the estimated gross bill for Company charges for such temporary service. The gross bill for Company charges shall include all fixed, demand and energy charges for Company charges in accordance with the applicable tariff. Deposits may be required from all other applicants when credit has not been established or from existing ratepayers when such ratepayer's credit standing is impaired by delinquent payments of any two consecutive electric bills for Company charges excluding any unpaid EGS bills, if any, or three or more electric bills for Company charges within the preceding 12 months or as a condition to the reconnection of service or by failure to comply with a settlement or amortization agreement. The amount of the deposit will be based on Company charges and will not exceed the estimated gross bill for two months for applicants and the average actual bill for two months for existing ratepayers. Deposits secured from a residential applicant or ratepayer shall be returned to the depositor when he shall have paid undisputed bills for service over a period of 12 consecutive months without having service terminated and without having paid his bill subsequent to the due date on more than two occasions as long as the ratepayer is not currently delinquent. Deposits secured from other than residential customers shall be returned to the depositor upon annual review provided such depositor shall have paid undisputed bills during those consecutive 12 months without having service terminated and without having paid his bill subsequent to the due date so long as the ratepayer is not currently delinquent. Payment of any disputed bill, where the payment is withheld beyond the due date set forth on the face of the bill at issue and the dispute over which is terminated substantially in favor of the ratepayer, shall be made by the ratepayer within 15 days following the termination of that dispute in order to be deemed timely. The Company will pay interest on residential cash deposits at the rate of the average of 1-year Treasury Bills for September, October and November of the previous year beginning May 1, 1995 and January 1, 1996 and each year thereafter, without deduction for any taxes thereon. For all other cash deposits, the Company will pay interest at the rate of six percent per annum without deduction for any taxes thereon. On deposits held for more than one year, accrued interest will be paid at the end of each anniversary year. Upon the return of a deposit, any unpaid interest accrued thereon will be paid. Where service is discontinued, the deposit and unpaid interest accrued thereon to the date of discontinuance of service, less the amount of all bills due the Company, will promptly be paid to the ratepayer. The Company reserves the right to require payment in advance for seasonal service, when the applicants elect to take such service, in an amount equal to the estimated gross Company charges for such seasonal service as determined by the provisions of the rate under which this service is taken.

INSTALLATION OF SERVICE

6. **INSTALLATION RULES** Service installations shall be made in accordance with the Company's "Electric Service Installation Rules," copies of which may be obtained at the Company's offices.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

7. SUPPLY LINE EXTENSIONS

A. Definitions

For the purposes of this rule, the following definitions are applicable:

- (1) **Contractor cost** - The amount paid to a contractor for work performed on a line extension.
- (2) **Direct labor cost** - The pay and expenses of public utility employees directly attributable to work performed on line extensions, but does not include construction overheads or payroll taxes, workers' compensation expenses, or similar expenses.
- (3) **Direct material cost** - The purchase price of materials used for a line extension, but does not include the related stores expenses. In computing direct material costs, proper allowance should be made for unused materials recovered from temporary structures, and discounts allowed and realized in the purchase of materials.
- (4) **Total construction cost** - The contractor cost, direct labor cost, direct material cost, stores expense, construction overheads, payroll taxes, workers' compensation expenses, or similar expenses.
- (5) **Current Year** - For purposes of calculating a revenue guarantee, current year shall be each consecutive period of 12 calendar months following the date permanent electric delivery service was first provided to a customer.
- (6) **Income Tax** - Federal and State tax relating to the tax liability of contributions in aid-of-construction.

B. Overhead Areas

- (1) In areas where the existing supply lines are overhead, the Company will construct and maintain extensions of all single-phase overhead supply lines operating at 23,000 volts or less to the customer's property line without a guarantee of revenue.
- (2) In areas where the existing supply lines are overhead, the Company will construct and maintain extensions of all three-phase overhead supply lines, operating at 23,000 volts or less, which are usable as a part of its general supply system without a guarantee of revenue. When the three-phase supply line extension is to supply service exclusively to a single customer, such a supply line will be extended to the customer's property line only if a guarantee of revenue is provided by the customer over a period of five years or less which is sufficient to recover the actual total construction cost of the three-phase overhead line extension, less the estimated total construction cost for an equivalent single-phase overhead line extension. Any additional revenue payment required will include the related income tax.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

7. SUPPLY LINE EXTENSIONS - (Continued)

B. Overhead Areas - (Continued)

- (3) When the customer has a severe fluctuating or unbalanced load, or requests an alternate routing or a deviation from the Company's standard overhead construction practices, the additional cost incurred plus the related income tax will be borne by the customer and will not be included when determining the revenue guarantee amount.

C. Underground Areas

- (1) In areas where the existing supply lines are underground outside the limits of a residential development covered by Tariff Rule 13.2, the Company will construct and maintain extensions of all single-phase underground supply lines operating at 23,000 volts or less which are usable as part of its general supply system without a guarantee of revenue. When the single-phase supply line extension is to supply electricity exclusively to a single customer, such a supply line will be extended to the customer's property line only if a guarantee of revenue is provided by the customer, over a period of three years or less which is sufficient to recover the actual total contractor cost, direct labor cost and direct material cost for the full length of the single-phase underground line extension, less the estimated total contractor cost, direct labor cost, and direct material cost for an equivalent single-phase overhead line extension.
- (2) In areas where the existing supply lines are underground outside of the limits of a residential development covered by Tariff Rule 13.2, the Company will construct and maintain extensions of all three-phase underground supply lines operating at 23,000 volts or less which are usable as part of its general supply system without a guarantee of revenue. When the three-phase supply line extension is to supply service exclusively to a single customer, such a supply line will be extended to the customer's property line only if a guarantee of revenue is provided by the customer over a period of three years or less which is sufficient to recover the actual total construction cost of the three-phase underground line extension, less the estimated total construction cost for an equivalent single-phase overhead line extension. Any additional revenue payment required will include the related income tax.
- (3) When the customer has a severe fluctuating or unbalanced load, or requests an alternate routing or a deviation from the Company's standard underground construction practices, the additional cost plus the related income tax will be borne by the customer and will not be included when determining the revenue guarantee amount.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

7. SUPPLY LINE EXTENSIONS - (Continued)

D. Rights-of-Way

Before construction of a line extension, satisfactory rights of way and other necessary permits must be granted to the Company for the construction of the supply line extension along the route selected by the Company. The customer agrees to pay the Company any initial and recurring rights-of-way or license fees in excess of an amount normally incurred by the Company in constructing and maintaining the supply line extension.

E. Revenue Guarantees

The revenue guarantee amount shall be the actual cost of the line extension. The annual revenue guarantee amount shall be the revenue guarantee amount, divided by the number of years in the guarantee period.

The annual revenue guarantee amount will be reviewed yearly and will be adjusted to the minimum charges as provided in the applicable rate schedule on the following basis:

- (1) When the total of the monthly bills for Company charges at the end of the current year are less than the annual revenue guarantee amount, a payment equal to the difference plus the related income tax where applicable shall be immediately due and payable.
- (2) When the total of the monthly bills, for Company charges within the number of years in the guarantee period, equals or exceeds the revenue guarantee amount, no further payments are required. Any prior payments in excess of the revenue guarantee amount will be refunded with accrued interest.
- (3) If an additional customer is served from the line extension, the revenue guarantee amount will be reduced to the cost of the line extension which is used exclusively to serve the single customer. If the cost of the line extension to serve the new customer would increase the revenue guarantee amount for an existing customer, the extension shall be considered as a new line extension.
- (4) In the event the customer discontinues or cancels service before the end of the guarantee period, the balance of the revenue guarantee amount plus the related income tax where applicable shall be immediately due and payable.

8. CONNECTION CHARGES The Company reserves the right to make a reasonable charge including the related income tax, payable in advance, for service lines and for equipment installed for the exclusive use of a customer which exceed Company established standards described in the Company's "Electric Service Installation Rules."

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RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

9. RELOCATIONS OF FACILITIES

A. Pole Removal or Relocation for Residential Customers

When requested by a residential property owner who is not otherwise entitled to receive condemnation damages to cover the cost of the pole removal or relocation or who is not requesting a pole removal or relocation as the result of damages caused by the intentional or negligent conduct of any party, the Company will when it is practicable, subject to the execution and receipt of required easements, licenses or municipal permits, remove or relocate a pole or poles and associated attachments, upon receipt, in advance, of the Company's estimated contractor or direct labor and direct material costs associated with the particular pole removal or relocation, less any maintenance expenses avoided as a result of the pole removal or relocation.

For purposes of this Rule, the following definitions are applicable:

- (1) **Contractor costs** - Amount paid by the utility to a contractor for work performed on a pole removal or relocation.
- (2) **Direct labor costs** - Includes pay and expenses of public utility employees directly attributable to work performed on pole removals or relocations. Excludes payroll taxes, workmen's compensation, similar items of expense and construction overhead costs.
- (3) **Direct materials costs** - Includes the purchase price of materials used in performing a pole removal or relocation and excludes the related stores expenses. Proper allowance shall be made for unused materials, and materials recovered from temporary structures, and for discounts allowed and realized in purchase of materials.
- (4) **Income tax** - Federal and State tax relating to the tax liability of contributions in aid-of-construction.

B. Other Company Facilities for all Customers

When requested or required by the action of a customer or a third party, relocation of Company facilities, except those covered under Section A of this Rule, will be performed by the Company upon receipt, in advance, of the Company's estimated total direct and indirect costs including the related income tax of such relocations from the customer or such third party. The Company may waive charges under this rule if, in the Company's judgment, the location of the Company's existing supply line and/or service line on the customer's property restricts the growth of the customer's operations and the potential increase in the Company's revenues.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

10. ONE SERVICE OF A KIND Only one service of each type as to voltage and phase will be provided to a customer under one contract; provided, however, that when, in the judgment of the Company, compliance with Rule No. 17, Fluctuations and Unbalances, may be most economically effected by establishing a separate service connection for a portion of the customer's load, such separate service connection may, at the option of the customer, be combined, notwithstanding similarity as to voltage and phase, with other service connections under a single contract for the customer's entire electric delivery service requirements at the affected location. Electric service at different premises, regardless of voltage or phase, shall never be combined for billing under one account for the purpose of reducing Company charges.

11. METER SUPPORTS The customer shall provide on the premises, at a location satisfactory to the Company, proper space, supports, and enclosures for metering equipment.

12. TRANSFORMERS AND CONTROL EQUIPMENT Where, in the judgement of the Company, it is necessary to install transformers and other control or protective equipment on the customer's premises, the customer shall provide a suitable place, foundation and housing for such installation, in accordance with the Company's "Electric Service Installation Rules."

13. CUSTOMER'S FACILITIES The installation and maintenance of the customer's wiring and equipment shall be in accordance with the Company's "Electric Service Installation Rules" and shall be subject to the approval of the proper authorities. The Company is not required to provide electric service thereto unless so approved, but does not assume any responsibility for securing such approval. The Company shall not be liable for damages or injuries resulting from any defects in the customer's wiring or equipment.

13.1 UNDERGROUND DISTRIBUTION

A. When the Company is required by governmental order or enters into agreements with redevelopment authorities, a private real estate developer or a group of customers to change its distribution supply lines from overhead to underground, customers receiving or to receive electric service at voltages of 600 volts or less from these supply lines shall provide at their own expense the necessary facilities for receiving such underground service.

B. Underground Service Lines from Overhead Supply Lines

(1) Service Line Voltages Under 600 Volts.

(a) Where an underground service line is installed from the Company's overhead, street secondary supply lines, the customer shall furnish and install all conductors and conduit in accordance with the Company's "Electric Service Installation Rules."

(2) Service Line Voltages Over 600 Volts.

(a) Where the Company's supply lines are overhead, the customer shall furnish and install all conduits or ducts for the underground primary service line within the street area as well as all necessary conduit, ducts, manholes and junction boxes on private property in accordance with the Company's "Electric Service Installation Rules."

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

13.2 UNDERGROUND ELECTRIC SERVICE IN NEW RESIDENTIAL DEVELOPMENTS

A. Definitions

The following words and terms, when used in this rule shall have the following meanings, unless the text clearly indicates otherwise.

- (1) **Applicant for Electric Service** - The developer of a recorded plot plan consisting of five or more lots, or of one or more five-unit apartment houses.
- (2) **Developer** - The party responsible for constructing and providing improvements in a development, that is, streets, sidewalks, and utility-ready lots.
- (3) **Development** - A planned project which is developed by a developer/applicant for electric service set out in a recorded plot plan of five or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, or mobile homes and one or more five-unit apartment houses, all of which are intended for year-round occupancy, if providing electric service to such project necessitates extending the Company's existing distribution lines.
- (4) **Distribution line** - An electric supply line of untransformed voltage which delivers energy to one or more service lines.
- (5) **Service line** - An electric supply line of transformed voltage which delivers service to a residence or building as described in the Company's Construction Standards.
- (6) **Subdivider** - The party responsible for dividing a tract of land into building lots which are not to be sold as utility-ready lots.
- (7) **Subdivision** - A tract of land divided by a subdivider into five or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, or one or more five-unit apartment houses, all of which are intended for year-round occupancy, if providing electric delivery service to such subdivision necessitates extending the Company's existing distribution lines.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

13.2 UNDERGROUND ELECTRIC SERVICE IN NEW RESIDENTIAL DEVELOPMENTS - (Continued)

B. Installation of Distribution and Service Lines

Distribution and service lines installed under an application for electric service within a development will be installed underground; will conform to the Company's construction standards, the Pennsylvania PUC regulation 57.26 of Title 52 (relating to construction and maintenance of facilities), the specifications set forth in the National Electric Safety Code (NESC), and will be owned and maintained by the Company. Pad-mounted transformers will be installed as a Company construction standard. Excavating and backfilling shall be performed by the developer of the project or by another agent as the developer may authorize. Installation of service-related Company facilities will be performed by the Company or by another agent as the Company may authorize. Street-lighting lines installed then or thereafter within the same development will also be installed underground, upon terms and conditions prescribed elsewhere in the Company's tariff. The Company will not be liable for injury or damage occasioned by the willful or negligent excavation, breakage, or other interference with its underground lines occasioned by anyone other than its own employees or agents.

Nothing in this rule shall prohibit the Company from performing its own excavating and backfilling for greater system design flexibility. However, no charges to the developer other than those specified in C(4) of this rule will be charged.

C. Applicants for Electric Service

The applicant for electric service to a development shall conform with the following:

- (1) At its own cost, provide the Company with a copy of the recorded development plot plan identifying property boundaries, and with easements satisfactory to the Company for occupancy by distribution, service and street-lighting lines and related facilities.
- (2) At its own cost, clear the ground in which the lines and related facilities are to be laid of trees, stumps and other obstructions, provide the excavating and backfilling subject to the inspection and approval of the Company, and rough grade it to within six inches of final grade, so that the Company's part of the installation shall consist only of laying of the lines and installing other service-related facilities. Excavating and backfilling performed or provided by the applicant will follow the Company's underground construction standards and specifications set forth by the Company in written form and presented to the applicant at the time of application for service and presentation of the recorded plot plan to the Company. If the Company's specifications have not been met by the applicant's excavating and backfilling, the excavating and backfilling will be corrected or redone by the applicant or its authorized agent. Failure to comply with the Company's construction standards and specifications permits the Company to refuse utility service until the standards and specifications are met.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

13.2 UNDERGROUND ELECTRIC SERVICE IN NEW RESIDENTIAL DEVELOPMENTS - (Continued)

C. Applicants for Electric Service - (Continued)

- (3) Request electric service at such time that the lines may be installed before curbs, pavements and sidewalks are laid; carefully coordinate scheduling of the Company's line and facility installation with the general project construction schedule, including coordination with other utilities sharing the same trench; keep the route of lines clear of machinery and other obstructions when the line installation crew is scheduled to appear; and otherwise cooperate with the Company to avoid unnecessary costs and delay.
- (4) Pay to the Company any necessary and additional costs incurred by the Company as a result of the following:
 - (a) Installation of underground facilities that deviate from the Company's underground construction standards and specifications if such deviation is requested by the applicant for electric service and is acceptable to the Company.
 - (b) A change in the plot plan or final grade elevations by the applicant for electric service after the Company has completed engineering for the project and/or has commenced installation of its facilities.
 - (c) Physical characteristics such as oversized lots or lots with extreme set-back where under the Company's line extension policy contained in its tariff a charge is mandated for overhead service.
- (5) No charges other than those described in paragraph (4) of this rule shall be borne by the applicant for electric service or by any other utility sharing the same trench, even if the Company elects to perform its own excavating and backfilling.
- (6) No charges other than those described in paragraphs (4) or (5) will be borne by the applicant, even if the Company elects to perform its own trenching and backfilling.

D. Installing Distribution Lines Beyond Boundary of Development

Whenever the distance from the end of the Company's existing distribution line to the boundary of the development is 100 feet or more, the 100 feet of new distribution line nearest to but outside such boundary shall be installed underground if practicable; and whenever such distance is less than 100 feet from said boundary, all of the new distribution line nearest to but outside such boundary shall be installed underground if practicable. The installation required by this paragraph shall be provided by the Company, without cost to the applicant. However, the developer must provide the excavating and backfilling.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

13.2 UNDERGROUND ELECTRIC SERVICE IN NEW RESIDENTIAL DEVELOPMENTS - (Continued)

E. Classification of Charges

Amounts the Company receives under paragraph C(4) (relating to applicant for electric service) will be credited to Contributions in Aid of Construction.

F. Exceptions

(1) Whenever the Company or any affected person believes that the application of the tariff rule works an undue hardship, involves a physical impossibility, or is otherwise inappropriate, the Company or persons may request an exception from the *underground requirements* of paragraphs A through E of this rule (relating to definitions, installation of distribution and service lines, applicant for electric service, installing distribution lines beyond boundary of development, and calculation and classification of charges) by providing the Pennsylvania Public Utility Commission with the following:

(a) A copy of the recorded plot plan of the development for which the exception is being sought.

(b) A letter petition setting forth:

(i) the name of the applicant

(ii) the location and size of the development involved

(iii) the names of the electric utility and telephone utility which will provide service to that development

(iv) the date on which construction began or will begin; whether the development is a new development or one phase in a development to be completed in several phases; and whether facilities in the area surrounding the development have been installed underground or overhead.

(2) Upon the filing of an exception request, the Pennsylvania Public Utility Commission (Commission) Staff will notify the utilities involved and the appropriate local government authority, review the facts stated in the request, and issue to the applicant and the utility an informal written report and decision within 180 days of the request for an exception. Failure of the party requesting an exception to supply sufficient data within 180 days of the period shall result in the automatic denial of the request.

RULES AND REGULATIONS - (Continued)

INSTALLATION OF SERVICE - (Continued)

13.2 UNDERGROUND ELECTRIC SERVICE IN NEW RESIDENTIAL DEVELOPMENTS - (Continued)

F. Exceptions - (Continued)

- (3) A public utility or any affected person may appeal the informal decision rendered by Commission Staff by filing a letter petition with the Secretary of the Commission stating the facts in question and requesting a hearing. All appeals shall be referred to the Commission's Office of Administrative Law Judge for hearing and decision.
- (4) If an exception request initiated by an applicant for electric service is granted, and the applicant thereafter desires underground electric service, then paragraphs B and C (relating to installation of distribution and service lines and applicant for electric service) will apply as if no exception had been granted.

G. Applicability

This rule shall apply to applications for service to developments, which are filed with the Company after June 30, 1984.

H. Subdivisions

Underground facilities in new residential developments are only required by paragraphs A through G (relating to underground electric service in new residential developments) when a bona fide developer exists, that is, only when utility-ready lots are provided by the developer. A mere subdivision is not required to have underground service. Should the lot owner or owners in a subdivision desire underground service, the service will be provided by the Company if the lot owner or owners, at their option, either comply with paragraph C (relating to applicants for electric service) or pays to the Company charges that are contained in the Company's tariff for underground electric service not required by this rule.

13.3 BUILDING ENERGY CONSERVATION STANDARDS FOR RECEIPT OF UTILITY SERVICE FOR RESIDENTIAL BUILDINGS Pursuant to the requirements of amended Pa. Code §69.101 through §69.107, the following provisions are incorporated in this Tariff:

The Company must receive proof of compliance with, or exemption from, the insulation standards set forth in the Building Energy Conservation Act (Act 222) prior to providing electric service for any purpose, including temporary electric service for residential building construction purposes, to (1) new residential buildings, (2) additions to existing residential buildings, and (3) renovated residential buildings located in municipalities that have not elected to administer Act 222.

Proof of compliance shall be made by furnishing the Company with a "Notice of Intent to Construct" form certified by Pennsylvania's Department of Community Affairs.

Upon request, the Company will provide information and the required forms for compliance with Act 222.

RULES AND REGULATIONS - (Continued)

MEASUREMENT AND USE OF SERVICE

14. MEASUREMENT OF SERVICE The quantity of energy recorded by the Company's meters for billing purposes shall be final and conclusive, except where the meters fail to register or are determined to be in error; in these instances, the quantity delivered during the period in question shall be estimated, after due consideration of previous or subsequent properly measured deliveries. Tests of meters made upon written request of the customer will be in accordance with the rules and regulations of the Pennsylvania Public Utility Commission. See Rule 42 for more detail on meter inspections.

14.1 METER READING INTERVALS For billing purposes, the Company will read meters at scheduled regular monthly intervals.

14.2 CUSTOMER REQUEST FOR SPECIAL METERING If a customer wishes to replace the Company billing meter, to the extent technically possible, the Company will offer, provide and support a selection of qualified meters that conform with Company standards. The Company will perform the installation within a reasonable amount of time and at the expense of the customer. The customer must pay for such metering equipment based on the net incremental cost of purchasing and installing the new equipment. The Company will own and maintain all such new metering equipment. The Company will continue to read the meter for billing purposes, and to obtain the data to be used to fulfill its obligations in satisfying arrangements with the EGS as required.

The Company has adopted a program that provides all customers with meters to provide data for normal monthly billing services. In the event that a residential or small commercial customer, or an EGS on behalf of a residential or small commercial customer, requests an upgrade to an Alpha Powerplus meter, which the Company provides for large commercial and industrial customers, installation of that meter will be provided at a cost of \$586.00, plus additional costs if a dedicated phone line is not provided by the customer. These net incremental charges, as set forth in the Company's Advance Meter Catalog, may be paid to the Company by either the customer or the EGS, or jointly by the customer and the EGS pursuant to a mutual agreement.

14.3 SUB-METERING If a customer wishes to have metering installed in addition to the Company installed meter, the meter must be installed on the customers electrical system and at the expense of the customer.

15. INABILITY TO READ RESIDENTIAL METERS When scheduled readings of kilowatt-hour meters are not obtained because of inability to gain access to the meter location, the customer may read his meter and furnish the Company the reading on cards supplied by the Company, or by telephone to the Company, in which case the bill will be rendered on the basis of such reading; otherwise, the Company will estimate the bill. No more than five (5) successive bills will be rendered on readings made by the customer.

15.1 INABILITY TO READ COMMERCIAL OR INDUSTRIAL METERS When scheduled readings of kilowatt-hour and demand meters are not obtained, the Company may render an interim statement for each month until the meters are read.

16. USE OF SERVICE BY CUSTOMER The customer shall use the electric service only at the premise where service is established; and after electric service has been established, shall notify the Company of any change in connected load, demand, or other conditions of use. The customer shall notify the Company of other on site sources of electric generation or electricity concurrently produced as a by-product of another process or electricity produced utilizing renewable resources. Customers who own and operate electric generation equipment shall conform with the Company's "Electric Service Installation Rules", copies of which may be obtained at the Company's offices. For customers who own and operate electric generation, the provisions of Rider 16, "Service to Non-Utility Generating Facilities and Rider 22, "Renewable Energy Service" may also apply.

RULES AND REGULATIONS - (Continued)

MEASUREMENT AND USE OF SERVICE - (Continued)

17. FLUCTUATIONS AND UNBALANCES The customer's use of electric service shall not cause fluctuating loads or unbalanced loads of sufficient magnitude to impair the service to other customers or to interfere with the proper operation of the Company's facilities. The Company may require the customer to make such changes in his equipment or use thereof, or to install such corrective equipment, as may be necessary to eliminate fluctuating or unbalanced loads; or, where the disturbances caused thereby may be eliminated more economically by changes in or additions to the Company's facilities, the Company will, at the request of the customer, provide the necessary corrective facilities at a reasonable charge. Payment will be made in full in advance for supplying special equipment installed under this Rule.

18. REDISTRIBUTION All electric energy shall be consumed by the customer to whom the Company supplies and delivers such energy, except that (1) a customer operating a separate office building, and (2) any other customer who, upon showing that special circumstances exist, obtains the written consent of the Company may redistribute electric energy to tenants of such customer, but only if such tenants are not required to make a specific payment for such energy, except where such payments would encourage energy conservation. This rule shall not affect any practice undertaken prior to June 1, 1965. See Rule 41 for special requirements for residential dwelling units in a building.

19. CONTINUITY AND SAFETY The Company will use all reasonable care to provide safe and continuous delivery of electricity but shall not be liable for any damages arising through interruption of the delivery of electricity or for injury to persons or property resulting from the use of the electricity delivered.

BILLS AND NET PAYMENT PERIODS

20. BILLING The Company will render a bill monthly for electric service.

20.1 BILLING OPTIONS Customers who elect to purchase part or all of their electricity from an EGS may choose: (1) Consolidated Billing and receive a single bill from the Company that includes Company charges and EGS charges; or (2) Separate Billing and receive one bill from the Company for Company charges and a second bill from the EGS for EGS charges. The customer must notify the Company of the billing arrangement when an EGS is selected. If the customer does not make a selection, the customer shall receive Consolidated Billing from the Company. Provisions for billing contained in the Supplier Tariff shall apply accordingly

20.2 BILLS Bills for electric service are due and payable upon presentation and may be paid at the general offices of the Company during its regular office hours or to any of its collecting agencies during the regular office hours of such agencies. For customers who select an EGS and who select the Separate Billing Option, payment of the bill from the EGS is due to the EGS per the EGS terms and conditions. When the meter readings are taken at other than monthly intervals or when the elapsed time between meter readings is substantially greater or less than one month, the rate values applicable to monthly delivery periods will be adjusted.

21. NET PAYMENT Payments made direct at the payment receiving offices of the Company or payments made direct to the Company's agencies by the due date will be accepted by the Company in the amount billed. Payments made by mail may be accepted in the amount billed by the Company, at its option if: (1) the date of mailing as determined by the Post Office date stamp on the enclosing envelope is on or before the due date, or (2) the payment is received within five days after the due date. A Late Payment Charge will be added to Company charges for failure to make payment of the bill in accord with the above.

RULES AND REGULATIONS - (Continued)

BILLS AND NET PAYMENT PERIODS - (Continued)

21.1 PAYMENT OF BILLS FOR RESIDENTIAL SERVICE The Company will designate a due date on its bill which shall be a business day no less than 20 days from the date of transmittal of the bill. When the due date for residential service occurs from the 21st day of the month through the 5th day of the following month, the due date may be extended upon request to the 6th day of the latter month for ratepayers receiving Social Security or equivalent monthly checks on or about the first of the month.

21.2 PARTIAL PAYMENT OF BILLS For customers who submit payments which are insufficient to cover all of the charges billed by the Company, including EGS charges for those customers who have selected consolidated billing, the Company will apply the payment based upon their current bill and their outstanding balance, if applicable. For a customer who has a pre-direct access balance, the Company will apply the payment as follows: (1) outstanding pre-direct access balance or the installment amount for a payment agreement on this balance; (2) competitive transition charge (CTC); (3) distribution charges; (4) transmission charges; (5) generation charges, and (6) non-basic service charges defined in Rule 3. If the customer's account develops a post-direct access balance, the Company will apply the payments to the pre-direct access balance, according to the terms of the pre-direct access payment agreement, then apply the remainder of the payment to any other outstanding post-direct access charges. For a customer with no pre-direct access balance but with a post-direct access balance, the Company will apply the payment as follows: (1) balance due for prior CTC charges; (2) current CTC charges; (3) current distribution charges; (4) current transmission charges; (5) balance due for prior generation charges; (6) current generation charges, and (7) non-basic service charges.

21.3 RETURNED CHECK CHARGE If a check received in payment of a Customer's account is returned to the Company unpaid by the Customer's bank and cannot be redeposited by the Company for payment, a \$20.00 charge for the returned check will be added to the Customer's account.

COMPANY PROPERTY ON CUSTOMER'S PREMISES

22. ACCESS TO PREMISES Company representatives, who are properly identified, shall have full and free access to the customer's premises at all reasonable times for the purpose of reading Company meters, for inspection and repairs, for removal of Company property, or for any other purpose incident to the service. The customer should immediately communicate with the Company in case of any question as to the authority or credentials of Company representatives.

23. CUSTOMER'S RESPONSIBILITY The customer shall protect the property of the Company on the premises and shall not permit access thereto except by authorized representatives of the Company.

RULES AND REGULATIONS - (Continued)

COMPANY PROPERTY ON CUSTOMER'S PREMISES - (Continued)

24. TAMPERING Where evidence is found that the service wires, meters, switch box or other appurtenances on the customer's premises have been tampered with, the customer shall be required to bear all costs incurred by the Company for investigations and inspections, and for such protective equipment as, in the judgment of the Company, may be necessary (including the relocation of inside metering equipment to an accessible outside location); and in addition, where the tampering has resulted in improper measurement of the electricity delivered, the customer shall be required to pay for such electric delivery service, and any Company supplied electricity, including interest at the Late Payment Charge rate, as the Company may estimate, from available information to have been used but not registered by the Company's meters.

25. REPAIRS OR LOSSES The customer shall pay the Company for any repairs to or any loss of the Company's property on the premises when such repairs are necessitated, or loss occasioned, by negligence on the part of the customer or failure to comply with the rules and regulations under which service is furnished.

DISCONTINUANCE, CURTAILMENT OR INTERRUPTION OF ELECTRIC SERVICE

26. ARREARS The Company upon reasonable notice may terminate electric service and remove its equipment from the premises for nonpayment of undisputed Company service charges or Company charges as the provider of last resort charges. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

26.1 COLLECTION REVIEW The Company shall review accounts monthly for collection purposes. The Company shall pursue collection of residential accounts on a monthly basis where permitted by applicable regulations.

27. CONTRACTS OR APPLICATIONS Where electric service has been established without the customer first having executed a written contract or application, the Company reserves the right to terminate electric service and remove its equipment from the premises upon reasonable notice in case the customer refuses or neglects to execute a written contract or application when requested so to do by the Company. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

28. DEPOSITS The Company reserves the right to terminate electric service and remove its equipment from the premises upon reasonable notice in case the customer refuses or neglects to post a cash deposit based on Company charges when requested to do so by the Company, as provided under Rule 5. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

29. UNDERGROUND SERVICE The Company reserves the right to terminate electric service and remove its equipment from the premises upon reasonable notice when the customer refuses or neglects to provide at his own expense the necessary facilities for receiving underground service, as provided under Rule 13.1. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

RULES AND REGULATIONS - (Continued)

DISCONTINUANCE, CURTAILMENT OR INTERRUPTION OF ELECTRIC SERVICE - (Continued)

30. HAZARDOUS AND IMPROPER CONDITIONS The Company may terminate electric service and remove its equipment from the premises upon reasonable notice if in the judgment of the Company the customer's installation has become dangerous or defective, or if the Company has received a notice from the proper authorities that the customer's equipment is dangerous or defective, or if the customer's equipment or use thereof injuriously affects the equipment of the Company or the Company's service to other customers. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

31. MISREPRESENTATIONS The Company reserves the right to terminate electric service and remove its equipment from the premises upon reasonable notice in case the customer has made misrepresentations to the Company with respect to the use of the electric service. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

32. REDISTRIBUTION The Company reserves the right to terminate electric service and remove its equipment from the premises upon reasonable notice in case the customer redistributes the electric service contrary to the provisions set forth in this tariff. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

33. INACCESSIBILITY The Company may terminate electric service and remove its equipment from the premises upon reasonable notice in case meter readers or other authorized representatives of the Company cannot gain admittance or are refused admittance to the premises for the purpose of reading meters, making repairs, making inspections, or removing Company property, or in case the customer interferes with Company representatives in the performance of their duties. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

34. TAMPERING The Company may terminate electric service and remove its equipment from the premises upon reasonable notice in case the Company's property on the premises has been interfered with, or in case evidence is found that the service wires, meters, switch-box or other appurtenances on the premises have been tampered with. When a residential ratepayer or residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

35. REPAIRS AND LOSSES The Company may terminate electric service and remove its equipment from the premises upon reasonable notice in case the customer shall neglect or refuse to reimburse the Company for repairs to or loss of the Company's property on the premises when such repairs are necessitated, or loss occasioned, by negligence on the part of the customer. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

36. WRITS AND LEVIES The Company reserves the right to terminate electric service and remove its equipment from the premises upon reasonable notice in case a Writ of Execution is issued against the customer, or in case the premises at which service is supplied is levied upon, or in case of assignment or act of bankruptcy on the part of the customer. When a residential ratepayer or a residence is involved, the Company will comply with the provisions of 52 Pa. Code Chapter 56, "Standards and Billing Practices for Residential Utility Service."

RULES AND REGULATIONS - (Continued)

DISCONTINUANCE, CURTAILMENT OR INTERRUPTION OF ELECTRIC SERVICE - (Continued)

37. INTERRUPTIONS FOR REPAIRS The Company reserves the right to curtail or temporarily interrupt customers' electric service upon prior notice of the cause and expected duration of interruption when it shall become necessary so to do in order that the Company may make repairs, replacements or changes in its equipment on or off the premises of the customers.

38. GOVERNMENTAL AUTHORITY The Company reserves the right to curtail, interrupt, or discontinue electric service without notice in case it becomes necessary for the Company so to do in compliance with any order or request of any governmental authority. Notice of the cause and expected duration of the interruption will be given to affected customers as soon as possible.

39. CURTAILMENT WITHOUT NOTICE The Company reserves the right to curtail, interrupt or discontinue electric service without prior notice to the extent required to meet emergencies. Notice of the cause and expected duration of the interruption will be given to affected customers as soon as possible.

39.1 EMERGENCY LOAD CONTROL Pursuant to order of Pennsylvania Public Utility Commission, the following provision is incorporated in this Tariff: Whenever the demands for power on all or part of the Company's system exceed or threaten to exceed the capacity then actually and lawfully available to supply such demands, or whenever system instability or cascading outages could result from actual or expected transmission overloads or other contingencies, or whenever such conditions exist in the system of another public utility or power pool with which the Company's system is interconnected and cause a reduction in the capacity available to the Company from that source or threaten the integrity of the Company's system, a load emergency situation exists. In such case, the Company shall take such reasonable steps as the time available permits to bring the demands within the then-available capacity or otherwise control load. Such steps shall include but shall not be limited to reduction or interruption of electric service to one or more customers, in accordance with the Company's procedures for controlling load.

The Company shall establish procedures for controlling load including schedules of load shedding priorities to be followed in compliance with the foregoing paragraph, may revise such procedures from time to time, and shall revise them if so required by Pennsylvania Public Utility Commission. A copy of such procedures or of the revision thereof currently in effect shall be kept available for public inspection at each office at which the Company maintains a copy of its tariff for public inspection, and another such copy shall be kept on file with Commission's Bureau of Conservation, Economics and Energy Planning.

39.2 EMERGENCY ENERGY CONSERVATION Pursuant to order of the Pennsylvania Public Utility Commission, the following provision is incorporated in this tariff:

Whenever events occur which are actually resulting, or in the judgment of the Company threaten to result, in a reduction in the supply of electricity which results from conditions such as a restriction of the fuel supplies available to the Company or its energy vendors, such that the amount of electric energy which the Company is able to supply is or will be adversely affected, by the loss of third party supply etc. an emergency energy conservation situation exists.

In the event of an emergency energy conservation situation, the Company shall take such reasonable measures as it believes necessary and proper to maintain the system until need to conserve has passed. Such measures may include, but shall not be limited to reduction, interruption, or suspension of electric service to one or more of its customers or classes of customers in accordance with the Company's procedure for emergency energy conservation.

RULES AND REGULATIONS - (Continued)

DISCONTINUANCE, CURTAILMENT OR INTERRUPTION OF ELECTRIC SERVICE - (Continued)

39.2 EMERGENCY ENERGY CONSERVATION - (Continued)

The Company shall establish procedures for emergency energy conservation, including if it deems necessary, schedules of service interruption and suspension priorities to be followed as prescribed by the foregoing paragraph.

When a state of emergency is declared by the Governor, or other appropriate governmental authority, and during the period of that emergency, upon notification of the customer by the Company, the customer shall take the actions required by the procedures for emergency energy conservation. During the period of that emergency the appropriate customers will be billed under the provisions of Rider No. 17 - Emergency Energy Conservation.

The Company may revise such procedures from time to time, and shall revise them if so required by the Pennsylvania Public Utility Commission. A copy of such procedures or of the revision thereof currently in effect shall be kept available for public inspection at each office at which the Company maintains a copy of its tariff for public inspection, and another such copy shall be kept on file with the Commission's Bureau of Conservation, Economics and Energy Planning.

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

Where electric service has been discontinued upon the request of the customer and where the customer requests that service be reconnected at the same location within a period of one year from the date that electric service was discontinued, the Company reserves the right as a condition precedent to the reconnection of service to require the payment of all arrearages for Company charges which will consist of the minimum charge applicable to such customer's service during the period of discontinuance.

Where electric service to a non-residential customer has been terminated under the terms of Rules 30 and/or 34, and such condition was the direct result of tampering, the Company reserves the right as a condition precedent to the reconnection of service to require payment of all costs incurred by the Company for investigations and inspections, and for such protective equipment deemed necessary by the Company.

41. PROHIBITION OF RESIDENTIAL MASTER METERING Each residential dwelling unit in a building must be individually metered by the Company for buildings connected after January 1, 1981. For the purposes of the Rule, a dwelling unit is defined as:

One or more rooms for the use of one or more persons as a housekeeping unit with space for eating, living, and sleeping, and permanent provisions for cooking and sanitation.

This Rule does not preclude the use of a single meter for the common areas and common facilities of a multi-tenant building.

This Rule shall not effect any practice undertaken prior to January 1, 1981.

RULES AND REGULATIONS - (Continued)

GENERAL PROVISIONS

42. METER TESTING The Company will inspect or test the accuracy of a meter at the request of the customer or an EGS for whom the meter registers service, but reserves the right to require payment of the fees set forth in 52 Pa. Code § 57.22 for such test. This rule shall apply to the inspection or testing of special meters described in Rule 14.2.

43. OTHER SERVICES The Company may, where possible, provide and charge a reasonable fee for services including, but not limited to, energy audits, equipment inspections, technical reports and other similar services, at the request of the customer. Where possible, the Company will give an advanced, written estimate of the cost to provide the service.

44. SURGE PROTECTION SERVICE Surge Shield™, a surge suppression device that will reduce or eliminate voltage surges, is available to customers pursuant to the terms and conditions set forth below. The device is mounted behind the meter socket at the customer's premise.

A. Availability

The Company will provide Surge Shield™, to any customer with a 120/240 volt single-phase meter upon request, provided that the customer is determined by the Company to have an acceptable credit history.

B. Billing

A charge of \$4.65 per month for Surge Protection Service will be billed quarterly for a total of \$13.95. (One hundred and forty customers who elected monthly billing in the initial stage of the pilot program were subsequently offered a \$0.25 per quarter discount to accept quarterly billing. This discount will remain in effect for those customers.) At the Company's option, monthly billing may be offered in the future.

C. Payment Terms

Bills are due and payable on or before twenty (20) days for residential customers and fifteen (15) days for all other customers 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 bill. Non-payment of the charges for Surge Protection Service will result in termination of the service and removal of the Surge Shield™ device. Termination of the Surge Protection Service will not impact the continuity of basic service.

D. Contract Term

An initial contract of one year is required, renewable thereafter from month to month.

E. Termination of the Service

Termination prior to the conclusion of the initial contract term will result in a \$50 service charge for removal of the device. Thereafter, a one month notice of termination is required and the customer will not be charged for removal of the device.

RULES AND REGULATIONS - (Continued)

GENERAL PROVISIONS- (Continued)

44. SURGE PROTECTION SERVICE - (Continued)

F. Liability

In the event that a customer's equipment and/or appliance is damaged as a direct result of the failure or malfunction of Surge Shield™, Duquesne will be responsible for the repair or replacement of the equipment and/or appliance for up to \$1,000 per occurrence.

45. SUPPLIER SWITCHING The Company will accommodate requests by customers to switch EGS's in accordance with 52 Pa. Code Chapter 57, Subchapter M "Standards for Changing a Customers Electricity Generation Supplier." Customers who are eligible to purchase all or part of their electricity from an EGS are permitted to purchase electricity from only one EGS per billing cycle. Customers who elect to return to the Company from an EGS will return at the charges of the applicable rate. Switching by customer shall occur in accordance with the direct access procedures, and in accordance with the provisions contained in this Tariff and the Supplier Tariff.

45.1 SWITCHING PROTOCOLS Upon receipt of the request by the Company from the customer or authorized party to change the EGS, the Company will send the customer a confirmation letter notifying the customer of the proposed change and their right to rescind. If the customer does not contact the Company within 10 days of the date on the confirmation letter, then the Company will process the selection. The selection will be effective as of the next scheduled meter read date and the EGS will become the EGS of record for delivery provided that: (1) the Company has received at least 15 days prior notice from the EGS; (2) and all required customer information including the customer's name, service address, customer account number, current EGS, proposed EGS and confirmation that the proposed EGS has agreed to provide the services is provided to the Company is accurate and complete; (3) the 10-day waiting period has expired; and (4) the customer has not contacted the Company to dispute the EGS selection. If the required information to process a change to an EGS is not provided, the customer shall either call the Company with the necessary information or supply signed written authorization before the change is processed. If during the 10-day waiting period, the Customer elects to rescind its new EGS selection, the Company will notify the rejected EGS of the rescission. In the event the customer rescinds their EGS selection after the 10-day waiting period, the customer will be required to remain with the selected EGS for a minimum of one billing cycle.

45.2 SUPPLIER SWITCHING BY RESIDENTIAL CUSTOMERS Upon receipt of notice from an EGS of its intention to terminate a customer, Duquesne will provide the customer with an Options Notice, which shall include a description of the options available to the customer upon termination of service from the EGS, and shall include a copy of the OCA Shopping Guide.

A. Residential Switching Options

- (1) The residential customer may contract with an EGS for service prior to returning to POLR service, provided such notice is made to Duquesne in accordance with the standard switching protocols; or
- (2) The residential customer may return to POLR service at the applicable tariff rates in effect at the time service is rendered to the customer.

Except as set forth in 45.2 B, a residential customer who returns to POLR service shall be free to switch to an EGS at any time.

RULES AND REGULATIONS - (Continued)

GENERAL PROVISIONS- (Continued)

45.2 SUPPLIER SWITCHING BY RESIDENTIAL CUSTOMERS - (Continued)

B. Residential Switching Options Restriction

Beginning on January 1, 2001, if, in any rolling three-month period, more than 50,000 customers return from EGS to POLR service, residential customers will receive the same Options Notice set forth in 45.2, but they will be advised that if they choose to return to POLR service, they must remain on that service for at least twelve consecutive monthly billing cycles, but in no event beyond December 31, 2004. Following the expiration of this twelve-billing cycle period, the residential customer is free to choose an EGS at any time. (The calculation of 50,000 customers in a given three-month rolling period will include: (i) the number of residential customers receiving Options Notices from Duquesne under the terms of this section during the period, plus (ii) other residential customers who return from EGS to POLR service per EDI notices during the period, minus (iii) residential customers who leave POLR service during the period, minus (iv) residential customers who receive an Options Notice under the terms of this section but then switch to an EGS per EDI notices during the period.)

45.3 SUPPLIER SWITCHING BY NON-RESIDENTIAL CUSTOMERS Duquesne shall semi-annually provide to non-residential customers, via a bill insert or message, notification of the switching rules described in this section.

A. Non-Residential Switching Options

- (1) If a non-residential customer's service with an EGS is scheduled to terminate at some future date, that customer may renew that service with the same EGS or enter into a new contract with another EGS for service without returning to POLR service, provided such notice is made to Duquesne in accordance with the standard switching protocols; or
- (2) If a non-residential customer is receiving service from an EGS, that customer may return to POLR service with the requirement that it receive service from Duquesne at the applicable tariff rates in effect at the time service is rendered for twelve consecutive monthly billing cycles, except that the customer shall be permitted to depart POLR service at any time, subject to payment of the Generation Rate Adjustment (if any) calculated under Rider No. 23 of this tariff. If, however, the customer stays on POLR service for more than twelve consecutive monthly billing cycles, in subsequent years the GRA will be calculated only over the period of time that the customer is on POLR service following its most recent anniversary date. If a customer that switches to an EGS fails to pay the GRA within 60 days of the bill date or otherwise fails to dispute the calculation pursuant to Duquesne's tariff, the customer shall be returned to POLR service and remain there until the GRA is paid.

On the customer's twelve-month service anniversary, the customer will have the option of receiving service from an EGS without the payment of a GRA or continuing to receive POLR service pursuant to this section. Ninety days prior to the customer's service anniversary date, Duquesne will provide the customer with an Options Notice, describing the switching rules set forth in this section, informing the customer of its ability to contract with an EGS for service and advising the customer of its service anniversary date.

RULES AND REGULATIONS - (Continued)

GENERAL PROVISIONS- (Continued)

46. PROVISION OF LOAD DATA The Company will provide to a customer or the customer's designated EGS or authorized consultant, historical data in accordance with all current regulatory requirements of direct access once each calendar year for no fee. The exchange of data among the Company, EGSs, and customers shall be in accordance with the Supplier Tariff.

47. TAX INDEMNIFICATION If Duquesne Light Company becomes liable under Section 2806(g) or 2809(c) of the Public Utility Code, Pa. C.S. §§ 2806(g) and 2809(f), for Pennsylvania state taxes not paid by an Electric Generation Supplier (EGS), the non-compliant EGS shall indemnify Duquesne for the amount of additional state tax liability imposed upon Duquesne by the Pennsylvania Department of Revenue due to the failure of the EGS to pay or remit to the Commonwealth the tax imposed on its gross receipts under Section 1101 of the Tax Report Code of 1971 or Chapter 28 of Title 66.

RATE RS - RESIDENTIAL SERVICE

AVAILABILITY

Available to residential or combined residential and farm customers using the Company's standard low voltage service for lighting, appliance operation, and general household purposes.

Available only when supplied at 240 volt (or less) single phase service through a single meter directly by the Company to a single family dwelling or to an individual dwelling unit in a multiple dwelling structure. For the purposes of this rate, a dwelling unit is defined as one or more rooms arranged for the use of one or more individuals for shelter, sleeping, dining, and with permanent provisions for cooking and sanitation.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$6.38

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	3.0212	3.3128	0.2483	4.7149

(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

(C) - Indicates Change

RATE RS - RESIDENTIAL SERVICE - (Continued)

MONTHLY RATE - (Continued)

MINIMUM CHARGE

The minimum Charge shall be the Customer Distribution Charge.

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 twenty 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. A Late Payment Charge on a disputed bill may be reduced or eliminated by the Company, or upon order by the Commission, to facilitate payment by the disputing customer.

COMBINED RESIDENTIAL AND NON-RESIDENTIAL SERVICE

Where a portion of the service supplied is used for non-residential or non-farm purposes, the appropriate General Service rate is applicable to all service; or, at the option of the customer, the wiring may be so arranged that the residential service may be separately metered and this rate is then applicable to the residential service only.

SPECIAL PROVISIONS

RESIDENTIAL GARAGE

A separately metered 240 volts (or less) single phase service to a detached residential garage utilized solely for storing a residential customer's vehicle(s) and is located on the same property as the residential customer's dwelling unit will be considered residential use and may be serviced under the terms of this rate.

OPTIONAL BUDGET PAYMENT PLAN

An Optional Budget Payment Plan offers the ratepayer the option of paying a budget amount each month as estimated by the Company or the actual account balance of the current bill including any arrearages.

RATE RH - RESIDENTIAL SERVICE HEATING

AVAILABILITY

Available to residential or combined residential and farm customers using the Company's standard low voltage service for lighting, appliance operation, general household purposes, and as the sole primary method of space heating except that the space heating system may be supplemented with renewable energy sources such as solar, wind, wood, or hydro.

Available only when supplied at 240 volt (or less) single phase service through a single meter directly by the Company to a single family dwelling or to an individual dwelling unit in a multiple dwelling structure. For the purposes of this rate, a dwelling unit is defined as one or more rooms arranged for the use of one or more individuals for shelter, sleeping, dining, and with permanent provisions for cooking and sanitation.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$6.38

WINTER MONTHLY RATE

For the Billing Months of November through April:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per <u>kilowatt-hour</u>	<u>Competitive Transition Charge</u> cents per <u>kilowatt-hour</u>	<u>Transmission Charge</u> cents per <u>kilowatt-hour</u>	<u>Generation Charge</u> cents per <u>kilowatt-hour</u>	
First 500 kilowatt-hours	1.4427	5.4551	0.2081	4.1913	(C)
Additional kilowatt-hours	0.5271	1.9929	0.2081	1.3991	(C)

SUMMER MONTHLY RATE

For the Billing Months of May through October:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per <u>kilowatt-hour</u>	<u>Competitive Transition Charge</u> cents per <u>kilowatt-hour</u>	<u>Transmission Charge</u> cents per <u>kilowatt-hour</u>	<u>Generation Charge</u> cents per <u>kilowatt-hour</u>	
All kilowatt-hours	1.4427	5.4551	0.2081	4.1913	(C)

(C) - Indicates Change

RATE RH - RESIDENTIAL SERVICE HEATING - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

MINIMUM CHARGE

The minimum Charge shall be the Customer Distribution Charge.

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 twenty 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. A Late Payment Charge on a disputed bill may be reduced or eliminated by the Company, or upon order by the Commission, to facilitate payment by the disputing customer.

RATE RH - RESIDENTIAL SERVICE HEATING - (Continued)

SPECIAL PROVISIONS

COMBINED RESIDENTIAL AND NON-RESIDENTIAL SERVICE

Where a portion of the service supplied is used for non-residential or non-farm purposes, the appropriate General Service rate is applicable to all service; or, at the option of the customer, the wiring may be so arranged that the residential service may be separately metered and this rate is then applicable to the residential service only.

RESIDENTIAL GARAGE

A separately metered 240 volt (or less) single phase service to a detached residential garage utilized solely for storing a residential customer's vehicle(s) and is located on the same property as the residential customer's dwelling unit will be considered residential use and may be served under the terms of this rate. To be served under the terms of this rate, the garage must use the Company's service as the sole primary method for space heating maintaining a winter time temperature of 55⁰ F. or more.

SPACE HEATING EQUIPMENT

Space heating equipment must be permanently installed, thermostatically controlled and must be approved by the Company.

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.

OPTIONAL BUDGET PAYMENT PLAN

An Optional Budget Payment Plan offers the ratepayer the option of paying a budget amount each month as estimated by the Company or the actual account balance of the current bill including any arrearages.

RATE RA - RESIDENTIAL SERVICE ADD-ON HEAT PUMP

AVAILABILITY

Available to residential or combined residential and farm customers using the Company's standard low voltage service for lighting, appliance operation, general household purposes, and an add-on heat pump for space heating. Other energy sources may be used to supplement the add-on heat pump provided that the supplemental energy source is thermostatically controlled to operate only when the outdoor temperature falls to at least 40^o F. and the add-on heat pump cannot provide the total heating requirements.

Available only when supplied at 240 volt (or less) single phase service through a single meter directly by the Company to a single family dwelling or to an individual dwelling unit in a multiple dwelling structure. For the purposes of this rate, a dwelling unit is defined as one or more rooms arranged for the use of one or more individuals for shelter, sleeping, dining, and with permanent provisions for cooking and sanitation.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$6.38

WINTER MONTHLY RATE

For the Billing Months of November through April:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Competitive Transition Charge</u> cents per kilowatt-hour	<u>Transmission Charge</u> cents per kilowatt-hour	<u>Generation Charge</u> cents per kilowatt-hour	
First 500 kilowatt-hours	1.5569	3.0437	0.2534	6.4432	(C)
Additional kilowatt-hours	0.5688	1.1120	0.2534	2.1930	(C)

SUMMER MONTHLY RATE

For the Billing Months of May through October:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Competitive Transition Charge</u> cents per kilowatt-hour	<u>Transmission Charge</u> cents per kilowatt-hour	<u>Generation Charge</u> cents per kilowatt-hour	
All kilowatt-hours	1.5569	3.0437	0.2534	6.4432	(C)

(C) - Indicates Change

RATE RA - RESIDENTIAL SERVICE ADD-ON HEAT PUMP - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

MINIMUM CHARGE

The minimum Charge shall be the Customer Distribution Charge.

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 twenty 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. A Late Payment Charge on a disputed bill may be reduced or eliminated by the Company, or upon order by the Commission, to facilitate payment by the disputing customer.

RATE RA - RESIDENTIAL SERVICE ADD-ON HEAT PUMP - (Continued)

SPECIAL PROVISIONS

COMBINED RESIDENTIAL AND NON-RESIDENTIAL SERVICE

Where a portion of the service supplied is used for non-residential or non-farm purposes, the appropriate General Service rate is applicable to all service; or, at the option of the customer, the wiring may be so arranged that the residential service may be separately metered and this rate is then applicable to the residential service only.

SPACE HEATING EQUIPMENT

Space heating equipment must be permanently installed, thermostatically controlled and must be approved by the Company.

The add-on heat pump and supplemental heating device must be equipped with a thermostatically operated control system which operates the add-on heat pump as the primary heating system until the outdoor temperature falls to at least 40^o F.

OPTIONAL BUDGET PAYMENT PLAN

An Optional Budget Payment Plan offers the ratepayer the option of paying a budget amount each month as estimated by the Company or the actual account balance of the current bill including any arrearages.

RATE GS/GM - GENERAL SERVICE SMALL AND MEDIUM

AVAILABILITY

Available for all the standard electric service taken on a small or medium general service customer's premises for which a residential rate is not available.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$9.07

DEMAND CHARGES

	<u>Distribution Charge</u> <u>\$ per kilowatt</u>	<u>Competitive Transition Charge</u> <u>\$ per kilowatt</u>	<u>Transmission Charge</u> <u>\$ per kilowatt</u>	<u>Generation Charge</u> <u>\$ per kilowatt</u>	
First 5 kilowatts or less of Demand	No Charge	No Charge	No Charge	No Charge	
Additional kilowatts of Demand	3.54	4.82	0.55	9.43	(C)

ENERGY CHARGES

	<u>Distribution Charge</u> <u>cents per kilowatt-hour</u>	<u>Competitive Transition Charge</u> <u>cents per kilowatt-hour</u>	<u>Transmission Charge</u> <u>cents per kilowatt-hour</u>	<u>Generation Charge</u> <u>cents per kilowatt-hour</u>	
First 550 kilowatt-hours	2.6274	3.5742	0.1582	7.2474	(C)
Next 750 kilowatt-hours	2.4575	3.3430	0.1582	6.7685	(C)
Additional kilowatt-hours	0.6637	0.9028	0.1582	1.7125	(C)

(C) - Indicates Change

RATE GS/GM - GENERAL SERVICE SMALL AND MEDIUM - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

MAXIMUM AVERAGE CHARGE

For customers who elect to purchase all of their electricity from the Company, the total average charge for distribution, competitive transition charge, transmission and generation calculated under the above rates shall not exceed 31.2972 cents per kilowatt-hour except by reason of the Minimum Charge.

For customers who elect to purchase their energy from an EGS, and where the total charges would have exceeded 31.2972 cents per kilowatt-hour had they purchased all of their electricity from the Company, the combined average charge for distribution and competitive transition charge shall not exceed 14.596 cents per kilowatt-hour. (C)

The maximum average charges shall be allocated among distribution, competitive transition charge, transmission and generation and billed as follows:

<u>Maximum Average Distribution Charge cents per kilowatt-hour</u>	<u>Maximum Average Competitive Transition Charge cents per kilowatt-hour</u>	<u>Maximum Average Transmission Charge cents per kilowatt-hour</u>	<u>Maximum Average Generation Charge cents per kilowatt-hour</u>
6.5365	8.0598	0.9404	15.7605

This provision is only applicable for those bills that include demand billed on the above Demand Charges.

(C) - Indicates Change

RATE GS/GM - GENERAL SERVICE SMALL AND MEDIUM - (Continued)

MONTHLY RATE - (Continued)

MINIMUM CHARGE

The Minimum Charge shall be the sum of the Customer Distribution Charge plus a Demand Charge based on 50% of the current month Billing Demand or 30% of the highest Billing Demand during the preceding eleven months, but not less than the Customer Distribution Charge. 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.

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. 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. Individual demands which exceed 30 kilowatts will be adjusted for power factor by multiplying by

$$\left\{ 0.8 + \left[0.6 \frac{\text{Reactive Kilovolt - ampere hours}}{\text{Kilowatt - hours}} \right] \right\},$$

where such multiplier will be not less than 1.00 nor more than 2.00. The Billing Demand will be the sum of the individual demands of each metered service, adjusted for power factor as defined above.

CONTRACT PROVISIONS

Contracts will be written for a period of not less than one year.

STANDARD CONTRACT RIDERS

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

RATE GMH - GENERAL SERVICE MEDIUM HEATING

AVAILABILITY

Available for all the standard electric service taken on a customer's premises for which a residential rate is not available, where the Company's service is the sole method of space heating, and where the heat loss of the customer's premises is calculated in accordance with the ASHRAE* Handbook of Fundamentals, and where such calculated heat loss converted into kilowatt-hour consumption during the heating season is determined by the Company to be at least 25% of the customer's entire electric energy requirements during the heating season. The space heating system may be supplemented with renewable energy sources such as solar, wind, wood, or hydro.

*American Society of Heating, Refrigerating and Air Conditioning Engineers

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$9.07

For the Billing Months of October through May:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Competitive Transition Charge</u> cents per kilowatt-hour	<u>Transmission Charge</u> cents per kilowatt-hour	<u>Generation Charge</u> cents per kilowatt-hour	
First 1,250 kilowatt-hours plus 150 kilowatt-hours for each kilowatt of Demand over 6 kilowatts	1.7603	3.6235	0.1946	5.5188	(C)
Additional kilowatt-hours	0.5452	1.1223	0.1946	1.5751	(C)

For the Billing Months of June through September:

DEMAND CHARGES

	<u>Distribution Charge</u> \$ per kilowatt	<u>Competitive Transition Charge</u> \$ per kilowatt	<u>Transmission Charge</u> \$ per kilowatt	<u>Generation Charge</u> \$ per kilowatt	
First 5 kilowatts or less of Demand	No Charge	No Charge	No Charge	No Charge	
Additional kilowatts of Demand	2.91	5.99	0.54	8.90	(C)

(C) - Indicates Change

RATE GMH - GENERAL SERVICE MEDIUM HEATING - (Continued)

MONTHLY RATE - (Continued)

For the Billing Months of June through September: - (Continued)

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 550 kilowatt-hours	2.1584	4.4430	0.1946	6.8112	(C)
Next 750 kilowatt-hours	2.0188	4.1557	0.1946	6.3581	(C)
Additional kilowatt-hours	0.5452	1.1223	0.1946	1.5751	(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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.

(C) - Indicates Change

RATE GMH - GENERAL SERVICE MEDIUM HEATING - (Continued)

MONTHLY RATE - (Continued)

MAXIMUM AVERAGE CHARGE

For customers who elect to purchase all of their electricity from the Company, the total average charge for distribution, competitive transition charge, transmission and generation calculated under the above rates shall not exceed 31.2972 cents per kilowatt-hour except by reason of the Minimum Charge.

For customers who elect to purchase their energy from an EGS, and where the total charges would have exceeded 31.2972 cents per kilowatt-hour had they purchased all of their electricity from the Company, the combined average charge for distribution and competitive transition charge shall not exceed 16.1183 cents per kilowatt-hour.

The maximum average charges shall be allocated among distribution, competitive transition charge, transmission and generation and billed as follows:

<u>Maximum Average Distribution Charge cents per kilowatt-hour</u>	<u>Maximum Average Competitive Transition Charge cents per kilowatt-hour</u>	<u>Maximum Average Transmission Charge cents per kilowatt-hour</u>	<u>Maximum Average Generation Charge cents per kilowatt-hour</u>
5.3253	10.0793	0.9228	14.9698

This provision is only applicable for those bills that include demand billed on the above Demand Charges.

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 \$0.54 per kW, a distribution charge of \$1.11 per kW, a CTC charge of \$2.29 per kW and a generation charge of \$3.42 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 sum of the Customer Distribution Charge plus a Demand Charge based on 50% of the current month Billing Demand or 30% of the highest Billing Demand during the preceding eleven months, but not less than the Customer Distribution Charge. 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.

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.

(C) - Indicates Change

RATE GMH - GENERAL SERVICE MEDIUM HEATING - (Continued)

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 GS/GM.

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.

RATE GL - GENERAL SERVICE LARGE

AVAILABILITY

Available for all the standard electric service taken on a customer's premises where the demand is not less than 300 kilowatts.

MONTHLY RATE

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	719.38	1,335.96	144.00	3,327.66	(C)

	<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	1.82	3.38	0.48	8.30	(C)

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	0.4474	0.8308	0.1126	2.0464	(C)

(C) - Indicates Change

RATE GL - GENERAL SERVICE LARGE - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. Customers may purchase their electricity from the Company or from 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 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 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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.

MINIMUM CHARGE

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 \$2,055.34.

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.

(C) - Indicates Change

(C)

RATE GL - GENERAL SERVICE LARGE - (Continued)

DETERMINATION OF DEMAND

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. Individual demands which exceed 30 kilowatts will be adjusted for power factor by multiplying by

$$\left\{ 0.8 + \left[0.6 \frac{\text{Reactive Kilovolt - ampere hours}}{\text{Kilowatt - hours}} \right] \right\},$$

where such multiplier will be not less than 1.00 nor more than 2.00. The Billing Demand will be the sum of the individual demands of each metered service, adjusted for power factor as defined above, but not less than 50% of the Contract On-Peak Demand nor less than 300 kilowatts, whichever is the greater.

CONTRACT DEMAND

The Contract Demand is the maximum electrical capacity in kilowatts which the Company shall be required by the contract to deliver to the customer.

The Customer shall not establish a demand greater than 105 percent of the individual demands specified in the customer's contract unless written approval shall first have been obtained from the Company. If the customer establishes a repeated pattern of exceeding the Contract Demand, the Contract Demand may be raised to the highest demand established for the remaining term of the contract.

CONTRACT PROVISIONS

Contracts will be written for a period of not less than one year.

Where the customer has established an energy management and conservation program and has demonstrated to the satisfaction of the Company that such program has resulted in a reduced demand, the Company will, upon the customer's request, amend the contract to reflect such reduced demand for the purpose of calculating the Minimum Charge, but in no case shall the Billing Demand be reduced to less than 300 kilowatts if the customer remains on this rate.

STANDARD CONTRACT RIDERS

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

RATE GLH - GENERAL SERVICE LARGE HEATING

AVAILABILITY

Available for all the standard electric service taken on a customer's premises for which a residential rate is not available, where the Company's service is the sole method of space heating, and where the heat loss of the customer's premises is calculated in accordance with the ASHRAE* Handbook of Fundamentals, and where such calculated heat loss converted into kilowatt-hour consumption during the heating season is determined by the Company to be at least 25% of the customer's entire electric energy requirements during the heating season. The space heating system may be supplemented with renewable energy sources such as solar, wind, wood, or hydro.

*American Society of Heating, Refrigerating and Air Conditioning Engineers

MONTHLY RATE

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	3.3012	0.2063	6.7051	(C)
Additional kilowatt-hours	0.2740	1.0225	0.2063	1.9344	(C)

(C) - Indicates Change

RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)

MONTHLY RATE - (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	1,644.19	180.00	3,262.24	(C)

	<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	4.16	0.60	8.11	(C)

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	1.0225	0.2063	1.9344	(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. Customers may purchase their electricity from the Company or from 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 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 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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.

(C) - Indicates Change

RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)

MONTHLY RATE - (Continued)

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 \$2.10 per kW and a generation charge of \$4.10 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 \$2,084.76.

(C)

(C)

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.

(C) - Indicates Change

RATE L - LARGE POWER SERVICE

AVAILABILITY

Available for all the standard electric service taken on a customer's premises where the Contract Demand is not less than 5,000 kilowatts.

MONTHLY RATE

DEMAND CHARGES

	<u>Distribution Charge - \$</u>	<u>Competitive Transition Charge - \$</u>	<u>Transmission Charge - \$</u>	<u>Generation Charge - \$</u>	
First 5,000 kilowatts or less of Demand	9,074.96	18,281.47	2,150.00	41,782.57	(C)
	<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>	
Next 10,000 kilowatts of Demand	1.46	2.94	0.43	6.62	(C)
Next 25,000 kilowatts of Demand	1.42	2.85	0.43	6.43	(C)
Additional kilowatts of Demand	1.38	2.78	0.43	6.25	(C)

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 750,000 kilowatt-hours plus 400 kilowatt-hours per kilowatt of Demand	0.4375	0.8814	0.1188	1.9995	(C)
Next 150 kilowatt-hours per kilowatt of Demand	0.2797	0.5635	0.1188	1.2352	(C)
Additional kilowatt-hours	0.2517	0.5070	0.1188	1.0997	(C)

(C) - Indicates Change

RATE L - LARGE POWER SERVICE - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. Customers may purchase their electricity from the Company or from 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 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 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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.

UNTRANSFORMED SERVICE CREDIT

Where the customer furnishes all necessary equipment to take untransformed service at 11,500 volts or higher, in strict accordance with the Company's standards and specifications, a credit based upon the individual demand of the untransformed circuit shall be as follows:

11,500 or 23,000 Volt Service	\$39.75 plus 7.0 cents per Kilowatt
69,000 Volt Service or Higher	9.1 cents per Kilowatt

MINIMUM CHARGE

The Minimum Charge shall be the Demand Charge based on 70% 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 \$27,356.43.

RIDERS

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

(C) - Indicates Change

RATE L - LARGE POWER SERVICE - (Continued)

MONTHLY RATE - (Continued)

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

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. Individual demands which exceed 30 kilowatts will be adjusted for power factor by multiplying by

$$\left\{ 0.8 + \left[0.6 \frac{\text{Reactive Kilovolt - ampere hours}}{\text{Kilowatt - hours}} \right] \right\},$$

where such multiplier will be not less than 1.00 nor more than 2.00. The Billing Demand will be the sum of the individual demands of each metered service adjusted for power factor as defined above, but not less than 70% of the Contract On-Peak Demand nor less than 5,000 kilowatts, whichever is the greater.

STANDARD CONTRACT RIDERS

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

CONTRACT DEMAND

The Contract Demand is the maximum electrical capacity in kilowatts which the Company shall be required by the contract to deliver to the customer.

The customer shall not establish a demand greater than 105 percent of the individual demands specified in the customer's contract unless written approval shall first have been obtained from the Company. If the customer establishes a repeated pattern of exceeding the Contract Demand, the Contract Demand may be raised to the highest demand established for the remaining term of the contract.

RATE L - LARGE POWER SERVICE - (Continued)

CONTRACT PROVISIONS

Contracts shall be written for an original term of not less than five years for Contract Demand of 100,000 kilowatts or less, and not less than ten years for Contract Demands in excess of 100,000 kilowatts. Effective on January 26, 1985, such contracts shall continue in force after the expiration of the original term until one year following the date of written notice of cancellation by either party. Such notice of cancellation may not be given earlier than one year before the expiration of the original term. Contract cancellations for which written notice of such was received prior to January 26, 1985, shall be effective on January 26, 1986, unless cancellation under such notice would have been effective under the prior three year cancellation provision of Rate L before January 26, 1986, in which case the appropriate contract cancellation date shall prevail.

When a customer takes delivery at 69 Kv or higher for delivery into its own electric system operated at either of such voltages, and has a Contract Demand of at least 100,000 kilowatts, the customer may apply for service at two or more delivery points interconnected by the customer's facilities. If the Company is satisfied that such multiple delivery points will protect the Company from substantial loss of load and otherwise will be consistent with operation of the Company's system, it will provide such multiple delivery points. In such case the various delivery points will be billed as if metered at one point, but the 5,000 kilowatt, 10,000 kilowatt and 25,000 kilowatt blocks of the Capacity Charge, and the 750,000 kilowatt-hour block of the Energy Charge, will be multiplied by the number of delivery points before the rates stated for them are applied.

The Company reserves the right to refuse contracts hereunder if, in its judgement, its generating or transmission capacity is no more than adequate to meet the requirements of its existing customers.

Where the customer has established an energy management and conservation program and has demonstrated to the satisfaction of the Company that such program has resulted in a reduced demand, the Company will, upon the customer's request, amend the contract to reflect such reduced demand for the purpose of calculating the Minimum Charge, but in no case shall the Billing Demand be reduced to less than 5,000 kilowatts if the customer remains on this rate.

VOLTAGE CONTROL PROVISION

The customer shall be required to operate his equipment in such a manner that the voltage fluctuations produced thereby on the Company's system shall not exceed the following limits, the measurements to be made at the Company's substation nearest (electrically) the customer.

1. Instantaneous voltage fluctuations, defined as a change in voltage consuming two seconds or less, shall not exceed 1-1/4% more than six times a day, of which not more than one such fluctuation shall occur between 6:00 PM and midnight, and in no case shall such fluctuations exceed 3%.
2. Periodic voltage fluctuations, where the change in voltage consumes a period from 2 seconds to 1 minute, shall not exceed 1-1/4% more than five times an hour, and in no case shall such fluctuations exceed 3%.

RATE HVPS - HIGH VOLTAGE POWER SERVICE

AVAILABILITY

Available to customers with Contract On-Peak Demands greater than 30,000 kilowatts where service is supplied at 69,000 volts or higher.

MONTHLY RATE

DEMAND CHARGES

	<u>Distribution Charge - \$</u>	<u>Competitive Transition Charge - \$</u>	<u>Transmission Charge - \$</u>	<u>Generation Charge - \$</u>	
First 30,000 kilowatts or less of On-Peak Demand	2,795.10	81,134.37	15,000.00	231,606.53	(C)

	<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	0.10	2.93	0.50	8.39	(C)

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>	
On-Peak	0.0335	0.9738	0.1265	2.8334	(C)
Off-Peak	0.0156	0.4534	0.1265	1.2517	(C)

WHERE

Monthly Kilowatt-Hours billed at the Off-Peak Kilowatt-Hour Charge cannot exceed 75% of the total Kilowatt-Hours.

NOR

Monthly Kilowatt-Hours billed at the Off-Peak Kilowatt-Hour Charge cannot exceed 500 Kilowatt-Hours per Kilowatt of the Billing Demand.

All excess Off-Peak Energy will be billed at the on-peak delivery charges.

(C) - Indicates Change

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. Customers may purchase their electricity from the Company or from 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 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 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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

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.

MINIMUM CHARGE

The Minimum Charge shall be the Demand Charge based on 70% 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 \$83,929.47

RIDERS

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

(C) - Indicates Change

(C)

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)

MONTHLY RATE - (Continued)

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

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. Individual demands will be adjusted for power factor by multiplying by

$$\left\{ 0.8 + \left[0.6 \frac{\text{Reactive Kilovolt - ampere hours}}{\text{Kilowatt - hours}} \right] \right\},$$

where such multiplier will be not less than 1.00 nor more than 2.00. The Billing Demand will be the sum of the individual demands of each metered service adjusted for power factor as defined above, but not less than 70% of the Contract On-Peak Demand, nor less than 33 1/3% of the Contract Off-Peak Demand nor less than 30,000 kilowatts, whichever is the greater.

ON-PEAK AND OFF-PEAK CONTRACT DEMAND

The Contract On-Peak Demand is the maximum electrical capacity in kilowatts which the Company shall be required by the contract to deliver during the On-Peak hours to the customer.

The Contract Off-Peak Demand is the maximum electrical capacity in kilowatts which the Company shall be required by the contract to deliver during the Off-Peak hours to the customer.

The customer shall not establish a demand greater than 105 percent of the individual demands specified in the customer's contract unless written approval shall first have been obtained from the Company. If the customer establishes a repeated pattern of exceeding the Contract Demand, the Contract Demand may be raised to the highest demand established for the remaining term of the contract.

DEMANDS AND ENERGIES

The On-Peak Demand is the demand during on-peak hours.

The Off-Peak Demand is the demand during off-peak hours.

The Billing Demand is the On-Peak Demand except where the Off-Peak Demand is more than three times the On-Peak Demand. Then the Billing Demand will be one-third (33 1/3%) of the Off-Peak Demand.

Demands and energies will be determined on an individual demand basis and corresponding quantities will be combined to obtain demands and energies for billing purposes.

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)

ON-PEAK AND OFF-PEAK HOURS

The following hours will be designated as on-peak hours:

Monday through Thursday
10:00 a.m. to 9:00 p.m

Friday
10:00 a.m. to 5:00 p.m.

The remaining hours including the generally observed holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day shall be designated as off-peak hours. The Company may, upon written notice to customers taking service under this rate and upon filing same with the Pennsylvania Public Utility Commission, make such changes in the on-peak hours as it may from time to time deem necessary.

CONTRACT PROVISION

Contracts shall be written for an original term of not less than five years for Contract Demand of 100,000 kilowatts or less, and not less than ten years for Contract Demands in excess of 100,000 kilowatts. Such contracts shall continue in force after the expiration of the original term until one year following the date of written notice of cancellation by either party. Such notice of cancellation may not be given earlier than one year before the expiration of the original term.

The Company reserves the right to refuse contracts hereunder if, in its judgement, its generating or transmission capacity is no more than adequate to meet the requirements of its existing customers.

Where the customer has established an energy management and conservation program and has demonstrated to the satisfaction of the Company that such program has resulted in a reduced demand, the Company will, upon the customer's request, amend the contract to reflect such reduced demand for the purpose of calculating the Minimum Charge, but in no case shall the Billing Demand be reduced to less than 30,000 kilowatts if the customer remains on this rate.

VOLTAGE CONTROL PROVISION

The customer shall be required to operate his equipment in such a manner that the voltage fluctuations produced thereby on the Company's system shall not exceed the following limits, the measurements to be made at the Company's substation nearest (electrically) the customer.

1. Instantaneous voltage fluctuations, defined as a change in voltage consuming two seconds or less, shall not exceed 1-1/4% more than six times a day, of which not more than one such fluctuation shall occur between 6:00 p.m. and midnight, and in no case shall such fluctuations exceed 3%.
2. Periodic voltage fluctuations, where the change in voltage consumes a period from 2 seconds to 1 minute, shall not exceed 1-1/4% more than five times an hour, and in no case shall such fluctuations exceed 3%.

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)

INTERRUPTIBLE SERVICE

A customer who is supplied electricity from the Company may contract for interruptible load by agreeing to the "Special Terms and Conditions" listed below. The Demand Charge of this rate will be reduced by a \$2.02 per kW credit of contracted interruptible load. Where a customer purchases part of their electricity from an Electric Generation Supplier (EGS) and contracts under this rider, the credit defined in this rider will be available and applicable only to the load purchased from the Company and which the Company has control to interrupt as required per the "Special Terms and Conditions" listed below.

SPECIAL TERMS AND CONDITIONS

To be eligible for Interruptible Service the customer must agree to the following terms and conditions:

1. The Company must have unilateral, irrevocable control of the customers equipment used to disconnect the interruptible load from its electric supply. The irrevocable control of the customers equipment used to disconnect the interruptible load applies to the period of the interruption.
2. The system would be designed to provide a warning to the customer of imminent interruptions. However, Duquesne Light would reserve the right to interrupt service to the interruptible load at any time without advance notice to the customer. Subject to this reservation, the Company will endeavor to make available to the customer capacity equal to the demand specified in the contract for at least 80% of the hours in any calendar month and 90% of the hours in any calendar year. In all cases it is the customers responsibility to restore the load following notification from Duquesne that the interruption period is over.
3. The Company shall not be liable for any loss, cost, damage, or expense to customer caused by the disconnection of contracted-for interruptible load from its electric supply.
4. The interruptible portion must be load from facilities that the customer utilizes on a regular basis between 10:00 a.m. and 9:00 p.m. on each day throughout the year except Saturdays, Sundays and generally observed holidays. If the customer ceases to utilize such facilities for more than 60 days, the customer must notify the Company.
5. Customers will be responsible for installing breakers, an interfacing relay, and for making any necessary wiring, structural, or equipment location changes to allow isolation of the interruptible portion of the load without affecting the remainder of the service.
6. The Company will install, own (or control the lease), and maintain the transmitter, communication channel, receiver, and relaying equipment utilized to operate the customer-owned and installed and customer-maintained circuit breaker utilized to interrupt the interruptible load. The Company will install appropriate monitoring equipment on the interruptible service or circuit breaker to enable the Company to determine at a later date that the interruptible load was interrupted. The customer is responsible for the safety and proper operation of the customer's circuit breaker and associated equipment.

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)

SPECIAL TERMS AND CONDITIONS - (Continued)

7. Interruptible load will be interrupted as a result of overloads on the transmission, subtransmission, and distribution systems on exactly the same basis as firm load customers are interrupted.
8. Where the customer's entire load is under a load management device, the customer must make provisions so that the load management device does not recognize the loss of the interruptible load.
9. The amount of interruptible load that is available will be determined solely by the Company and will be contracted for a first-come first-served basis.

GENERATION AVOIDANCE

Generation Avoidance energy provides an option to customers who produce electricity for their own use by utilizing their own internal generating equipment. The customer may purchase energy in excess of that contracted for on this rate and avoid the increased use of alternate energy sources.

Prior to the start of each billing month, the customer must inquire as to the availability of generation avoidance energy for the billing month. When generation avoidance energy is available, the Company and the customer will mutually establish the demand threshold for generation avoidance energy. All kilowatt-hours in any 15 minute on-peak metered period that exceed the monthly stipulated demand level will be considered generation avoidance energy. Generation Avoidance energy will be billed at the average base rate price resulting from the charges calculated for the demand and energy under this rate.

FACILITIES CHARGE

Customer must pay for all new or additional facilities installed on the premises with the exception of meters and metering equipment.

RATE AL - ARCHITECTURAL LIGHTING SERVICE

AVAILABILITY

Available for separately metered circuitry connected solely to outdoor architectural lighting equipment, with demand of 5 kilowatts or greater, to be operated during non-peak periods.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$9.07

DEMAND CHARGES

	<u>Distribution Charge</u> \$ per kilowatt	<u>Transmission Charge</u> \$ per kilowatt	<u>Generation Charge</u> \$ per kilowatt	
All kilowatts of Demand	0.88	0.09	3.19	(C)

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Transmission Charge</u> cents per kilowatt-hour	<u>Generation Charge</u> cents per kilowatt-hour	
First 300 kilowatt-hours	1.2179	0.0666	4.4685	(C)
Additional kilowatt-hours	0.3023	0.0666	1.0520	(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution Charge by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

(C) - Indicates Change

RATE AL - ARCHITECTURAL LIGHTING SERVICE - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES - (Continued)

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

MINIMUM CHARGE

The minimum Charge shall be the Customer Distribution Charge.

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

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. Individual demands which may exceed 30 kilowatts will be adjusted for power factor by multiplying by

$$\left\{ 0.8 + \left[0.6 \frac{\text{Reactive Kilovolt - ampere hours}}{\text{Kilowatt - hours}} \right] \right\},$$

where such multiplier will be not less than 1.00 or more than 2.00. The Billing Demand will be the sum of the individual demands of each metered service adjusted for power factor as defined above.

RATE AL - ARCHITECTURAL LIGHTING SERVICE - (Continued)

STANDARD CONTRACT RIDERS

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

SPECIAL TERMS AND CONDITIONS

1. The service must supply only non-essential lighting facilities installed for decorative purposes and is not applicable to security lighting or the lighting of streets, highways, parking lots or athletic fields.
2. The lights must be controlled by a device that limits the equipment to operation during dusk to dawn hours only.
3. Responsibility for the provision and maintenance of all equipment used in the decorative lighting will remain with the customer.
4. In the event of a system emergency, the Company reserves the right to curtail the usage under this rate.
5. The Company reserves the right to require payment of connection and disconnection costs when a customer requests seasonal service under this rate.

RATE SE - STREET LIGHTING ENERGY

AVAILABILITY

Available for the entire electric energy requirements of municipal street lighting systems where the municipality has not less than 15,000 street lamp installations and provides for the ownership, operation, and maintenance of its own street lamp installations and takes its entire energy requirements for street lighting under this rate.

MONTHLY RATE

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	5.2417	3.1893	0.0612	2.1650

(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

(C) – Indicates Change

RATE SE - STREET LIGHTING ENERGY - (Continued)

MONTHLY RATE - (Continued)

DETERMINATION OF ENERGY FOR BILLING PURPOSES

Series Street Lights

Applicable to the supply of series street lighting energy delivered to the street lighting fixtures at 7.5 amperes unless otherwise agreed upon.

The energy delivered or delivered and supplied each month shall be the product of the connected load in kilowatts as of the fifteenth day of the month for which billed and 350 hours per month, which is the monthly average of the annual burning hours. The connected load on the primary side of the substation or pole-type constant current transformers will be the sum of the rated wattages of all lamps connected, including the rated wattages of their individual transformers and ballasts, if any, and subject to values of circuit efficiency of 85 percent.

Multiple Street Lights

Applicable to the supply of multiple street lighting energy delivered to the street lighting fixtures at 120/240 volts unless otherwise agreed upon.

(a) For Standard Dusk to Dawn Operation Where the Customer Supplies Controls Approved by the Company. The energy delivered each month shall be the product of the connected load in kilowatts as of the fifteenth day of the month for which billed and 350 hours per month, which is the monthly average of the annual burning hours. The connected load shall be the sum of the rated wattages of all lamps connected, including the rated wattages of their individual ballasts, subject to power factor correction, if any.

(b) For Other than Standard Dusk to Dawn Operation. The energy delivered or delivered and supplied each month shall be the product of the connected load in kilowatts as of the fifteenth day of the month for which billed and 730 hours per month or less as may be agreed upon. The connected load shall be the sum of the rated wattages of all lamps connected, including the rated wattages of their individual ballasts, subject to power factor correction, if any.

CREDIT FOR OUTAGE

Company will use reasonable diligence to provide a continuous, regular and uninterrupted supply of service and the Customer will use reasonable diligence to protect the lighting system. In lieu of determination of the actual lamp-hour outages resulting from a failure of any light to burn for any reason, a deduction of 0.2% of the delivery charges or delivery and energy charges will be made on the monthly bill.

RIDERS

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

RATE SE - STREET LIGHTING ENERGY - (Continued)

MONTHLY RATE - (Continued)

LATE PAYMENT CHARGE

Bills will be calculated on the rates stated herein, and are due and payable on or before thirty 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.

CHARGES FOR SPECIAL FACILITIES

Conduit used exclusively for street lighting service between lamps in the customer's area and installed prior to July 1, 1969.....	\$0.0100 per foot
Cable used exclusively for street lighting service between lamps in the customer's area	\$0.0030 per foot
Parkway-type cable used exclusively for street lighting service between lamps in the customer's area	\$0.0080 per foot
Standard junction boxes, for street lighting service located within the customer's area and installed prior to July 1, 1969	\$0.4528 each
Insulating transformers.....	\$0.4126 each
Ballasts for Mercury Vapor Lamps.....	\$0.9056 each

The total of the Charges for Special Facilities shall be multiplied by 0.97 in order to express such charges at net prices.

RATE SE - STREET LIGHTING ENERGY - (Continued)

SPECIAL PROVISIONS

1. Ballasts for multiple mercury vapor street lights, when installed by the customer, shall be power factor corrected, having a power factor of not less than 90 percent. For ballasts not so corrected, the wattage of each lamp plus ballasts shall be increased by the following ratio: 90% divided by the actual power factor, expressed in percent, of the lamp plus the ballast.
2. Series street lighting circuits will be energized and de-energized in accordance with an agreed upon schedule of burning hours, except where such circuits are controlled by photo electric cells. During other hours, circuits will not be energized except upon sufficient notice to the customer.
3. On all poles, except ornamental poles used exclusively for street lighting purposes, the Company will terminate its facilities at the bracket to which the lighting fixture is attached. On ornamental poles, used exclusively for street lighting purposes, the Company will terminate its facilities at the top of the pole if served from overhead circuits or at the bottom of the pole if served from the underground system.
4. The Company, to protect continuity of service, the general public, and the safety of men engaged in work on poles, reserves the right to install insulating transformers between the Company's circuit and the wiring of the customer's installation. Where insulating transformers are installed, charges will be made therefore as herein before specified.
5. The customer upon request shall supply the Company periodically, but not more often than at six month intervals, with certified tests made by the Electrical Testing Laboratories, Inc. of New York, or a similar accredited organization, showing the mean life input in watts for each size and type of lamp, and the wattage and power factor for each size and type of mercury vapor ballast used by the customer in street lamp installations served under this rate.
6. Energy will normally be supplied under this rate by overhead circuits, but if the Company is required to supply or the customer requests delivery service from underground facilities, the specified unit charges for underground facilities will apply.
7. All installations, on and after July 1, 1969, of standard junction boxes used for street lighting service and of conduit and multiple service cable used exclusively for street lighting service will be installed, owned and maintained by the customer.

TERM OF CONTRACT

Contracts under this rate shall be for a term of not less than ten years.

RATE SM - STREET LIGHT MUNICIPAL

AVAILABILITY

Available for mercury vapor and high pressure sodium lighting of public streets, highways, bridges, parks and similar public places, for normal dusk to dawn operation of approximately 4,200 hours per year.

(Available for mercury vapor street lighting only where served prior to January 30, 1983, and continuously thereafter at the same location).

MONTHLY RATE

Bills shall be rendered monthly according to the following rates:

Monthly Rate Per Unit

<u>Nominal Lamp Wattage</u>	<u>Nominal Energy Usage per Unit per Month-kWh</u>	<u>Distribution Charge per Unit</u>	<u>Competitive Transition Charge per Unit</u>	<u>Transmission Charge per Unit</u>	<u>Generation Charge per Unit</u>	
Mercury Vapor						
100	44	\$10.92	\$2.57	\$0.03	\$1.22	(C)
175	74	\$14.22	\$3.35	\$0.05	\$1.58	(C)
250	102	\$17.71	\$4.17	\$0.06	\$1.96	(C)
400	161	\$23.98	\$5.65	\$0.10	\$2.63	(C)
1,000	386	\$51.80	\$12.20	\$0.24	\$5.67	(C)
Sodium Vapor						
70	29	\$11.10	\$2.61	\$0.02	\$1.25	(C)
100	50	\$14.17	\$3.34	\$0.03	\$1.58	(C)
150	71	\$16.79	\$3.95	\$0.04	\$1.87	(C)
250	110	\$24.55	\$5.78	\$0.07	\$2.73	(C)
400	170	\$32.03	\$7.54	\$0.10	\$3.55	(C)
1,000	387	\$66.98	\$15.77	\$0.24	\$7.40	(C)

No charge is made for wood poles used jointly for street lighting and the support of the Company's general distribution system or for tubular steel poles, trolley type, used jointly for street lighting and the support of trolley span wires.

(Where wood poles have been installed exclusively for street lighting use prior to June 29, 1973, and used continuously thereafter, an additional charge of \$1.31 per pole per month will be made. For wood poles installed exclusively for street lighting use after June 29, 1973, see SPECIAL TERMS AND CONDITIONS).

RATE SM - STREET LIGHT MUNICIPAL - (Continued)

MONTHLY RATE

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

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 thirty 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.

RATE SM - STREET LIGHT MUNICIPAL - (Continued)

SPECIAL TERMS AND CONDITIONS

1. The above charges include installation of standard Company facilities including lamps, fixtures or luminaries, brackets and ballasts, all when installed on the overhead distribution system. The above charges include normal operation and maintenance. Normal operation and maintenance does not include periodic tree trimming around the fixture or luminaire.
2. Where it is necessary to install wood, metal, or ornamental poles, or other special facilities or services not in conformance with the Company's standard overhead practice, the additional cost shall be borne by the customer. Title to all facilities, except as noted below, shall vest in the Company.
3. All facilities used in providing street lighting service shall be and remain the property of the Company and may be removed upon termination of service, except that poles, ducts, conduits, manholes and junction boxes shall be the property of and maintained by the customer if they are an integral part of bridges, viaducts or similar structures, or highway project constructed by the joint participation of the customer and other governmental agencies.
4. The customer agrees that the facilities installed under this rate shall not be removed or converted, or the use thereof discontinued by the customer, except upon payment to the Company of the original investment in such facilities, less depreciation to the date of discontinuance of such facilities, less salvage, plus the cost of removal.

RATE SH - STREET LIGHTING HIGHWAY

AVAILABILITY

Available for high intensity discharge lighting of state highways for normal dusk to dawn operation of approximately 4,200 hours per year where the highway lighting system acceptable to Duquesne Light Company is installed by the State and ownership of the entire highway lighting system has been transferred to the Company for a nominal consideration.

MONTHLY RATE

Bills shall be rendered monthly according to the following rates:

Monthly Rate Per Unit

<u>Nominal Lamp Wattage</u>	<u>Nominal Energy Usage per Unit per Month-kWh</u>	<u>Distribution Charge per Unit</u>	<u>Transmission Charge per Unit</u>	<u>Generation Charge per Unit</u>	
Mercury Vapor					
175	74	\$5.27	\$0.05	\$6.19	(C)
250	102	\$6.86	\$0.06	\$8.07	(C)
400	161	\$10.07	\$0.10	\$11.84	(C)
1,000	386	\$22.63	\$0.24	\$26.58	(C)
Sodium Vapor					
100	50	\$5.07	\$0.03	\$5.98	(C)
150	71	\$6.23	\$0.04	\$7.34	(C)
200	95	\$7.40	\$0.05	\$8.72	(C)
250	110	\$8.54	\$0.07	\$10.06	(C)
400	170	\$12.02	\$0.10	\$14.13	(C)
1,000	387	\$26.95	\$0.24	\$31.69	(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution Charge by the Company, and must purchase their transmission and generation requirements from their selected EGS. Customers may change suppliers or return to the Company for electric generation requirements as defined in Rule 45.

(C) - Indicates Change

RATE SH - STREET LIGHTING HIGHWAY - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES - (Continued)

The above Generation Charge includes transmission ancillary services, line losses and the 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

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 thirty 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.

SPECIAL TERMS AND CONDITIONS

1. The above charges include operation, normal maintenance and replacement of the entire highway lighting system including conduit, cable, wire, ornamental poles, brackets, fixtures, lamps and photo electric controls.
2. Energy shall be supplied at a standard 120/240 or 230/460 volts from a single point or multiple points of supply satisfactory to the Company. Fixtures operating at higher voltages will not be acceptable.
3. The highway lighting system design shall include proper control devices to energize the system, such as individual photo electric controls.
4. If additional highway lighting is to be added to an existing highway lighting system, it shall be installed completely by the customer or the Company will install such facilities at the customer's expense with ownership transferred to the Company for a nominal consideration.

RATE SH - STREET LIGHTING HIGHWAY - (Continued)

SPECIAL TERMS AND CONDITIONS - (Continued)

5. In accepting conduit, junction boxes, etc. installed by the State or other governmental agency in bridges, and bridge approaches, the Company accepts no liability for damage to concrete due to deteriorating conduit or junction boxes.
6. The State Department of Transportation or other governmental agency shall provide the necessary drawings of the entire highway lighting system to the Company specifying the type of equipment so that acceptability can be established before contracts are awarded.
7. The State Department of Transportation or other governmental agency shall furnish any requisite authority necessary to provide for the installation, operation and maintenance of the entire highway lighting system within the highway right-of-way including authority for equipment to stop on the paved portion of the highway.
8. Maintenance and/or replacement of poles and pole equipment in excess of 35 feet is not included, but will be maintained and/or replaced on a time and material basis by the Company. Charges for this will be reimbursed by the customer. All poles in excess of 35 feet high must be equipped with lowering device equipment so that the lighting equipment can be maintained from the ground.

TERM OF CONTRACT

Contracts under this rate shall be for a term of not less than five years.

RATE MTS - MUNICIPAL TRAFFIC SIGNALS

AVAILABILITY

Available to any municipality using the Company's standard service at each point of connection for traffic signal lighting installed, owned, and maintained by the customer.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge \$8.91

ENERGY CHARGES

	<u>Distribution Charge cents per kilowatt-hour</u>	<u>Transmission Charge cents per kilowatt-hour</u>	<u>Generation Charge cents per kilowatt-hour</u>	(C)
First 1,300 kilowatt-hours	3.8160	0.1846	7.1121	(C)
Additional kilowatt-hours	0.9483	0.1846	1.6087	(C)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution Charge by the Company, and must purchase their transmission and generation requirements from their selected EGS. Customers may change suppliers or return to the Company for electric generation requirements as defined in Rule 45. (C)

The above Generation Charge includes transmission ancillary services, line losses and the 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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.

(C) - Indicates Change

RATE MTS - MUNICIPAL TRAFFIC SIGNALS - (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 thirty 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.

SPECIAL TERMS AND CONDITIONS

Energy usage shall be estimated by the Company on the basis of lamp wattage and burning-hours. The customer shall notify the Company whenever any change is made in the equipment or the burning-hours, so that the Company may revise the estimated energy usage.

RATE PAL - PRIVATE AREA LIGHTING

AVAILABILITY

Available for high pressure sodium lighting and flood lighting of residential, commercial and industrial private property installations including parking lots, for normal dusk to dawn operation of approximately 4,200 hours per year.

MONTHLY RATE

Bills shall be rendered monthly according to the following rates:

DUQUESNE LIGHT COMPANY OWNED AND MAINTAINED EQUIPMENT

Monthly Rate Per Unit

<u>Nominal Lamp Wattage</u>	<u>Nominal Energy Usage per Unit per Month-kWh</u>	<u>Distribution Charge per Unit</u>	<u>Competitive Transition Charge per Unit</u>	<u>Transmission Charge per Unit</u>	<u>Generation Charge per Unit</u>	
High Pressure Sodium						
70	29	\$11.10	\$2.61	\$0.02	\$1.25	(C)
100	50	\$14.17	\$3.34	\$0.03	\$1.58	(C)
150	71	\$16.79	\$3.95	\$0.04	\$1.87	(C)
250	110	\$24.55	\$5.78	\$0.07	\$2.73	(C)
400	170	\$32.03	\$7.54	\$0.10	\$3.55	(C)
Flood Lighting						
100	46	\$12.81	\$3.02	\$0.03	\$1.43	(C)
150	67	\$14.86	\$3.50	\$0.04	\$1.66	(C)
250	100	\$17.87	\$4.21	\$0.06	\$1.98	(C)
400	155	\$22.91	\$5.40	\$0.09	\$2.52	(C)

UNMETERED ENERGY FOR CUSTOMER OWNED AND MAINTAINED EQUIPMENT

70	29	\$1.52	\$0.54	\$0.02	\$1.02	(C)
100	46	\$2.41	\$0.86	\$0.03	\$1.62	(C)
150	67	\$3.51	\$1.25	\$0.04	\$2.35	(C)
250	100	\$5.24	\$1.86	\$0.06	\$3.49	(C)
400	155	\$8.12	\$2.88	\$0.09	\$5.42	(C)

(C) - Indicates Change

RATE PAL - PRIVATE AREA LIGHTING - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Beginning January 1, 1999, some customers became eligible to choose their electric generation supplier (EGS) with all customers having choice on January 2, 2000. 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 their electric energy requirements from an EGS will be charged the Distribution and Competitive Transition Charges by the Company, and must purchase their transmission and generation requirements from their 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 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 Generation Charge is based on the price established by the Pennsylvania Public Utility Commission in the Company's restructuring proceeding.

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 select Consolidated Billing or Separate Billing as defined in Rule 20.1.

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 thirty 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.

RATE PAL - PRIVATE AREA LIGHTING - (Continued)

MONTHLY RATE - (Continued)

POLES

No charge is made for wood poles used jointly for street lighting and the support of the Company's general distribution system or for tubular steel poles, trolley type, used jointly for street lighting and the support of trolley span wires.

Where the installation of one (1) or more wood poles is required to serve the customer, the customer has the option to install the pole(s) at his own expense in accordance with SPECIAL TERM AND CONDITION NO. 2 or the Company will install, own and maintain the pole(s) and bill the customer at the monthly rate of \$15.84 for each pole required.

SPECIAL TERMS AND CONDITIONS

1. The above charges include installation of standard Company facilities including lamps, fixtures or luminaries, brackets and ballasts, all when installed on the overhead distribution system. The above charges include normal operation and maintenance. Normal operation and maintenance does not include periodic tree trimming around the fixture or luminaire.
2. Where it is necessary to install wood, metal, or ornamental poles, or other special facilities or services not in conformance with the Company's standard overhead practice, the additional cost shall be borne by the customer. Title to all facilities, except as noted below, shall vest in the Company.
3. All facilities used in providing street lighting service shall be and remain the property of the Company and may be removed upon termination of service.
4. The customer agrees that the facilities installed under this rate shall not be removed or converted, or the use thereof discontinued by the customer, except upon payment to the Company of the original investment in such facilities, less depreciation to the date of discontinuance of such facilities, less salvage, plus the cost of removal.

STANDARD CONTRACT RIDERS

GENERAL

In addition to the standard service as set forth under the rates filed with this Tariff, the Company, where practicable, will render certain special classes of service where desired by the customer and provided that the customer meets the necessary requirements for such special service. A special agreement, additional and supplemental to the regular contract under which standard service is rendered, will be made with a customer for any of the special classes of service hereinafter indicated. The terms, conditions and other considerations for such special classes of service are set forth in the following Standard Contract Riders. Notwithstanding anything to the contrary in the said contract contained, the terms of a rider shall continue in force as long as the said contract remains valid. All terms in said contract, except as modified in the rider or riders applicable to it, shall be and remain in full force and effect.

STANDARD CONTRACT RIDERS - (Continued)

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STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 2 - UNTRANSFORMED SERVICE

(Applicable to Rates GS/GM, GMH, GLH, and GL only)

Where customers take all or part of their electric service directly from the Company's available primary distribution or transmission systems, and furnish all necessary equipment to take untransformed service, in strict accordance with the Company's standards and specifications, a monthly reduction based upon the individual demand of such circuit shall be allowed as follows:

First 50 Kilowatts at.....	20.1 cents per Kilowatt
Next 550 Kilowatts at	13.1 cents per Kilowatt
Excess over 600 Kilowatts at	7.0 cents per Kilowatt

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 3 - SCHOOL AND GOVERNMENTAL SERVICE DISCOUNT PERIOD

(Applicable to Rates GS/GM, GMH, GLH, GL and L only)

For public or parochial schools, or local, state or federal governments or public agencies thereof, a Late Payment Charge specified in the applicable rate will be added to the net amount for failure to make payment of Company charges within thirty days from the mailing date. For customers who purchase their electricity from an Electric Generation Supplier (EGS) and who have selected Consolidated Billing from the Company as defined in Rule 20.1, this rider shall apply to Company charges and to EGS charges if the EGS has provided authorization to accept the provisions of this rider.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 4 - BUDGET BILLING - HUD FINANCED MULTI-FAMILY HOUSING

(Applicable to Rates GS/GM, GL, GMH, and GLH only)

Budget billing for electric service is available to master metered multi-family housing and/or the metered service for common areas and common facilities for multi-family housing during the time that such housing is either owned by the Federal Department of Housing and Urban Development or subject to a first mortgage held or guaranteed by that agency.

At the option of the customer, the Company will make an estimate subject to revisions when conditions warrant, of the total charges for electric service to be billed hereunder for a twelve-month period. A budget bill for approximately one-twelfth of such estimate will be rendered monthly. For customers who purchase their electricity from an Electric Generation Supplier (EGS) and who have selected Consolidated Billing from the Company as defined in Rule 20.1, this rider shall apply to Company charges and to EGS charges if the EGS has provided authorization to accept the provisions of this rider. Any adjustment necessary in applying for the full period the actual charges herein established will be made on the final bill for the period. If the budget bill is unpaid when the next monthly bill is rendered, the budget arrangements for billing may be terminated by the Company.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 5 - TIME OF DAY DISCOUNTS

(Applicable to Rates GS/GM, GL, and L - and to Rates GMH
and GLH during months of June, July, August and September only)

Where a customer has a separately measured demand and is supplied by any standard service voltage and where such customer so operates that the maximum demand created during any billing period occurs during off-peak hours, the bills will be calculated using the Billing Demand defined below on the applicable rate and any other applicable riders.

CONTRACT DEMANDS

The Contract On-Peak Demand is the maximum electrical capacity in kilowatts which the Company shall be required by the contract to make available during the on-peak hours to the customer.

The Contract Off-Peak Demand is the maximum electrical capacity in kilowatts which the Company shall be required by the contract to make available during the off-peak hours to the customer. The customer's minimum Billing Demand shall be no lower than one-third (33 1/3%) of the customer's Contract Off-Peak Demand.

The customer shall not establish a demand greater than 105 percent of the individual demands specified in the customer's contract unless written approval shall first have been obtained from the Company. If the customer establishes a repeated pattern of exceeding the Contract Demand, the Contract Demand may be raised to the highest demand established for the remaining term of the contract.

DEMANDS AND ENERGIES

The On-Peak Demand is the demand during on-peak hours. The Off-Peak Demand is the demand during off-peak hours.

The Billing Demand for Company charges is the On-Peak Demand except where the Off-Peak Demand is more than three (3) times the On-Peak Demand. Then the Billing Demand will be one-third (33 1/3%) of the Off-Peak Demand. In no case will the Billing Demand be lower than the Billing Demand as determined on the applicable rate.

Demands and energies will be determined on an individual demand basis and corresponding quantities will be combined to obtain demands and energies for billing purposes.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 5 - TIME OF DAY DISCOUNTS - (Continued)

(Applicable to Rates GS/GM, GL, and L - and to Rates GMH
and GLH during months of June, July, August and September only)

ON-PEAK AND OFF-PEAK HOURS

The following hours will be designated as on-peak hours:

Monday through Thursday
10:00 A.M. TO 9:00 P.M.

Friday
10:00 A.M. TO 5:00 P.M.

The remaining hours including the generally observed holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day shall be designated as off-peak hours. The Company may, upon written notice to customers taking service under this rider and upon filing same with the Pennsylvania Public Utility Commission, make such changes in the on-peak hours as it may from time to time deem necessary.

METER CHARGE

For customers with maximum Contract Demands between 500 and 1,000 kW which apply for service on Rider No. 5, the following meter charges will be added to the customer's monthly bill for each metered service voltage supplied to the customer:

For service applied for prior to January 1, 1982 \$17.00 per month
For service applied for after January 1, 1982..... \$33.00 per month

For customers with maximum Contract Demands between 5 and 499 kilowatts which apply for service on Rider No. 5, a meter charge of \$10.00 per month will be added to the customer's monthly bill for each metered service voltage supplied to the customer.

For customers on Rates GMH and GLH, the appropriate meter charge will be added to all twelve monthly bills. The meter charge and type of meter for GMH and GLH customers will be determined by the maximum demand.

CONTRACT PROVISIONS

For customers with Contract On-Peak Demands exceeding 500 kW, contracts will be written for a period not less than two years.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 6 - TEMPORARY SERVICE

(Applicable to Rate GS/GM only)

Where a customer desires service of a temporary nature for periods of less than 30 days, the Company will:

1. Charge in advance for the estimated cost of installing and removing the necessary facilities to furnish such service.
2. Estimate the demand and the consumption requirements from the connected load and the number of days during which electric service is to be used, but in no case less than six (6) days.
3. Estimate the charges (fixed, demand and energy) in accordance with the provisions of the applicable rate.
4. Require the customer to make a deposit in the amount of the estimated charges under the applicable rate. Unless otherwise instructed at the time of deposit, the Company will deliver and supply electricity at the charges of the applicable rate.
5. Refund said deposit less the amount of the bill due the Company upon surrender of the deposit receipt by the customer.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 7 - INTERRUPTIBLE SERVICE

(Applicable to Rates GL, GLH, and L)

Available for completely or partially interruptible power service at not less than 23,000 volts at points of supply designated by the Company with the minimum contracted interruptible load of not less than 500 kW.

Where a customer contracts for interruptible loads of not less than 500 kW and agrees to the "Special Terms and Conditions" listed below, the Demand Charge of the applicable rate under which the customer received electrical service will be reduced by a \$2.02 credit per kW of contracted interruptible load.

Where a customer purchases part of their electricity from an Electric Generation Supplier (EGS) and contracts under this rider, the credit defined in this rider will be available and applicable only to the load purchased from the Company and which the Company has control to interrupt as required per the "Special Terms and Conditions" listed below.

CONTRACT TERM

Contracts shall be written for an original term of not less than three years and such contracts shall continue in force after the expiration of the original term until one year following the date of written notice of cancellation by either party when this rider is applied to General Service Rate GL.

When this rider is applied to Rate L - Large Power Service, the length of the contract shall be the same as contained in the Rate L contract.

The Company reserves the right to refuse firm power capacity to replace the interruptible portion of the customer's load, if in its judgment its generating or transmission capacity is no more than adequate to meet the requirements of its firm power load of its existing customers.

METER CHARGE

For customers with an Interruptible Demand of 500 kW or more which apply for service on Rider No. 7, the customer will be charged the Company's incremental metering costs for monitoring the interruptible load. In addition, a monthly meter charge of \$12.00 will also be required if the customer does not already have a recording magnetic tape meter with a spare channel to monitor the interruptible load.

INTERRUPTIBLE LOAD CONTROL SYSTEM CHARGE

In order to interrupt the customer's interruptible equipment from a central location, a transmitter-multiple receiver arrangement must be installed. The Company will own, operate, and maintain this equipment. However, all costs associated with this installation will be recovered from the group of customers accepting the interruptible rate through a one-time installation fee which will be determined based on the number of customers accepting the rate.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 7 - INTERRUPTIBLE SERVICE - (Continued)

(Applicable to Rates GL, GLH, and L)

SPECIAL TERMS AND CONDITIONS

To be eligible for this rider the customer must agree to the following terms and conditions:

1. The Company must have unilateral, irrevocable control of the customer's equipment used to disconnect the interruptible load from its electric supply. The irrevocable control of the customer's equipment used to disconnect the interruptible load applies to the period of the interruption.
2. The system would be designed to provide a warning to the customer of imminent interruptions. However, the Company would reserve the right to interrupt service to the interruptible load at any time without advance notice to the customer. Subject to this reservation, the Company will endeavor to make available to the customer capacity equal to the demand specified in the contract for at least 80% of the hours in any calendar month and 90% of the hours in any calendar year. In all cases it is the customer's responsibility to restore the load following notification from the Company that the interruption period is over.
3. The Company shall not be liable for any loss, cost, damage or expense to customer caused by the disconnection of contracted-for interruptible load from its electric supply.
4. The minimum amount of interruptible load would be 500 kW.
5. Interruptible service would be available as either complete or partial interruptible power service at not less than 23,000 volts. In certain special instances interruptible service will be available from the 11,500 volt network system.
6. The interruptible portion must be load from facilities that the customer utilizes on a regular basis between 8 a.m. and 10 p.m. on each day throughout the year except Saturdays, Sundays, and generally observed holidays. If the customer ceases to utilize such facilities for more than 60 days, the customer must notify the Company.
7. Customers will be responsible for installing breakers, an interfacing relay, and for making any necessary wiring, structural or equipment location changes to allow isolation of the interruptible portion of the load without affecting the remainder of the service.
8. The Company will install, own (or control the lease), and maintain the transmitter, communication channel, receiver and relaying equipment utilized to operate the customer-owned and installed and customer-maintained circuit breaker utilized to interrupt the interruptible load. The Company will install appropriate monitoring equipment on the interruptible service or circuit breaker to enable the Company to determine at a later date that the interruptible load was interrupted. The customer is responsible for the safety and proper operation of the customer's circuit breaker and associated equipment.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 7 - INTERRUPTIBLE SERVICE - (Continued)

(Applicable to Rates GL, GLH, and L)

SPECIAL TERMS AND CONDITIONS - (Continued)

9. Interruptible load will be interrupted as a result of overloads on the transmission, subtransmission and distribution systems on exactly the same basis as firm load customers are interrupted.
10. Where the customer's entire load is under a load management device, the customer must make provisions so that the load management device does not recognize the loss of the interruptible load.
11. The amount of interruptible load that is available will be determined solely by the Company and will be contracted for on a first-come, first-served basis.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 8 - INDUSTRIAL ECONOMIC DEVELOPMENT
RIDER FOR CUSTOMERS AT EXISTING SERVICE LOCATIONS**

(Applicable to Rates GM, GL and L)

PURPOSE

Stimulating industrial production in Duquesne's economically distressed service area can produce benefits in terms of job creation, increased regional income, and improved living standards. The purpose of this rider is to encourage load management, increased regional industrial production, and growth in employment through an incentive for industrial customers at Existing Service Locations.

AVAILABILITY

This rider will be available for a term not exceeding five (5) years to each qualifying customer having a Monthly Base Period Billing Demand of 100 kilowatts or greater. Qualifying definitions, rules, and conditions are listed below.

Customers must contract under this rider on or before December 31, 1998 to qualify for the economic incentives defined below.

ECONOMIC INCENTIVES

A qualifying customer will earn a credit equal to the Billing Demand minus the Monthly Base Period Billing Demand multiplied by the discounted Incremental Unit Demand Charge of the applicable rate. The percentage discount is determined as follows:

<u>Incremental Hours Use</u>	<u>Percent Discount to Incremental Unit Demand Charge</u>		
	<u>First 36 Months On Rider</u>	<u>Next 12 Months On Rider</u>	<u>Next 12 Months On Rider</u>
Over 350 Hours use	50	30	15
Over 300 to 350 Hours Use	40	24	12
Over 250 to 300 Hours Use	30	18	9
Over 200 to 250 Hours Use	20	12	6
Over 150 to 200 Hours Use	10	6	2
150 Hours Use or Less	0	0	0

where the current Billing Demand exceeds the Monthly Base Period Billing Demand by five percent (5%) or more with a minimum of 25 kilowatts.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
 FOR CUSTOMERS AT EXISTING SERVICE LOCATIONS - (Continued)

(Applicable to Rates GM, GL and L)

ECONOMIC INCENTIVES - (Continued)

A qualifying customer will also earn a credit equal to the kilowatt-hours minus the Monthly Base Period Kilowatt-hours multiplied by the discounted Incremental Unit Energy Charges of the applicable rate, excluding the energy billed at the excess kilowatt-hour charges of Rate L. The percentage discount is determined as follows:

Incremental Hours Use	<u>Percent Discount to Incremental Unit Energy Charge</u>		
	<u>First 36 Months On Rider</u>	<u>Next 12 Months On Rider</u>	<u>Next 12 Months On Rider</u>
Over 350 Hours use	25	15	7.5
Over 300 to 350 Hours Use	20	12	6
Over 250 to 300 Hours Use	15	9	4.5
Over 200 to 250 Hours Use	10	6	3
Over 150 to 200 Hours Use	5	3	1.5
150 Hours Use or Less	0	0	0

The percent discount applicable to those Incremental kilowatt-hours to be billed at the excess kilowatt-hour charges of Rate L will be 15% for the first three (3) years, 9% for the fourth year, and 4.5% for the fifth year.

NOTE

Except for the provisions specifically set forth in this rider, all provisions, prices, and regulations of the standard service rate under which the customer receives service shall apply.

The above credits will be applied before application of Rider No. 10 - State Tax Adjustment. All applicable "Standard Contract Riders" will remain in effect; however, the discounted Incremental Unit Demand Charge applicable to a customer's billing shall not be less than twenty-five percent (25%) of the nondiscounted Incremental Unit Demand Charge expressed in the applicable rate. The Minimum Charge Provision of the applicable rate shall not be reduced by this rider.

The above credits will be applied to the Distribution, CTC and Generation Charges of the bill as described under the section "Provisions Under direct Access."

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT EXISTING SERVICE LOCATIONS - (Continued)

(Applicable to Rates GM, GL and L)

DEFINITIONS

1. **Incremental Hours Use**

$$\frac{\text{(Total Kilowatt-hours used in billing period - Monthly Base Period Usage)}}{\text{(Billing Demand - Monthly Base Period Billing Demand)}}$$

2. **Existing Service Location** - An existing location of a customer having one or more delivery points for electric service billed separately by the Company under a single billing address.
3. **Base Period** - The twelve consecutive monthly billing periods applicable to the customer ending one month prior to the application of the rider.
4. **Monthly Base Period Billing Demand** - The Billing Demand used in billing the Existing Service Location for the month in the Base Period corresponding to the billing month to which the rate reduction under this rider is applied.
5. **Monthly Base Period Usage** - The total kilowatt-hour usage of the customer used in billing the Existing Service Location for the month in the Base Period corresponding to the billing month to which the rate reduction under this rider is applied.
6. **Incremental Unit Demand Charge** - The appropriate \$ per kilowatt charge(s) as stated in the Demand Charge provision of the currently effective general service rate that applies to each kilowatt of Billing Demand greater than the Monthly Base Period Billing Demand.
7. **Incremental Unit Energy Charge** - The applicable ¢ per kilowatt-hour shall be the excess kilowatt-hour charge of Rate GM, kilowatt-hour charge of Rate GL, and charge for 750,000 kilowatt-hours plus 400 kilowatt-hours per kilowatt of demand of Rate L of the currently effective rates. The excess kilowatt-hour charges of Rate L shall be discounted at the specified percentages.
8. **Employment Reports** - "Employer's Report for Unemployment Compensation" and "Employer's Quarterly Report of Wages Paid to Each Employee" as filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania, and the "Employer's Quarterly Employment and Wage Analysis" as filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania for employers who have more than one place of business in the Commonwealth.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 8 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT EXISTING SERVICE LOCATIONS - (Continued)**

(Applicable to Rates GM, GL and L)

RULES

1. **Existing Service Locations** - If an existing customer in the service area moves their operation to a new location, the Base Period of the prior service shall move with the customer, and the new location would be treated as an Existing Service Location. A service location, to which the Company had previously supplied service within the prior twelve (12) months for substantially the same industrial manufacturing or processing as the present or proposed operation, would be treated as an Existing Service Location. However, the Base Period would be then defined as the last twelve (12) monthly billing periods during which there was industrial operation at the site.
2. **Monthly Base Period Billing Demand** - If the existing customer did not receive service during the entire Base Period, the Monthly Base Period Billing Demand shall be determined by the Company.
3. **Monthly Base Period Usage** - The Company reserves the right to adjust the Monthly Base Period Usage for unusual circumstances such as labor work stoppages. If the existing customer did not receive service during the entire Base Period, the Monthly Base Period Usage shall be determined by the Company.

QUALIFYING CONDITIONS

1. The customer must have an Existing Service Location.
2. The customer must be engaged in manufacturing or processing operation as defined in the Division D. Manufacturing Standard Industrial Classification (SIC) categories as described in the 1972 Edition of Standard Industrial Classification Manual, supplements thereto, or the latest edition.
3. A Pennsylvania Sales Tax Blanket Exemption Certificate must be filed by the customer with the Company showing the address of the service location to which the rider is to be applicable and certifying that more than fifty percent (50%) (on an annual basis) of the electricity purchased thereunder is exempt from sales tax because it is used in manufacturing or processing operations.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 8 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT EXISTING SERVICE LOCATIONS - (Continued)**

(Applicable to Rates GM, GL and L)

QUALIFYING CONDITIONS - (Continued)

4. Employment Reports must be filed with the Company for the Base Period prior to application of the rider and no later than thirty days after the end of the reporting quarter as defined by 43 P.S. 753d.
5. The customer at the Existing Service Location must have expanded its load requirement by five percent (5%) or more above the Monthly Base Period Billing Demand.
6. The Contract Demand specified in the customer's existing service contract at the time of the customer's application of the rider shall be used in determination of Minimum Charge. The Monthly Base Period Billing Demand will not be affected by a revision of the customer's Contract Demand during the Base Period.
7. The customer must sign an "Economic Development Rider No. 8 Amendment To Electric Service Contract" with the Company for the required term of the rider. Modification of the contract may result in the cancellation of this rider.
8. A service location is eligible for the rider only one time.
9. The Company reserves the right to refuse this rider to customers who do not meet the conditions specified above.

GENERAL QUALIFYING CONDITIONS

1. The application of the rider will be discontinued if bills are not paid when due as specified in Tariff Rule No. 21, before the addition of a Late Payment Charge.
2. Discontinuance of or detrimental changes to the rider will not apply to an existing rider participant or a prospective participant as described to General Qualifying Condition (2).
3. The Company will monitor the impact of the rider and may modify or discontinue the provisions at any time as approved by the Pennsylvania Public Utility Commission except for the limitations established in General Qualifying Condition (3).

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 8 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT EXISTING SERVICE LOCATIONS - (Continued)**

(Applicable to Rates GM, GL and L)

SPECIAL PROVISION FOR RATE L

For those existing Rate L customers who do not qualify for the Economic Incentives provided by this rider, but do satisfy Qualifying Condition (2), a separate credit applicable to increased kilowatt-hours is available. A customer who anticipates an increase of ten percent (10%) or more in kilowatt-hour use over the kilowatt-hour use in the Base Period must sign an "Economic Development Rider No. 8 Amendment to Electric Service Contract". In those months where the increased kilowatt-hours are ten percent (10%) or more than the Base Period Kilowatt-hours, a customer will earn a credit equal to the increased kilowatt-hours multiplied by the discounted Incremental Unit Energy Charge. The percent discount applicable will be twenty-five (25%) for the first three (3) years, fifteen percent (15%) in the fourth year, and 7.5% in the fifth year, except for the excess kilowatt-hour charges of Rate L which is specified under Rate L Exception.

PROVISIONS UNDER DIRECT ACCESS

For contracts that do not contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract effective January 1, 1999, in a manner that retains the customer discount and reflects the amount of transmission, distribution, CTC and generation charges in the customer contract. The customer may continue to purchase electricity from the Company in accordance with the terms and conditions of the contract; terminate the contract and obtain electricity from an EGS on the otherwise applicable tariff rates according to their eligibility under direct access; or, retain the Company's services under the unbundled rates of the contract and purchase electrical energy from an EGS. The customer's discount from the otherwise applicable tariff rates will be applied first to the distribution components of the unbundled rates. If the discount is greater than the sum of the distribution components, the balance of the discount will be allocated equally between the CTC components and the generation components of the unbundled rates. The discount will be applied to the demand and energy components of the unbundled rate elements. Contract expiration shall not affect the applicability of any statutory rate cap.

For contracts that contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract and the customer will be eligible to obtain electricity from an EGS only in accordance with the terms and conditions of the customer's contract.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 9 - INDUSTRIAL ECONOMIC DEVELOPMENT
 RIDER FOR CUSTOMERS AT NEW SERVICE LOCATIONS**

(Applicable to Rates GM, GL, and L)

PURPOSE

Stimulating industrial production in Duquesne's economically distressed service area can produce benefits in terms of job creation, increased regional income, and improved living standards. The purpose of this rider is to encourage load management, increased regional industrial production, and growth in employment through an incentive for industrial customers at New Service Locations.

AVAILABILITY

This rider will be available for a term not exceeding five (5) years to each qualifying customer having an anticipated average annual load requirement of 100 kilowatts or greater. Qualifying definitions and conditions are listed below.

Customers must contract under this rider on or before December 31, 1998 to qualify for the economic incentives defined below.

ECONOMIC INCENTIVE

A qualifying customer will earn credit equal to the percentage discount determined below multiplied by the monthly total Demand Charge of the applicable rate. The percentage discount is determined as follows:

<u>Incremental Hours Use</u>	<u>Percent Discount to Incremental Unit Demand Charge</u>		
	<u>First 36 Months On Rider</u>	<u>Next 12 Months On Rider</u>	<u>Next 12 Months On Rider</u>
Over 350 Hours use	50	30	15
Over 300 to 350 Hours Use	40	24	12
Over 250 to 300 Hours Use	30	18	9
Over 200 to 250 Hours Use	20	12	6
Over 150 to 200 Hours Use	10	6	2
150 Hours Use or Less	0	0	0

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 9 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
 FOR CUSTOMERS AT NEW SERVICE LOCATIONS - (Continued)**

(Applicable to Rates GM, GL, and L)

ECONOMIC INCENTIVE - (Continued)

A qualifying customer will earn a credit equal to the percentage discount determined below multiplied by the monthly Energy delivery Charges, and any Duquesne energy charges of the applicable rate excluding the energy billed at the excess kilowatt-hour charges of Rate L. The percentage discount is determined as follows:

<u>Incremental Hours Use</u>	<u>Percent Discount to Incremental Unit Energy Charge</u>		
	<u>First 36 Months On Rider</u>	<u>Next 12 Months On Rider</u>	<u>Next 12 Months On Rider</u>
Over 350 Hours use	25	15	7.5
Over 300 to 350 Hours Use	20	12	6
Over 250 to 300 Hours Use	15	9	4.5
Over 200 to 250 Hours Use	10	6	3
Over 150 to 200 Hours Use	5	3	1.5
150 Hours Use or Less	0	0	0

The percent discount applicable to those kilowatt-hours to be billed at the excess kilowatt-hour delivery charges of Rate L will be 15% for the first three (3) years, 9% for the fourth year, and 4.5% for the fifth year.

NOTE

Except for the provisions specifically set forth in this rider, all provisions, prices, and regulations of the standard general service rate under which the customer receives service shall apply.

The preceding credits will be applied before application of Rider No. 10 State Tax Adjustment. All applicable "Standard Contract Riders" will remain in effect; however, the discounted Demand Charge applicable to a customer's billing shall not be less than twenty-five percent (25%) of the nondiscounted Demand Charge expressed in the applicable rate. The Minimum Charge Provision of the appropriate general service rate shall not be reduced by this rider.

The above credits will be applied to the Distribution, CTC and Generation Charges of the bill as described under the section "Provisions Under Direct Access."

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 9 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT NEW SERVICE LOCATIONS - (Continued)**

(Applicable to Rates GM, GL, and L)

DEFINITIONS

1. **Hours Use -**

$$\frac{\text{Total Kilowatt-hours used in billing period}}{\text{Billing Demand}}$$

2. **New Service Location -** A location having one or more delivery points for electric service which will be billed separately by the Company under a single billing address:

(a) To which the Company has not previously supplied electric service

or

(b) To which the Company has previously supplied electric service provided that the service previously supplied had not been used for substantially the same industrial manufacturing or processing as the present operation or that its industrial use had been discontinued at least twelve (12) months prior to application for service under this rider.

3. **Employment Reports -** The "Employer's Report for Unemployment Compensation" and "Employer's Quarterly Report of Wages Paid to Each Employee" as filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania and the "Employer's Quarterly Employment and Wage Analysis" is filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania for employers who have more than one place of business in the Commonwealth.

QUALIFYING CONDITIONS

1. The customer must be one moving into a New Service Location.
2. The customer must be engaged in manufacturing or processing operation as defined in the Division D. Manufacturing Standard Industrial Classification (SIC) categories as described in the 1972 Edition of Standard Industrial Classification Manual, supplements thereto, or later editions.
3. A Pennsylvania Sales Tax Blanket Exemption Certificate must be filed by the customer with the Company as soon as it is filed with the Commonwealth showing the address of the service location to which the rider is to be applicable and certifying that more than fifty percent (50%) (on an annual basis) of the electricity purchased thereunder is exempt from sales tax because it is used in manufacturing or processing operations. The rider shall not be effective until the Certificate or other suitable evidence acceptable to the Company is filed with the Company assuring that the above usage criteria is being achieved.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 9 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT NEW SERVICE LOCATIONS - (Continued)**

(Applicable to Rates GM, GL, and L)

QUALIFYING CONDITIONS - (Continued)

4. Current "Employment Reports", as defined, must be filed with the Company no later than thirty days after the end of the reporting quarter as defined at 43 P.S. 753d.
5. The customer must sign an "Economic Development Rider No. 9 Amendment to Electric Service Contract". Modifications of the contract may result in the cancellation of this rider.
6. A service location is eligible for the rider only one time.
7. The Company reserves the right to refuse this rider to customers who do not meet the conditions specified above.

GENERAL QUALIFYING CONDITIONS

1. The application of the rider will be discontinued if bills are not paid when due as specified in Tariff Rule No. 21, before the addition of a Late Payment Charge.
2. Discontinuance of or detrimental changes to the rider will not apply to an existing rider participant or a prospective participant as described in General Qualifying Condition (2).
3. The Company will monitor the impact of the rider and modify or discontinue the provisions anytime as approved by the Pennsylvania Public Utility Commission, except for the limitations established in General Qualifying Condition (3).

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 - INDUSTRIAL ECONOMIC DEVELOPMENT RIDER
FOR CUSTOMERS AT NEW SERVICE LOCATIONS - (Continued)

(Applicable to Rates GM, GL, and L)

PROVISIONS UNDER DIRECT ACCESS

For contracts that do not contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract effective January 1, 1999, in a manner that retains the customer discount and reflects the amount of transmission, distribution, CTC and generation charges in the customer contract. The customer may continue to purchase electricity from the Company in accordance with the terms and conditions of the contract; terminate the contract and obtain electricity from an EGS on the otherwise applicable tariff rates according to their eligibility under direct access; or, retain the Company's services under the unbundled rates of the contract and purchase electrical energy from an EGS. The customer's discount from the otherwise applicable tariff rates will be applied first to the distribution components of the unbundled rates. If the discount is greater than the sum of the distribution components, the balance of the discount will be allocated equally between the CTC components and the generation components of the unbundled rates. The discount will be applied to the demand and energy components of the unbundled rate elements. Contract expiration shall not affect the applicability of any statutory rate cap.

For contracts that contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract and the customer will be eligible to obtain electricity from an EGS only in accordance with the terms and conditions of the customer's contract.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 10 - STATE TAX ADJUSTMENT

(Applicable to All Rates)

In addition to the charges provided in this Tariff, a surcharge of 1.5389% will apply to all bills rendered by the Company, pursuant to the Pennsylvania Public Utility Commission authorization of March 10, 1970, to compensate the Company for new and increased taxes imposed by the General Assembly. (I)

The Company will recompute the surcharge using the elements prescribed by the Commission's March 10, 1970, authorization:

1. Whenever any of the tax rates used in computing the surcharge is changed, in which case the recomputation shall take into account the changed tax rate.
2. Whenever the Company makes effective increased or decreased rates (other than net energy clause), in which case the recomputation shall take into account the adjustments prescribed by the Commission's March 10, 1970, authorization.
3. On December 22, and each year thereafter.

Every recomputation made pursuant to the above paragraph shall be submitted to the Commission within ten (10) days after the occurrence of the event or date which occasions such recomputation: and if the recomputed surcharge is less than the one then in effect the Company will, and if the recomputed surcharge is more than the one then in effect the Company may, accompany such recomputation with a Tariff or supplement to reflect such recomputed surcharge, the effective date of which, shall be ten (10) days after filing.

(I) - Indicates Increase

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 11 - STREET RAILWAY SERVICE

(Applicable to Rates GS/GM and GL only)

Where service is supplied at 11,500 volts or higher at two or more interconnected points of delivery to any street railway system for the purpose of conversion to direct current energy for the operation of such system, the Billing Demand in kilowatts of such service for distribution and competitive transition charges, and generation charges if purchased from the Company, shall be reduced by seven . two zero percent (7.20%) for Rate GS/GM customers and seven . two five percent (7.25%) for Rate GL customers for the purpose of computation of the delivery charges of the bill under the applicable rate and any other applicable rider.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 12 - BILLING OPTION FOR VOLUNTEER FIRE
COMPANIES AND NONPROFIT SENIOR CITIZEN CENTERS**

(Applicable to Rates GS/GM, and GMH only)

Upon application, Pursuant to Act 103 of 1985, a Volunteer Fire Company or a Nonprofit Senior Citizen Center may elect to have its electric service billed at the pricing of Rate RS or Rate RH provided that it satisfies the space heating requirements stated in the availability clause of Rate RH.

Contracts will be for a period of not less than one (1) year.

DEFINITIONS

VOLUNTEER FIRE COMPANY - A separately metered service location consisting of a building, sirens, a garage for housing vehicular fire fighting equipment, or a facility certified by the Pennsylvania Emergency Management Agency (PEMA) for fire fighter training. The sole use of electric service at this service location shall be to support the activities of the volunteer fire company. Any fund raising activities at this service location must be used solely to support volunteer fire fighting operations.

The customer of record at this service location must be a predominately volunteer fire company recognized by the local municipality or PEMA as a provider of fire fighting services.

NONPROFIT SENIOR CITIZEN CENTER - A separately metered service location consisting of a facility for the sole use of senior citizens coming together as individuals or groups and where access to a wide range of services to senior citizens is provided.

The customer of record at this service location must be an organization recognized by the Internal Revenue Service (IRS) as nonprofit and recognized by the Department of Aging as an operator of a senior citizen center.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 13 - GENERAL SERVICE SEPARATELY METERED ELECTRIC SPACE HEATING SERVICE

(Applicable to Rates GS/GM, GL and L)

Available for separately metered circuitry connected to electric space heating devices limited to electric resistance heaters, add-on heat pumps, heat pump compressors, system fans, pumps and controls except where the customer uses the Company's service for water heating, then water heating may also be included on the Circuit. The space heating service may be provided at the same voltage as other electric service.

MONTHLY RATE

ENERGY CHARGES

For the Billing Months of November through April:

All kilowatt-hours at:

	<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>	
Rate GS/GM	0.6637	0.9028	0.1582	1.7125	(C)
Rate GL	0.4474	0.8308	0.1126	2.0464	(C)
Rate L	0.4375	0.8814	0.1188	1.9995	(C)

For the Billing Months of May through October:

Rate GS/GM, GL and L will apply.

METER CHARGE..... \$10.00 per month

The customer will be responsible for any necessary wiring, structural or equipment changes or relocations to allow the isolation and metering of the electric space heating system.

(C) - Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 14 - RESIDENTIAL SERVICE SEPARATELY METERED ELECTRIC SPACE AND WATER HEATING

(Applicable to Rate RS)

AVAILABILITY

Available for separately metered circuitry connected solely to electric space heating devices limited to electric resistance heaters, add-on heat pumps, heat pump compressors and system fans, pumps and controls comprising the customer's entire space heating system except where the customer uses the Company's service for water heating, then water heating equipment may also be included on the circuit.

MONTHLY RATE

ENERGY CHARGES

For the billing months of November through April:

	<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	0.5271	1.9929	0.2081	1.3991	(C)

For the billing months of May through October:

	<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	3.0212	3.3128	0.2483	4.7149	(C)

METER CHARGE \$1.50 per month

(C) - Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 14 - RESIDENTIAL SERVICE SEPARATELY METERED ELECTRIC SPACE AND WATER HEATING
(Continued)

(Applicable to Rate RS)

SPECIAL TERMS AND CONDITIONS

1. Space heating equipment must be permanently installed, thermostatically controlled and approved by the Company.
2. The customer must use the Company's standard low voltage service as the sole primary method of space heating except that the space heating system may be supplemented with renewable energy sources such as solar, wind, wood or hydro. Any alternate energy source may be used to supplement an add-on heat pump.
3. The customer will be responsible for any necessary wiring, structural or equipment changes or relocations to allow isolation and metering of the electric space heating system and water heating equipment.
4. The Company reserves the right to inspect at all reasonable times the customer's circuitry to determine that the load served under the terms of this rider is created by the equipment defined herein.
5. If the Company finds, in its sole judgment, that the conditions of this rider are being violated, it may discontinue application of the rider and bill all usage pursuant to Rate RH.

STANDARD CONTRACT RIDERS - *(Continued)*

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STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES

(Applicable to all General Service Rates)

The following applies to non-utility generating facilities including, but not limited to cogeneration and small power production facilities which are qualified in accord with Part 292 of Chapter 1, Title 18, Code of Federal Regulations (qualifying facility). Electric energy will be delivered to a non-utility generating facility in accord with the following:

A. DEFINITIONS

Supplementary Power is electric energy supplied by the Company or by an Electric Generation Supplier (EGS) to a non-utility generating facility and regularly used in addition to that electric energy which the non-utility generating facility generates itself. The Company's regular and appropriate General Service Rates will be utilized for billing for Supplementary Power. Customers purchasing Supplementary Power from an EGS will be billed for charges according to their applicable rate and billing arrangement with their EGS.

Back-Up Power is defined as electric energy supplied by the Company to a non-utility generating facility during various outage conditions of the non-utility generating facility's electric generating equipment as defined below.

Base Period is the twelve consecutive monthly billing periods applicable to the customer ending one month prior to the installation of new on-site generation or increase in capacity to existing on-site generation. For customers who begin service under this rider after January 1, 1997, the Base Period will be the immediate 12 consecutive billing months prior to the installation. For all other customers, the Base Period will be 1996.

Billing Determinants are the monthly billing period billing demand in kilo-watts (kW) and the energy usage in kilowatt-hours (kWh) for Supplementary Power during the current billing month under which the on-site generation is operable.

Base Period Billing Determinants are the billing demand (kW) and the energy usage (kWh) for the month in the Base Period corresponding to the current billing month under which the on-site generation is operable. For new customers, the Company will use existing procedures to estimate Base Period Billing Determinants.

The Competitive Transition Charge (CTC) is a non-bypassable charge applied to the bill of every customer accessing the Company's transmission or distribution system. The CTC is designed to recover the Company's transition or stranded costs as determined by the Pennsylvania Public Utility Commission as discussed in Rule 3 of this tariff. The customer shall pay a CTC based on the Billing Determinants for Supplementary Power and the applicable rate schedule.

The Avoided Competitive Transition Charge (ACTC) is a monthly charge to ensure that all customers pay their allocated share of CTC after the installation of or increase in capacity of on-site generation. The customer shall pay the ACTC when Base Period Billing Determinants exceed current month Billing Determinants by 10% or more. The ACTC will be calculated by multiplying the difference between Base Period billing determinants less the Current Month Billing Determinants for the corresponding months by the CTC charges of the current applicable rate and riders.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES - (Continued)

(Applicable to all General Service Rates)

B. FIRM BACK-UP POWER

Firm Back-Up Power is electric energy supplied by the Company to a non-utility generating facility during an unscheduled outage of the non-utility generating facility's electric generating equipment to replace electric energy ordinarily generated by the non-utility generating facility's generating equipment.

The Company will supply such service each month at the following rates:

DEMAND CHARGES

	<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>	
L/HVPS (5,000 kW or more)	0.29	0.39	0.43	2.45	(C)
GL (300 to 4,999 kW)	0.63	2.18	0.48	1.58	(C)
GS/GM (less than 300 kW)	1.05	2.08	0.55	1.89	(C)

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>	
L/HVPS (5,000 kW or more)	0.3535	0.4801	0.1188	1.8248	(C)
GL (300 to 4,999 kW)	0.3524	1.2113	0.1126	1.0309	(C)
GS/GM (less than 300 kW)	0.6501	1.2822	0.1582	1.3467	(C)

Plus for any General Service Large (300 to 4,999 kilowatts) or Small/Medium (less than 300 kilowatts) customer commencing service under Rider No. 16 after January 16, 1996, the following charges to recover the cost of existing or newly required transformation equipment that is over and above that equipment necessary for the Company to supply the customer with its contracted Supplemental Power will apply:

General Service Large (300 to 4,999 kW)	\$0.2483/kW
General Service Small/Medium (less than 300 kW)	\$0.3675/kW

(C) - Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES - (Continued)

(Applicable to all General Service Rates)

B. FIRM BACK-UP POWER - (Continued)

(The monthly per kW charge for transformation equipment for Large Power Service/HVPS [5,000 kilowatts and over] customers will be determined by the Company on a case-by-case basis.)

However, any Large Power Service/HVPS, General Service Large or General Service Small/Medium customer electing to pay the total costs of such transformation at the onset of its contract may do so pursuant to Section E and will not subsequently be billed the aforementioned monthly per kW charges.

During any month in which the Company is not required to provide energy to backup the customer's source of power, the customer will pay the above charges for contracted backup capacity.

The use of firm backup power at this price level will be limited to 15% usage for all hours in a year. Incremental usage above this limit will be billed on the applicable general service rates, including all ratchets applicable.

If a customer's actual kW demand at the time back-up is being supplied exceeds the customer's firm back-up Contract Demand by 5% or more, the actual kW demand as established will become the customer's new firm back-up Contract Demand for the remaining term of the firm back-up contract. If a customer's actual kW demand at the time back-up service is being supplied exceeds the customer's firm back-up Contract Demand by 10% or more, the customer will be assessed a fee determined by the difference between the actual demand established when back-up service is being supplied and the firm back-up Contract Demand multiplied by two times the applicable charge per kilowatt.

C. INTERRUPTIBLE BACK-UP POWER

Interruptible Back-up Power is electric energy supplied by the Company to a non-utility generating facility during an unscheduled outage of the non-utility generating facility's electric generating equipment to replace electric energy ordinarily generated by the non-utility generating facility's generating equipment, subject to interruption by the Company.

The Company will provide interruptible backup service to those customers with at least 500 kW of interruptible load. The Company reserves the right to interrupt service to the customer with a 30 minute notice period during periods of transmission limitation or peak period where service to the customer will result in the need for additional capacity sources to be acquired. The rates for such service shall be the following:

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES - (Continued)

(Applicable to all General Service Rates)

C. INTERRUPTIBLE BACK-UP POWER - (Continued)

DEMAND CHARGES

	Distribution Charge \$ per kilowatt	Competitive Transition Charge \$ per kilowatt	Transmission Charge \$ per kilowatt	Generation Charge \$ per kilowatt
L/HVPS (5,000 kW or more)	0.29	0.39	0.43	1.15
GL (300 to 4,999 kW)	0.45	1.53	0.48	0.96
GS/GM (less than 300 kW)	0.81	1.59	0.55	1.31

(C)
(C)
(C)

ENERGY CHARGES

	Distribution Charge cents per kilowatt-hour	Competitive Transition Charge cents per kilowatt-hour	Transmission Charge cents per kilowatt-hour	Generation Charge cents per kilowatt-hour
L/HVPS (5,000 kW or more)	0.3535	0.4801	0.1188	1.8248
GL (300 to 4,999 kW)	0.3524	1.2113	0.1126	0.0309
GS/GM (less than 300 kW)	0.6501	1.2822	0.1582	1.3467

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These charges will be paid every month regardless of whether or not the Company is required to provide energy to backup the customer's equipment.

Plus for any General Service Large (300 to 4,999 kilowatts) or Small/Medium (less than 300 kilowatts) customer commencing service under Rider No. 16 after January 16, 1996, the following charges to recover the cost of existing or newly required transformation equipment that is over and above that equipment necessary for the Company to supply the customer with its contracted Supplemental Power will apply:

General Service Large (300 to 4,999 kW)	\$0.2781/kW
General Service Small/Medium (less than 300 kW)	\$0.4171/kW

(The monthly per kW charge for transformation equipment for Large Power Service/HVPS [5,000 kilowatts and over] customers will be determined by Duquesne Light on a case-by-case basis.)

However, any Large Power Service/HVPS, General Service Large or General Service Small/Medium customer electing to pay the total costs of such transformation at the onset of its contract may do so pursuant to Section E and will not subsequently be billed the aforementioned monthly per kW charges.

The use of interruptible backup power at this price level will be limited to 15% usage for all hours in a year. Incremental usage above this limit will be billed on the applicable general service rates, including all ratchets applicable.

(C) - Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES - (Continued)

(Applicable to all General Service Rates)

C. INTERRUPTIBLE BACK-UP POWER - (Continued)

If a customer's actual kW demand at the time back-up is being supplied exceeds the customer's interruptible back-up Contract Demand by 5% or more, the actual kW demand as established will become the customer's new interruptible back-up Contract Demand for the remaining term of the interruptible back-up contract. If a customer's actual kW demand at the time back-up service is being supplied exceeds the customer's interruptible back-up Contract Demand by 10% or more, the customer will be assessed a fee determined by the difference between the actual demand established when back-up service is being supplied and the interruptible back-up Contract Demand multiplied by two times the applicable charge per kilowatt.

D. MAINTENANCE POWER

Maintenance Power is electric energy supplied by the Company to a non-utility generating facility during outages for maintenance of the non-utility generating facility's electric generating equipment which are scheduled by the non-utility generating facility at a time mutually agreeable with the Company.

The following terms and conditions apply to all customers utilizing maintenance power:

Any customer who contracts for either firm or interruptible backup power will pay only the maintenance energy charges, that are 3 mills/kWh less than the backup energy rates, for their maintenance service. However, for those customers who take maintenance service in excess of contracted demands of firm and/or interruptible backup power, the maintenance demand charges will also apply. Customers contracting for maintenance service only will pay the maintenance service demand and backup power energy charges.

DEMAND CHARGES

	Distribution Charge \$ per kilowatt	Competitive Transition Charge \$ per kilowatt	Transmission Charge \$ per kilowatt	Generation Charge \$ per kilowatt	
L/HVPS (5,000 kW or more)	0.29	0.39	0.43	1.15	(C)
GL (300 to 4,999 kW)	0.45	1.53	0.48	0.96	(C)
GS/GM (less than 300 kW)	0.81	1.59	0.55	1.31	(C)

ENERGY CHARGES

	Distribution Charge cents per kilowatt-hour	Competitive Transition Charge cents per kilowatt-hour	Transmission Charge cents per kilowatt-hour	Generation Charge cents per kilowatt-hour	
L/HVPS (5,000 kW or more)	0.3153	0.4283	0.1188	1.6148	(C)
GL (300 to 4,999 kW)	0.3133	1.0771	0.1126	0.9042	(C)
GS/GM (less than 300 kW)	0.5953	1.1740	0.1582	1.2197	(C)

(C) - Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES - (Continued)

(Applicable to all General Service Rates)

D. MAINTENANCE POWER - (Continued)

Plus for any General Service Large (300 to 4,999 kilowatts) or Small/Medium (less than 300 kilowatts) customer commencing service under Rider No. 16 after January 16, 1996, the following charges to recover the cost of existing or newly required transformation equipment that is over and above that equipment necessary for the Company to supply the customer with its contracted Supplemental Power will apply:

General Service Large (300 to 4,999 kW) \$0.2781/kW
General Service Small/Medium (less than 300 kW) \$0.4171/kW

(The monthly per kW charge for transformation equipment for Large Power Service/HVPS [5,000 kilowatts and over] customers will be determined by the Company on a case-by-case basis.)

However, any Large Power Service/HVPS, General Service Large or General Service Small/Medium customer electing to pay the total costs of such transformation at the onset of its contract may do so pursuant to Section E and will not subsequently be billed the aforementioned monthly per kW charges.

These charges for maintenance service will be paid only in months of actual usage.

The customer shall specify to the Company the amount of maintenance power required.

Beginning with the date upon which the non-utility generating facility's generating equipment is first operated in any manner whatsoever, and during the immediately ensuing three (3) months of operation of the non-utility generating facility's generating equipment, maintenance power will be supplied by the Company, if available in the sole judgment of the Company, to the non-utility generating facility at the non-utility generating facility's request, in order to permit the non-utility generating facility to "shake down" the generating equipment.

After the three-month "shake down" period, the non-utility generating facility will provide the following notice to the Company for the need for maintenance power:

- (1) For a non-utility generating facility requesting less than 15 mW of maintenance power, the non-utility generating facility will provide 30 calendar days notice to the Company of the need for maintenance power. The Company will respond within seven (7) calendar days of notification by the non-utility generating facility whether or not maintenance power can be made available at the time requested or at some other time.
- (2) For a non-utility generating facility requesting between 15 mW and 30 mW of maintenance power, the non-utility generating facility will provide 60 calendar days notice to The Company of the need for maintenance power. The Company will respond within 14 calendar days of the notification by the non-utility generating facility whether or not maintenance power can be made available at the time requested or at some other time.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 16 - SERVICE TO NON-UTILITY GENERATING FACILITIES - (Continued)

(Applicable to all General Service Rates)

D. MAINTENANCE POWER - (Continued)

- (3) For a non-utility generating facility requesting more than 30 mW of maintenance power, the non-utility generating facility will provide 90 calendar days notice to the Company of the need for maintenance power. The Company will respond within 21 calendar days of the notification by the non-utility generating facility whether or not maintenance power can be made available at the time requested or at some other time.

The Company will make available the maintenance power upon mutual agreement within 30 days before or after the customer's requested scheduled maintenance outage date.

Maintenance power will be available to a non-utility generating facility not more than five (5) separate periods in a calendar year, cumulatively totaling 60 days in a calendar year.

Maintenance power may be available between the hours of 10:00 p.m. and 8:00 a.m. weekdays and all day Saturdays, Sundays and generally observed holidays upon six (6) hours notice to the Company by the non-utility generating facility. These limited "off-peak" uses of maintenance power will be restricted to not more than 15 separate periods in a calendar year and will not be included in the five (5) separate periods or 30 days in a calendar year. The availability of maintenance power between the hours of 10:00 p.m. and 8:00 a.m. weekdays and all day Saturdays, Sundays and generally observed Holidays would be determined solely by the Company and the Company will respond within two (2) hours of the request for maintenance power by the non-utility generating facility.

E. INTERCONNECTION

Each non-utility generating facility will be required to install at its expense or pay in advance to have the Company install interconnection equipment and facilities which are over and above that equipment and facilities required to provide electric service to the non-utility generating facility according to the Company's General Service Rates. (The costs of transformation equipment recovered under Sections B, C and D on a per kW monthly basis from Large Power Service/HVPS, General Service Large and General Service Small/Medium customers are not included herein.) Any such equipment to be installed by the non-utility generating facility must be reviewed and approved in writing by the Company prior to installation. Nothing in this rider shall exempt a new customer from the application of Rules No. 7 and 9 regarding Supply Line Extensions and Relocation of Facilities.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 17 - EMERGENCY ENERGY CONSERVATION

(Applicable to Rates GL, GLH, L, and HVPS only)

PURPOSE

This rider is applicable in conjunction with Tariff Rule 39.2, relating to Emergency Energy Conservation. It provides for deviation from and modifications to the charges and practices otherwise applicable to certain customers as a result of compliance with or noncompliance with energy conservation curtailment levels requested or ordered under emergency energy conservation conditions resulting from actual or potential shortage of fuel for electric generation.

APPLICABILITY

Applicable progressively in the following order of priority as required by the need for curtailment to meet conditions resulting from actual or potential shortage of fuel for electric generation:

1. To individual electric customer accounts served under Rates L and HVPS with recorded demand of 5,000 kW or higher in a recent 12-month period prior to the request of or order for emergency energy conservation.
2. To individual electric customer accounts served under Rates GL and GLH with recorded demand of 300 kW or higher in a recent 12-month period prior to the request of or order for emergency energy conservation.

Customers designated as exempt in the procedures for emergency energy conservation filed in accord with Tariff Rule 39.2 or by the Pennsylvania Public Utility Commission will be exempt from the provisions of this rider.

DEFINITIONS

1. **Base Period Energy Use** - The base energy use for a weekly period shall be determined by the Company for each applicable electric customer account based upon a consideration of the customer's actual past or current electric consumption and the customer's existing operation.
2. **Mandatory Curtailment Energy Use Level Target** - The Mandatory Curtailment Energy Use Level Target for each applicable customer shall be that percentage of base period energy use ordered pursuant to the emergency energy conservation procedures provided by Tariff Rule 39.2 or other percentage as a result of the order of appropriate governmental authority.
3. **Current Energy Use** - Current period use will be monitored on a weekly basis commencing on the date the emergency is declared.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 17 - EMERGENCY ENERGY CONSERVATION - (Continued)

(Applicable to Rates GL, GLH, L, and HVPS only)

DEFINITIONS - (Continued)

4. **Compliance** - When the energy consumption in any weekly period during the period of the mandatory emergency energy conservation condition is equal to or less than the mandatory curtailment energy use level target, the customer will be deemed to have complied.

In the event of continued non-compliance, the Company, upon notice to the Commission, may discontinue service.

A customer may arrange with the utility for mutually acceptable methods for achieving the mandatory curtailment energy use level target, as long as the customer, in total, meets the curtailment target.

BILLING

During the period of emergency energy conservation condition, billing will be based on meter readings especially made to identify the demand established and energy used during the current energy use period. Customers in compliance with conservation orders will be excused from minimum bills and historical or Contract Demand or ratchet provisions and will be billed instead on the basis of current consumption and demand whenever the normal calculation method would produce a greater bill.

These customers will be individually notified of this special billing provision prior to the implementation of the emergency energy conservation procedure.

STANDARD CONTRACT RIDERS - (Continued)

**RIDER NO. 18 - RATE FOR PURCHASE OF ELECTRIC ENERGY FROM
CUSTOMER-OWNED RENEWABLE RESOURCES GENERATING FACILITIES**

The Company will purchase electric energy from customer-owned generating facilities that: (1) are "qualifying small power production facilities" as defined in Subpart B - Qualifying Cogeneration and Small Power Production Facilities, of Part 292 of Subchapter K of Chapter 1, Title 18, Code of Federal Regulations ("facility"); (2) are located in the Company's service area; (3) use as the energy source renewable resources such as small scale hydro facilities of 30 megawatts or less, biomass, waste, solar or wind; and (4) meet one of the following three criteria:

- (a) are subject to a contract dated prior to August 25, 1987, and are supplying electric energy, or have commenced construction of facilities to supply electric energy within sixty (60) day of August 25, 1987.
- (b) are supplying electric energy to the Company under the terms of this rider on or before August 25, 1987, but are not subject to an executed contract.
- (c) have been negotiating with the Company for a contract and it is determined that the project has been the subject of serious negotiations prior to August 25, 1987.

The electric energy will be purchased, as available, from such facilities at the rate of six (6) cents per kilowatt-hour, or at a rate based on the Company's avoided costs when such costs exceed six (6) cents per kilowatt-hour. For facilities that do not qualify under the provisions of this rider, electric energy will be purchased at a rate based on the Company's avoided costs as calculated in accordance with the applicable PA. P.U.C. regulations. Payment will be made monthly for the electric energy received from the facility in the preceding month.

Each facility will be required to install at its expense, or to have the Company install at the customer's expense, interconnection equipment and facilities including metering, protection and controls. All such interconnection equipment and facilities must be reviewed and approved in writing by the Company prior to installation.

The owner of each facility will be solely responsible for the operation, maintenance and repair of such facility.

The Company shall not be liable for damage to the facility which may result from its interconnection with the Company's facilities.

This rider shall be effective only so long as the cost of such energy purchased by the Company may be recovered by the Company through its Energy Cost Rate or its equivalent in the future.

Purchase of electric energy under this rider shall be subject to all applicable Rules and Regulations of the Company's Electric Service Tariff, such Rules and Regulations to be read and interpreted, generally, with the word "purchase" substituted for the word "supply" or the word "service" where appropriate to reflect the application of the Rules and Regulations to the purchase rather than the sale of electric energy.

The Company reserves the right to require a written contract covering the purchase of electric energy for each facility.

STANDARD CONTRACT RIDERS - (CONTINUED)

RIDER NO. 19 - OFF-PEAK WATER HEATING SERVICE

(Applicable to Rates RS, RH, RA and GS/GM)

AVAILABILITY

Available to customers on the applicable rates utilizing electric storage water heaters equipped with timing devices that control water heating to defined off-peak hours as the sole source of water heating.

MONTHLY RATE

ENERGY CHARGE

All Kilowatt-hours of water heating usage at 2.98 cents per Kilowatt-Hour

The energy charge per kilowatt-hour of water heating usage shall be revised annually each December 1st, beginning on December 1, 2001, according to an index reflecting the average annual increase or decrease in residential gas prices billed by the three major Pittsburgh area gas companies for the previous year. However, in no case will the monthly energy charge billed under this rider fall below 2.98 cents per kilowatt-hour or go above 6.00 cents per kilowatt-hour by action of the annual adjustment.

DETERMINATION OF MONTHLY WATER HEATING USAGE

For customers who have installed a storage water heating system that limits water heating to the defined off-peak hours specified and stores hot water for use during on-peak periods, the monthly water heating usage will be determined based upon the heating unit capacities as follows and subject to the limitation listed below:

<u>Unit Capacity</u>	<u>Monthly Water Heating Allowance</u>
30 to 39 gallons	Next 150 kWh of usage after the first 200 kWh
40 to 59 gallons	Next 200 kWh of usage after the first 200 kWh
60 to 99 gallons	Next 300 kWh of usage after the first 200 kWh
100 to 119 gallons	Next 400 kWh of usage after the first 200 kWh
120 gallons or greater	Next 500 kWh of usage after the first 200 kWh

LIMITATION ON WATER HEATING USAGE

In no instance will this rider apply to the first 200 kWh of a customer's monthly usage. This base usage of 200 kWh will always be billed at the applicable rate.

STANDARD CONTRACT RIDERS (Continued)

RIDER NO. 19 - OFF-PEAK WATER HEATING SERVICE- (Continued)

(Applicable to Rates RS, RH, RA and GS/GM)

ON-PEAK AND OFF-PEAK HOURS

The following hours will be designated as on-peak hours:

Monday through Friday
10:00 A.M. TO 9:00 P.M.

The remaining hours including the generally observed holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day shall be designated as off-peak hours. The Company may, upon written notice to customers taking service under this rider and upon filing same with the Pennsylvania Public Utility Commission, make such changes in the on-peak hours as it may from time to time deem necessary.

SPECIAL TERMS AND CONDITIONS

To be eligible for this rider, the customer must agree to the following terms and conditions:

1. The electric storage water heaters must be approved by the Company as capable of meeting the usage control requirements of this rider.
2. The Company reserves the right to inspect at all reasonable times the energy storage and usage control devices that qualify the customer for this rider and to ascertain by any reasonable means that the time differentiated load characteristics of such devices meet Company specifications.
3. If the Company finds that in its sole judgment the conditions of this rider are being violated, it may discontinue billing the customer under the provisions of this rider and all usage will be billed at the applicable rate.

PROVISIONS UNDER DIRECT ACCESS

For customers purchasing their electric generation from an EGS, the customer will be billed for the distribution and competitive transition charges of the applicable rate based on energy consumption net of the water heating allowance.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 20 - SMALL BUSINESS DEVELOPMENT RIDER

(Applicable to Rate GS/GM)

PURPOSE

Stimulating development of small industrial facilities in the Company's economically distressed service area may produce benefits in terms of job creation, increased regional income, and improved living standards. The purpose of this rider is to encourage load management, increase regional industrial production, and grow employment through an incentive for small industrial customers.

AVAILABILITY

This rider will be available for a term not exceeding five (5) years to qualifying new industrial customers having estimated annual load requirements not exceeding 105 kW. Qualifying terms and conditions are listed below.

Customers must contract under this rider on or before December 31, 1998 to qualify for the economic incentives defined below.

ECONOMIC INCENTIVE

A qualifying customer will earn a credit equal to the Billing Demand minus the Monthly Base Period Billing Demand multiplied by the discounted Incremental Unit Demand Charges of Rate GS/GM. The minimum Monthly Base Period Billing Demand for new or existing customers will be five (5) kW. The percentage discount is 50% for the first 36 months, 30% for the next 12 months and 15% for the last 12 months the customer is on this rider.

NOTE

Except for the provisions specifically set forth in this rider, all provisions, prices, and regulations of the standard general service rate under which the customer receives service shall apply.

The preceding credits will be applied before application of Rider No. 10 - State Tax Adjustment. All applicable "Standard Contract Riders" will remain in effect. The Minimum Charge Provision of Rate GS/GM shall not be reduced by this rider.

The above credits will be applied to the Distribution, CTC and Generation Charges of the bill as described under the section "Provisions Under Direct Access."

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 20 - SMALL BUSINESS DEVELOPMENT RIDER - (Continued)

(Applicable to Rate GS/GM)

DEFINITIONS

1. **New Service Location** - A location having one or more delivery points for electric service which will be billed separately by the Company under a single billing address:
 - (a) To which the Company has not previously supplied electric service

or

 - (b) To which the Company has previously supplied electric service provided that the service previously supplied had not been used for substantially the same industrial manufacturing or processing as the present operation or that its industrial use had been discontinued at least twelve (12) months prior to application for service under this rider.
2. **Existing Service Location** - An existing location of a customer having one or more delivery points for electric service billed separately by the Company under a single billing address.
3. **Base Period for Existing Customers** - The twelve consecutive monthly billing periods applicable to the existing customer ending one month prior to the application of this rider.
4. **Monthly Base Period Billing Demand:**
 - (a) **Existing Customer** - The Billing Demand used in billing the Existing Service Location for the month in the Base Period corresponding to the billing month to which the rate reduction under this rider is applied.
 - (b) **New Customer** - The Monthly Base Period Billing Demand will be five (5) kW for every month billed under this rider.
5. **Employment Reports** - The "Employer's Report for Unemployment Compensation" and "Employer's Quarterly Report of Wages Paid to Each Employee" as filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania and the "Employer's Quarterly Employment and Wage Analysis" as filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania for employers who have more than one place of business in the Commonwealth.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 20 - SMALL BUSINESS DEVELOPMENT RIDER - (Continued)

(Applicable to Rate GS/GM)

TERMS AND CONDITIONS

1. The customer may be a new or an existing customer.
2. The customer must be engaged in manufacturing or processing operations 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.
3. A Pennsylvania Sales Tax Blanket Exemption Certificate must be filed by the customer with the Company as soon as it is filed with the Commonwealth showing the address of the service location to which the rider is to be applicable and certifying that more than fifty percent (50%) (on an annual basis) of the electricity purchased thereunder is exempt from sales tax because it is used in manufacturing or processing operations. The rider shall not be effective until the Certificate or other suitable evidence acceptable to the Company is filed with the Company assuring that the above usage criteria is being achieved.
4. Current "Employment Reports," as defined, must be filed with the Company no later than thirty days after the end of the reporting quarter as defined at 43 P.S. 753d.
5. In the event a customer's new or incremental load consistently exceeds 100 kW, the customer will be given the option, upon request, of remaining on this rider with the discount applied to a maximum of 100 kW of new or incremental load or the customer may execute a new Rider 8 five (5) year contract with base load normally set equal to the customer's load at the time of the transfer to Rider 8. The Company reserves the right to establish an appropriate base load in the event the customer's load prior to transfer to Rider 8 is not a true representation of its base load.
6. The customer must sign a five (5) year "Economic Development Rider No. 20 Amendment to Electric Service Contract" with the Company for the term of the rider. Failure to comply with the terms and conditions of the contract may result in the cancellation of this rider.
7. The Company reserves the right to refuse this rider to customers who do not meet the conditions specified above.
8. If an existing customer in the service area moves their operation to a new location, the Base Period of the prior service shall move with the customer, and the new location would be treated as an Existing Service Location. A service location, to which the Company had previously supplied service within the prior twelve (12) months for substantially the same industrial manufacturing or processing as the present or proposed operation, would be treated as an Existing Service Location. However, the Base Period would be then defined as the last twelve (12) monthly billing periods during which there was industrial operation at the site.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 20 - SMALL BUSINESS DEVELOPMENT RIDER - (Continued)

(Applicable to Rate GS/GM)

TERMS AND CONDITIONS - (Continued)

9. If the existing customer did not receive service during the entire Base Period, the Monthly Base Period Billing Demand shall be determined by the Company.
10. The Company reserves the right to adjust the Monthly Base Period Usage for unusual circumstances such as labor work stoppages. If the existing customer did not receive service during the entire Base Period, the Monthly Base Period Usage shall be determined by the Company.
11. The application of the rider will be discontinued if bills are not paid when due as specified in Tariff Rule No. 21, before the addition of a Late Payment Charge.
12. The rider will be reserved for a customer who applies to the Company for the rider in writing up to twelve months prior to the time service is required.
13. Discontinuance of or detrimental changes to the rider will not apply to an existing rider participant or a prospective participant as described in Condition (13).

PROVISIONS UNDER DIRECT ACCESS

For contracts that do not contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract effective January 1, 1999, in a manner that retains the customer discount and reflects the amount of transmission, distribution, CTC and generation charges in the customer contract. The customer may continue to purchase electricity from the Company in accordance with the terms and conditions of the contract; terminate the contract and obtain electricity from an EGS on the otherwise applicable tariff rates according to their eligibility under direct access; or, retain the Company's services under the unbundled rates of the contract and purchase electrical energy from an EGS. The customer's discount from the otherwise applicable tariff rates will be applied first to the distribution components of the unbundled rates. If the discount is greater than the sum of the distribution components, the balance of the discount will be allocated equally between the CTC components and the generation components of the unbundled rates. The discount will be applied to the demand and energy components of the unbundled rate elements. Contract expiration shall not affect the applicability of any statutory rate cap.

For contracts that contain provisions governing the customer's rights under direct access, the Company will unbundle the customer's contract and the customer will be eligible to obtain electricity from an EGS only in accordance with the terms and conditions of the customer's contract.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 21 - UNIVERSAL SERVICE CHARGE

(Applicable to all Rates)

A Universal Service Charge, calculated independently for each rate schedule in this Tariff using distribution allocation factors, shall be applied to all kWh delivered under the Tariff. This Universal Service Charge shall be determined to the nearest one-thousandth of 1 mill per kilowatt-hour in accordance with the formula set forth below and shall be applied to all kilowatt-hours delivered during the billing month:

$$USC = \{ ((U * D) / S) - B - e \} * \{ 1 / (1 - T) \}$$

The Universal Service Charge so computed, effective during the billing months of April through March, shall be applied to customers' bills as a non-bypassable surcharge effective for service rendered on and after the following April 1 of each year.

Where USC = Universal Service Charge in mills per kWh to be applied to each kilowatt-hour delivered under this Tariff.

U = The estimated net universal service program costs related to the Company's Customer Assistance Program (CAP), Customer Assistance and Referral Evaluation Services (CARES), Smart Comfort Program, hardship fund administration, Consumer Credit Counseling Services (CCCS), low-income collection costs and low income write-offs for the computation year. (The costs to be included in the initial USC effective July 1, 2001 will include costs deferred from January 1, 1999 through May 31, 2001.)

D = Distribution Allocation Factor for each rate schedule as stated below:

Rate RS	0.429000
Rate RH	0.035000
Rate RA	0.004000
Rate GS/GM	0.238000
Rate GMH	0.027000
Rate GLH	0.019000
Rate GL	0.127000
Rate L	0.058000
Rate HVPS	0.027000
Rate AL	0.000001
Rate SE	0.011000
Rate MTS	0.001000
Rate SM	0.024000
Rate SH	0.000190
Rate PAL	0.024000

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 21 - UNIVERSAL SERVICE CHARGE - (Continued)

S = The Company's projected kWh to be delivered for each rate schedule for the computation year.

B = Base universal service charges, in mills per kilowatt hour, as stated below for each rate schedule:

Rate RS	1.80
Rate RH	1.40
Rate RA	1.40
Rate GS/GM	1.10
Rate GMH	1.00
Rate GLH	0.50
Rate GL	0.50
Rate L	0.50
Rate HVPS	0.30
Rate AL	1.30
Rate SE	4.70
Rate MTS	1.00
Rate SM	0.30
Rate SH	2.80
Rate PAL	0.30

e = The experienced net overcollection or undercollection of the universal service program costs as computed for each rate schedule as of the end of the reconciliation period.

T = The Pennsylvania gross receipts tax in effect during the billing month, expressed in decimal form.

The filing, reconciliation and audit of the universal service charge shall be conducted pursuant to procedures formulated by the Commission. This tariff will be revised to reflect the Commission's directive when appropriate.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 22 - RENEWABLE ENERGY SERVICE

(Applicable to Rates RS, RH, RA, GS/GM and GMH)

AVAILABILITY

Available to customers purchasing single-phase electric service served under the applicable rates who have installed a device or devices that are, in sole judgment, a bona fide technology for use in generating electricity from qualifying renewable energy installations not exceeding 10 kW, and that will be operated in parallel with the Company's system. Qualifying renewable energy installations include solar panels, wind, hydro, biomass, methane field, and fuel cell generation. The customer's equipment must conform to the installation requirements contained in the Company's published "Requirements For Parallel Operation Of Non-Utility Generation." The Company will modify its distribution and transmission facilities as necessary to interconnect with the customer at a single point. A customer will be charged for all modifications, additions or retirements made to provide the interconnection, in accordance with the "Requirements For Parallel Operation Of Non-Utility Generation." The costs for making the renewable energy resource operational shall be the responsibility of the customer.

METERING

A customer may select one of the following metering options in conjunction with the applicable rate.

- (a) A non-ratcheted, bi-directional meter, may be used to record net energy sales to the customer.
- (b) Two meters may be installed. One will measure the energy delivered by the Company that the customer uses, and the other will measure the energy delivered to the Company from the customer that is generated by the customer's qualified renewable energy installation.
- (c) The Company shall consider other qualified meter installations requested by the customer.

BILLING

If, in any billing month, the amount of energy delivered by the Company that the customer uses is greater than the amount of energy the customer delivered to the Company, then the Company will bill the customer for the difference on the applicable rate. If, in any billing month, the amount of energy delivered by the Company that the customer uses is less than the amount of energy the customer delivered to the Company, only the Customer Distribution Charge of the applicable rate will be due by the customer. A customer may sell any excess energy to an EGS other than the Company.

METERING CHARGE

- Option (a) No charge
- Option (b) \$6.38 for customers on Rates RS, RA and RH
\$9.07 for customers on Rates GS/GM and GMH.
- Option (c) Meter cost shall be based upon the net incremental cost to the Company to purchase install and make operational the new metering equipment.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 23 - GENERATION RATE ADJUSTMENT

(Applicable to Rates GS/GM, GMH, GL, GLH, L, HVPS, AL, SE, SM, SH, MTS, PAL)

The Generation Rate Adjustment (GRA) Amount (if any) will be calculated for each non-residential account that returns to POLR service after January 1, 2001 and chooses to stay on POLR service for less than twelve consecutive billing cycles. The GRA Amount will be calculated over the entire GRA period, (but in no event shall be negative), as follows:

$$\text{GRA} = \{[(L_{\text{on-peak}} * M_{\text{on-peak}}) + (L_{\text{off-peak}} * M_{\text{off-peak}})] - \text{NBGR}\} \times (1/1-T)$$

- Where:
- L** = The load measured in kWh associated with an account in a particular rate schedule using the same methodology used to determine the hourly load obligations of an account served by an EGS pursuant to Duquesne's Supplier Coordination Tariff. For purposes of calculating the GRA Amount, the hourly load obligation associated with each account will be aggregated into daily on-peak and off-peak kWh blocks. The on-peak and off-peak kWh will be the sum of the customer's consumption during the hours corresponding to the applicable daily on-peak and off-peak prices in "North ECAR" reported in the publication Megawatt Daily. (Megawatt Daily currently defines on-peak as the hours from 0600 to 2200 and off-peak as the hours from 2200 to 0600.) The on- and off-peak load shall include the transmission and distribution loss adjustment applicable to the account's rate schedule as specified in Duquesne's Supplier Coordination Tariff.
 - M** = The daily weighted average market price index for "North ECAR" for on-peak and off-peak energy as reported by Megawatt Daily in the table "Ranges and Indexes of Trades for Standard 16-Hour Daily Products". The prices in the table are reported in \$/MWH and will be converted to \$/kWh. On any given day, the same on-peak price shall be applied to all on-peak kWh load and the same off-peak price shall be applied to all off-peak kWh load. If on a given day a range of prices is provided with no weighted average index, then DLC shall use the average of the low and high prices. If on a given day no prices are provided for North ECAR, Duquesne shall use (1) for Monday through Friday -- the posted price of the preceding business day (2) for Saturday and Sunday -- the posted price of the preceding Saturday or Sunday and (3) for NERC holidays -- the posted price of the preceding Saturday.
 - NBGR** = The dollar amount of Net Billed Generation Revenues (net of GRT and ancillary services) to be paid to Orion as defined in the applicable POLR Agreement for serving a GRA Customer at POLR rates during the GRA Period.
 - T** = The Pennsylvania gross receipts tax rate in effect at the time the GRA Amount is calculated.



STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 23 - GENERATION RATE ADJUSTMENT - (Continued)

(Applicable to Rates GS/GM, GMH, GL, GLH, L, HVPS, AL, SE, SM, SH, MTS, PAL)

The GRA Period is the time period over which the GRA applies, as follows:

- (a) For an account that returns to POLR service and selects an EGS within the first year, any GRA would apply from the date of return to POLR service until the time the customer next receives service from the EGS.
- (b) For a returning account that does not exercise its switching option and remains on POLR service for more than twelve consecutive billing cycles and then selects an EGS during a subsequent year, the GRA Period would apply only for the partial year commencing with the account's anniversary return date and continuing until the time the customer next receives service from an EGS.

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RECEIVED

January 28, 2002

JAN 28 2002

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Mr. James J. McNulty
 Secretary
 Pennsylvania Public Utility Commission
 Commonwealth Keystone Building
 400 North Street
 Harrisburg, PA 17120

Re: Duquesne Light Company CTC Reconciliation and Auction Accounting Compliance Filing, Docket No. R-00974104

DOCKETED

Dear Mr. McNulty:

FEB 07 2002

Pursuant to the Commission's January 18, 2001 order in the above-captioned docket, Duquesne Light Company ("Duquesne") hereby submits an original and five copies of its revised Competitive Transition Charge Reconciliation and Auction Accounting Compliance Filing ("Auction Accounting Filing"). As the Commission has recognized, Duquesne's original Auction Accounting Filing could not quantify all of the transaction costs associated with the divestiture of Duquesne's generation assets because a private letter ruling request relating to decommissioning liability payments was pending at the Internal Revenue Service. Instead, on January 18, 2001, the Commission approved Duquesne's Auction Accounting Filing, including the recovery of decommissioning liability payments, and allowed Duquesne to update its Filing when the final ruling was obtained. The private letter ruling was issued in late November 2001, resulting in an estimated increase in Duquesne's auction-related transaction costs of approximately \$11 million. This filing sets forth the necessary revisions to Duquesne's auction accounting and explains that the average effect on Duquesne's CTC amortization is approximately 17 days.

Please date-stamp the extra copy of this filing and return it to me in the enclosed self-addressed, stamped envelope.

Background

As part of Duquesne's state-mandated restructuring, the Commission approved a proposal for Duquesne to auction its generating plants to determine its stranded costs. Opinion and Order, Docket No. R-00974104 (May 29, 1998). By order dated December 18, 1998, the Commission approved Duquesne's proposal to recover the transaction costs

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Mr. James J. McNulty

January 28, 2002

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associated with its divestiture, holding 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." December 18, 1998 Opinion and Order at 46, Docket No. R-00974104. Duquesne thereafter revised its accounting protocols to address stakeholder concerns and, on July 15, 1999, the Commission approved them, holding "the accounting protocols proposed by Duquesne are reasonable and shall be used to account for the net proceeds from the Auction." July 15, 1999 Order at 40, Docket No. A-110150F0020 ("July Order").

Because it owned only partial interests in several of its generation assets, Duquesne agreed to first swap those interests, including an interest in the Beaver Valley and the Perry nuclear generating facilities, with the other co-owner, FirstEnergy Corp. The Commission approved this plan in the July Order. Duquesne then completed the divestiture by auctioning its assets to Orion Power MidWest, L.P.. This sale was approved by the Commission's April 13, 2000 order. As part of that order, the Commission required Duquesne to submit a "reconciliation filing that includes a reconciliation of Auction proceeds and transaction costs." April 13, 2000 Opinion and Order at 24, Docket No. A-00110150-F0023. Duquesne submitted the required reconciliation filing on August 4, 2000.

As Duquesne explained in its August 2000 Auction Accounting Filing (as well as in its Generation Exchange Application (May 3, 1999) and the Auction Application (Dec. 22, 1999)), Duquesne requested private letter rulings from the Internal Revenue Service ("IRS") permitting it to make the necessary contributions to its tax qualified decommissioning trust funds prior to the transfer of the Beaver Valley and Perry nuclear units. The transaction agreements between Duquesne and FirstEnergy provided that if the necessary private letter rulings were not obtained from the IRS, Duquesne would contribute an additional sum that would represent a make-whole payment (on an after-tax basis) to FirstEnergy.

At the time Duquesne submitted the Auction Accounting Filing, no final word from the IRS on the private letter rulings had been released. The IRS had indicated, however, that at a minimum it would deny Duquesne's request to contribute \$57.4 million in 1999 to the qualified decommissioning trusts, instead allowing Duquesne to contribute \$55.5 million. This triggered an obligation to pay FirstEnergy a minimum of \$632,000. By the time Duquesne filed its reply comments on the Auction Accounting filing, several additional rulings had been released, increasing Duquesne's obligation to FirstEnergy to \$1.306 million. The IRS had expressed no opinion on the remaining issue -- whether nonqualified funds transferred to FirstEnergy are taxable. Duquesne informed the Commission that a favorable ruling from the IRS would result in no further obligation to FirstEnergy. If, however, the IRS ruled against Duquesne, Duquesne would be responsible for an additional payment to FirstEnergy. Duquesne committed to update its Auction Accounting Filing within 60 days of the IRS ruling. Reply Comments at 23 (October 26, 2000).

The Commission's January 18, 2001 Order

After receiving comments from intervenors and reply comments from Duquesne, the Commission issued its January 18, 2001 order in this docket approving Duquesne's Auction Accounting Filing, with certain modifications ("January Order"). Noting that "future IRS rulings concerning the decommissioning liability may result in revisions to the Auction Accounting Filing," the Commission adopted Duquesne's request that the Commission "approve recovery of \$1.306 million as well as preserve Duquesne's ability to request recovery of any additional decommissioning liability that results from remaining IRS rulings in this matter." January Order at 32, 31.

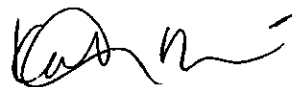
The IRS Ruling's Revision to the Auction Accounting Filing

On November 29, 2001, the IRS released its ruling that nonqualified decommissioning funds transferred to FirstEnergy are taxable income (see Attachment A). Based on Duquesne's review of the transaction agreements and its understanding of FirstEnergy's tax position, Duquesne owes FirstEnergy an additional payment of \$10,597,065.89, including interest. A description of the IRS ruling, as well as its effect on Duquesne's total transaction costs, and therefore on its total stranded costs, is discussed in detail in Attachment B, and the supporting calculations are presented in Attachments C through F. The resulting average effect on Duquesne's CTC amortization is to extend CTC recovery by approximately 17 days.

The Commission's January Order acknowledged that a revision to the Auction Accounting Filing based on the then-pending IRS ruling requests would be required, and authorized Duquesne to submit this revision. Under the July Order (at 41), Duquesne is entitled to net the amount of any supplemental decommissioning liability payments against Auction proceeds as a transaction cost. As such, the Commission should promptly issue an order approving this revised filing.

Thank you for your consideration in this matter. If you have any questions, please do not hesitate to contact me at (202) 371-7049.

Sincerely,



Kathleen L. Barrón
Counsel to Duquesne Light Company

cc: Service List

Department of the Treasury
Internal Revenue ServiceNotice 437
OMB No. 1545-0633

Notice of Intention to Disclose

Taxpayer name	
Mailing date of this notice	NOV 29 2001
Last date to request IRS review	DEC 19 2001
Last date to request delay	JAN 28 2002
Last date to petition Tax Court	JAN 28 2002
Date open to public inspection	FEB 22 2002

Section 6110 of the Internal Revenue Code provides that copies of certain rulings, technical advice memoranda, and determination letters will be open to public inspection after deletions are made. Rulings and technical advice memoranda will be open to public inspection in the Freedom of Information (FOI) Reading Room, 1111 Constitution Avenue, N.W., Washington, D.C. 20224, where they may be read and copied by anyone interested.

In accordance with section 6110, we intend to make the enclosed deleted copy of your ruling open to public inspection. We made the deletions indicated in accordance with section 6110(c), which requires us to delete:

1. The names, addresses, and other identifying details of the person the ruling pertains to, and of any other person identified in the ruling (other than a person making a "third party communication" -see back of this notice).
2. Information specifically authorized under criteria established by an Executive Order to be kept secret in the interest of national defense or foreign policy, and which is in fact properly classified under such Executive Order.
3. Information specifically exempted from disclosure by any statute (other than the Internal Revenue Code) which is applicable to the Internal Revenue Service.
4. Trade secrets and commercial or financial information obtained from a person that are privileged or confidential.
5. Information which would constitute a clearly unwarranted invasion of personal privacy.
6. Information contained in or related to examination, operating, or condition reports prepared by, or for use of an agency that regulates or supervises financial institutions.
7. Geological and geophysical information and data (including maps) concerning wells.

These are the only grounds for deleting material. We made the indicated proposed deletions after considering any suggestions for deletions you may have made prior to issuance of the ruling.

If You Agree with the proposed deletions you don't need to take any further action. We will place the deleted copy in the National Office FOI Reading Room on the "Date Open to Public Inspection" shown on this notice.

If You Disagree with the proposed deletions, please return the deleted copy and show, in brackets, any additional information you believe should be deleted. Include a statement supporting your position. Only material falling within the seven categories listed above may be deleted. Your statement should specify which of these seven categories is applicable with respect to each additional deletion you propose. Send your deleted copy and statement to:

Internal Revenue Service
Attention: CC:PA:T
Ben Franklin Station
Post Office Box 7604
Washington, DC 20044

For Paperwork Reduction Act information, see back of notice.

Internal Revenue Service

Department of the Treasury

Index Number: 468A.00-00, 461.00-00,
1012.06-00, 1060.00-00, 1031.00-00

Washington, DC 20224

Fred T. Goldberg, Jr., Esq.
Skadden, Arps, Slate, Meagher & Flom, LLP
1440 New York Avenue, NW
Washington, DC 20005

Person to Contact:
Peter C. Friedman (No. 50-02466)
Telephone Number:
(202) 622-3110
Refer Reply To:
CC:PSI:6-PLR-115801-99
Date:

NOV 09 2001

Legend:

Taxpayer/Company 1 = Duquesne Light Company
Company 2 = Pennsylvania Power Company
Company 3 = Cleveland Electric Illuminating Company
Company 4 = Ohio Edison Company

Parent 1 = DQE, Inc.
Parent 2 = First Energy Corporation

Plant 1 = Beaver Valley Power Station, Unit 1
Plant 2 = Beaver Valley Power Station, Unit 2
Plant 3 = Perry Nuclear Power Plant, Unit 1

Commission A = Pennsylvania Public Utility Commission
Commission B = Federal Energy Regulatory Commission
Commission C = Ohio Public Utility Commission

State 1 = Pennsylvania
State 2 = Ohio

Trustee = Mellon Bank, N.A.

Law = Electricity Generation Customer Choice and Competition Act

a = 47.5

b = 13.74

c = December 3, 1999

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d = 1999

e = September 8, 2000

Dear Mr. Goldberg:

This letter responds to Taxpayer/Company 1's request, dated September 24, 1999, that we rule on certain tax consequences under the Internal Revenue Code of the transfer of the Plants and associated nuclear decommissioning funds. As set forth below, you have requested rulings regarding the tax consequences to Taxpayer/Company 1 and its qualified nuclear decommissioning funds.

The Taxpayer/Company 1 has represented the following facts and information relating to the ruling request:

The Taxpayer/Company 1 is engaged in the generation, transmission, distribution, and sale of electric energy to customers in State 1. Taxpayer/Company 1 is a wholly-owned subsidiary of Parent 1. Companies 2 and 3 are wholly-owned subsidiaries of Parent 2. They are engaged in the generation, transmission, distribution, and sale of electric energy in States 1 and 2, respectively.

Taxpayer/Company 1 owns an a percent interest in Plant 1 and a b percent interest in Plant 3. Taxpayer Company 1 has a leasehold interest of b percent in Plant 2. The remaining interests in Plants 1 and 2 are owned by various subsidiaries of Parent 2 including Company 2. Taxpayer/Company 1 is the operator of Plants 1 and 2. The remaining interests in Plant 3 are owned by various subsidiaries of Parent 2 including Company 3. Company 3 is the operator of Plant 3. The rates for electric energy from Plants 1 and 2 sold by Taxpayer/Company 1 and Company 2 have been approved by Commissions A and B. The rates for electric energy from Plant 3 sold by Company 3 have been approved by Commission C.

Taxpayer/Company 1 has established a qualified nuclear decommissioning fund for its interests in each of the Plants. Company 2 has established a qualified nuclear decommissioning fund for its interest in Plant 1 and will establish such a fund for the interest it will acquire in Plant 2. Company 2 has established a nonqualified nuclear decommissioning fund for its interest in Plant 1 and will establish such a fund for the interest it will acquire in Plant 2. Company 3 has established a qualified nuclear decommissioning fund for its interest in Plant 3.

As a result of the Law, Taxpayer/Company 1 filed a restructuring plan with Commission A. Under this plan, Taxpayer/Company 1 plans to sell its generating assets. Due to the difficulty in selling minority interests in nuclear power plants,

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Taxpayer/Company 1 entered into an agreement (with Parent 2, Companies 2 and 3, and Company 4, another subsidiary of Parent 2) to transfer all of its interests in the Plants (and certain other generation assets) to Companies 2, 3 and 4 (the "Transferee Group"). In exchange, the Transferee Group will transfer certain generation and other assets to Taxpayer/Company 1. Specifically, Taxpayer/Company 1's interests in Plants 1 and 2 will be transferred to Company 2, and its interest in Plant 3 will be transferred to Company 3. Following the closing of this transaction, Taxpayer/Company 1 will no longer own or operate any nuclear power plants and will sell at auction all of the generating assets received from the Transferee Group (as well as any remaining non-nuclear generating assets still held).¹

Parent 2 expects to treat the exchange of assets as a like-kind exchange under section 1031. Since Taxpayer/Company 1 will not retain any of the property it receives for productive use in a trade or business it will treat the transaction as a taxable disposition of the assets transferred to the Transferee Group.

As part of the agreement, Taxpayer/Company 1 will transfer the assets of its qualified and nonqualified nuclear decommissioning funds that relate to the Plants and as well as the NRC licenses associated with the Plants. Thus, the assets in the funds relating to Plants 1 and 2 will be transferred to the existing (or to be established) funds of Company 2 relating to the respective Plant. In addition, the assets in the funds relating to Plant 3 will be transferred to the existing (or to be established) funds of

¹ In the case of both the Taxpayer/Company 1 and the members of the Transferee Group, the assets transferred with respect to each undivided interest in an electric generating plant, both nuclear and fossil fuel, included a corresponding undivided interest in the tangible and intangible real and personal property associated with the undivided interest in the plant itself. This property included, with respect to each transferred interest in a plant: (a) specified parcels of real property (including buildings, facilities and other improvements), leases of real property and easements relating to the transferred interest; (b) machinery, equipment, vehicles, tools, furniture and furnishings and other personal property related to the transferred interest; (c) major spare parts and spare equipment included in the capital base of the transferred interest; (d) inventories of materials, spare parts, consumable supplies and chemicals associated with the transferred interest; (e) contracts, agreements, licenses and personal property leases associated with each transferred interest; (f) all permits associated with each transferred interest; (g) all books, operating records, operating, safety and maintenance manuals, engineering design plans, documents, blueprints and as-built plans, specification, procedures and similar items relating specifically to the transferred interests; and (h) various other intangible assets related to the transferred interests, including plant names and plans for Year 2000 compliance.

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Company 3. Companies 2 and 3 will assume all liabilities associated with decommissioning the Plants. Moreover, the agreement will require that all of the assets transferred from the Taxpayer/Company 1's nonqualified nuclear decommissioning funds be use solely for decommissioning the Plants.

The interests acquired by Companies 2 and 3 will be reflected in their respective rate bases as these interests will replace their interests in the other generating assets that are being transferred to the Taxpayer/Company 1. However, because the assets transferred by the Taxpayer/Company 1 in the qualified and nonqualified nuclear decommissioning funds are expected to satisfy the future decommissioning costs of the Plants, Companies 2 and 3 do not anticipate making additional contribution to their qualified nuclear decommissioning funds unless a future estimate of such costs indicates a need for additional funding.

The transaction discussed above was completed on c. Since, the transaction closed prior to Taxpayer/Company 1 receiving a schedule of ruling amounts for the d tax year, certain contingencies were added to the agreement relating to the amounts to be transferred with respect to that tax year. On e, the Service issued the requested schedules of ruling amounts. Since the approved amount with respect to Plant 3 was less than the amounts requested and contributed by the Taxpayer/Company 1, Company 3 requested that its fund trustee transfer the excess amount from its qualified nuclear decommissioning fund to its nonqualified decommissioning fund.

Requested Rulings ##1a, 1b, 2b, 2c, 3a, 3b: With respect to the transfer of the Taxpayer/Company 1's interest in Plants 1 and 2, neither the Taxpayer/Company 1, Company 2, nor their qualified nuclear decommissioning funds will recognize any gain or loss or otherwise take into account any income or deduction by reason of the transfer of the Taxpayer/Company 1's qualified nuclear decommissioning trust funds to Company 2's qualified nuclear decommissioning trust funds. Company 2's qualified nuclear decommissioning funds will have a basis in the assets held equal to the basis of such assets in the Taxpayer/Company 1's qualified nuclear decommissioning funds immediately prior to the transfer. With respect to the transfer of the Taxpayer/Company 1's interest in Plants 3, neither the Taxpayer/Company 1, Company 3, nor their qualified nuclear decommissioning funds will recognize any gain or loss or otherwise take into account any income or deduction by reason of the transfer of the Taxpayer/Company 1's qualified nuclear decommissioning trust funds to Company 3's qualified nuclear decommissioning trust funds. Company 3's qualified nuclear decommissioning funds will have a basis in the assets held equal to the basis of such assets in the Taxpayer/Company 1's qualified nuclear decommissioning funds immediately prior to the transfer.

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Section 468A(a) provides that a taxpayer may elect to deduct payments made to a nuclear decommissioning reserve fund (the qualified fund). Section 468A(b) limits the annual deduction of the electing taxpayer to the lesser of the ruling amount or the amount of decommissioning costs included in the electing taxpayer's cost of service for ratemaking purposes for the taxable year.

Section 468A(d) provides that the ruling amount means the amount determined by the Service to be necessary to (A) fund that portion of the nuclear decommissioning cost with respect to the nuclear power plant that bears the same ratio to the total nuclear decommissioning costs with respect to such nuclear power plant as the period for which the fund is in effect bears to the estimated useful life of the nuclear power plant, and (B) prevent any excessive funding of such costs or the funding of such costs at a rate more rapid than level funding.

Section 468A(e)(2) provides that the rate of tax on the income of a qualified fund is 20 percent. Section 468A(4) provides, in pertinent part, that the assets in a qualified fund shall be used exclusively for satisfying the liability of any taxpayer contributing to the qualified fund.

Section 1.468A-1(b)(1) of the Federal Income Tax Regulations provides that an eligible taxpayer is a taxpayer that possesses a qualifying interest in a nuclear power plant. Section 1.468A-1(b)(2) provides that a qualifying interest is a direct ownership interest or a leasehold interest meeting certain additional requirements. Section 1.468A-1(b)(4) provides, in part, that a nuclear power plant is any nuclear power reactor that is used predominantly in the trade or business of the furnishing or sale of electric energy, if the rates for such furnishing or sale, have been established or approved by a public utility commission.

Section 1.468A-5(a) sets out the qualification requirements for nuclear decommissioning funds. It provides, in part, that a qualified fund must be established and maintained pursuant to an arrangement that qualifies as a trust under state law. An electing taxpayer can establish and maintain only one qualified fund for each nuclear power plant. Section 1.468A-5(c)(1)(i) provides that if, at any time during the taxable year, a nuclear decommissioning fund does not satisfy the requirements of section 1.468A-5(a) the Service may disqualify all or a portion of the fund as of the date that the fund does not satisfy the requirements. Section 1.468A-5(c)(3) provides that if a qualified fund is disqualified the fair market value (with certain adjustments) of the assets in the fund is deemed to be distributed to the electing taxpayer and included in that taxpayer's gross income for the taxable year.

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Section 1.468A-6 generally provides rules for the transfer of an interest in a nuclear power plant (and transfer of the qualified fund) where after the transfer the transferee is an eligible taxpayer. Under section 1.468A-6(g), the Service may treat any disposition of an interest in a nuclear power plant occurring after December 27, 1994, as satisfying the requirements of the regulations if the Service determines that such treatment is necessary or appropriate to carry out the purposes of section 468A.

Under the specific facts herein, the Service will exercise its discretion to treat this transaction, under section 1.468A-6(g), as a disposition qualifying under the general provisions of section 1.468A-6. Thus, under section 1.468A-6 the qualified nuclear decommissioning funds of the Taxpayer/Company 1 will not be disqualified upon the transfer when the assets are transferred to the respective qualified nuclear decommissioning funds of Companies 2 and 3 and those funds, holding the transferred qualified assets will be treated as qualified nuclear decommissioning funds of Companies 2 and 3.

Section 1.468A-6(c)(1) provides that neither a transferor nor its fund will recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of the assets from a transferor's qualified fund to a transferee's qualified fund. Thus, Taxpayer/Company 1 will not recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of the qualified nuclear decommissioning funds assets to the qualified nuclear decommissioning funds of Companies 2 and 3.

Similarly, section 1.468A-6(c)(2) provides that neither a transferee nor its fund will recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of the assets from a transferor's qualified fund to a transferee's qualified fund. Thus, Companies 2 and 3 will not recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of Taxpayer/Company 1's qualified nuclear decommissioning funds assets to the qualified nuclear decommissioning funds of Companies 2 and 3.

Finally, section 1.468A-6(c)(3) provides that transfers of assets of a qualified fund to which section 1.468A-6 applies do not affect basis. Accordingly, under section 1.468A-6(c)(3), the qualified nuclear decommissioning funds of Companies 2 and 3 will have a basis in the assets received that is the same as the basis of those assets in the qualified nuclear decommissioning funds of Taxpayer/Company 1 immediately before the transfer.

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Requested Ruling # 2a: The conversion of Taxpayer/Company 1's leasehold interest in Plant 2 to a direct ownership interest of Company 2 in Plant 2 will have no effect on the continuing qualification of the qualified nuclear decommissioning fund maintained by Company 2 with respect to Plant 2.

Section 1.468A-5(a) sets out the qualification requirements for nuclear decommissioning funds. It generally provides that a qualified nuclear decommissioning fund must be established and maintained by an electing (eligible) taxpayer. Section 1.468A-1(b)(1) provides that an eligible taxpayer is a taxpayer that possesses a qualifying interest in a nuclear power plant. Section 1.468A-1(b)(2) provides that a qualifying interest is either a direct ownership interest or a leasehold interest meeting certain additional requirements.

Since section 1.468A-1(b)(2) provides that a qualifying interest may be either a direct ownership interest or a leasehold interest, there is no change in the qualification status of Company 2's qualified nuclear decommissioning fund upon the conversion of Taxpayer/Company 1's leasehold interest in Plant 2 to a direct ownership interest of Company 2 in Plant 2.

Requested Ruling #3d: Neither the Taxpayer/Company 1's qualified nuclear decommissioning fund for Plant 3 nor the qualified nuclear decommissioning fund established by Company 3 with respect to its interest in Plant 3 will be disqualified by reason of the excess contribution, or the transfer of the excess contribution to the nonqualified nuclear decommissioning fund, made by the Taxpayer/Company 1 with respect to the d tax year.

Section 1.468A-3(j)(1) permits a taxpayer that has timely requested a schedule of ruling amounts and has not received the requested schedule by the deemed payment deadline to make a payment to a qualified nuclear decommissioning fund on the basis of the amount requested.

Section 1.468A-3(j)(3) provides that if a taxpayer makes a payment to a qualified fund under section 1.468A-3(j)(1); the ruling amount provided by the IRS is less than that requested by the taxpayer; and, as a result, there is an excess contribution (as defined in 1.468A-5(c)(2)(ii)) for such tax year, then the amount of the excess contribution is not deductible and must be withdrawn by the taxpayer consistent with the rules of section 1.468A-5(c)(2)(i).

Section 1.468A-5(c)(2)(i) provides, in part, that in the case of an excess contribution that is a result of a payment made under section 1.468A-3(j)(1), a qualified nuclear decommissioning fund will not be disqualified if the excess contribution is

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withdrawn by the taxpayer before the later of 30 days after receipt of the schedule of ruling amounts or the date prescribed by law for filing the return of the fund for the tax year to which the excess contribution results.

Provided Company 3 withdrew the excess contribution in a timely manner under section 1.468A-5(c)(2)(i), neither the Taxpayer/Company 1's qualified nuclear decommissioning fund for Plant 3 nor the qualified nuclear decommissioning fund established by Company 3 with respect to its interest in Plant 3 will be disqualified by reason of the excess contribution made by the Taxpayer/Company 1 with respect to the q tax year or the transfer of the excess contribution to the nonqualified nuclear decommissioning fund.

Requested Rulings ## 1c, 2d, 3c: Taxpayer/Company 1 will be entitled to a deduction under section 1.461-4(d)(5) with respect to any amount of the decommissioning liability for Plants 1 and 2 that is included in the amount realized by Taxpayer/Company 1 as a result of the transfer of the interests in Plants 1 and 2 to Company 2. Taxpayer/Company 1 will be entitled to a deduction under section 1.461-4(d)(5) with respect to any amount of the decommissioning liability for Plant 3 that is included in the amount realized by Taxpayer/Company 1 as a result of the transfer of the interest in Plant 3 to Company 3.

Section 1.446-1(c)(1)(ii)(A) provides that under an accrual method of accounting, a liability is incurred and generally taken into account for federal income tax purposes in the year in which all the events have occurred that establish the fact of the liability, the amount of the liability can be determined with reasonable accuracy, and economic performance has occurred with respect to the liability.

Section 461(h) makes clear that generally the all events test is not treated as having been met any earlier than the taxable year in which economic performance has occurred with respect to a liability. See also section 1.461-(4)(a)(1).

Section 461(h)(2)(B) provides that in the case of a liability that requires the taxpayer to provide services, economic performance occurs as the taxpayer provides the services. Section 1.461-4(d)(4) provides that economic performance occurs with respect to such service liabilities as the taxpayer incurs costs in connection with the satisfaction of the liability. Section 1.461-4(d)(5) provides an exception to the general economic performance rule for services where the taxpayer sells a trade or business. Where the purchaser expressly assumes a liability arising out of the taxpayer's trade or business that the taxpayer but for the economic performance requirement would have been entitled to incur as of the date of the sale, economic performance with respect to the liability occurs as the amount of the liability is properly included in the amount realized on the sale by the taxpayer.

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The first prong of the all events test requires that the fact of the liability be established at the time of the deduction. This prong of the all events test is satisfied in the instant case. Here, the Taxpayer/Company 1 clearly has the obligation to decommission each of its Plants. The fact of the obligation arose many years ago, at the time the Taxpayer/Company 1 obtained its license to operate each of the Plants. See 10 C.F.R. section 50.33 and section 72.30, requiring the operator of a nuclear power plant to decommission it. Moreover, Congress recognized the existence of the decommissioning liability when, in 1984, it enacted section 461(h) and section 468A, noting that "[g]enerally, under Federal and State laws, utilities that operate nuclear power plants are obligated to decommission the plants at the end of their useful lives." H.R. Conf. Rep. No. 98-861, 877 (1984). See also S. Pt. No. 169, Vol. 1, 98th Cong., 2d Sess. 277 (1984).

The second prong of the all events test requires the amount of the liability to be reasonably determinable. See section 1.461-1(a)(2)(ii). This prong is also satisfied. In the instant case, the amount of the Taxpayer/Company 1's decommissioning liability has been determined by experts in the nuclear decommissioning industry. Their calculations have been reviewed and accepted by both the Nuclear Regulatory Commission (NRC), which is charged with ensuring that sufficient funds are available to decommission the Plants. In addition, there is also support in the Code for finding that the amount of the decommissioning liability is reasonably determinable at the time of sale. Section 468A(d) generally permits a current deduction for a "ruling amount," based on estimated future decommissioning expenses. To the extent the decommissioning costs are sufficiently determinable to entitle the utility to a deduction under section 468A, it is reasonable to conclude that the costs must also be sufficiently determinable to satisfy the second prong of the all events test.

Given that the two prongs of the all events test are satisfied and, from the Taxpayer/Company 1's perspective, the exchange constitutes a sale of a trade or business, economic performance with respect to the decommissioning liability occurs as of the date of the exchange to the extent the liability is included in the Taxpayer/Company 1's amount realized. At that time, the Taxpayer/Company 1 will be entitled to a deduction for the amount of its decommissioning liability not associated with its qualified nuclear decommissioning funds with respect to the Plants expressly assumed by Company 2 or Company 3 and included in the Taxpayer/Company 1's amount realized.

Section 1001(b) provides that a seller's amount realized from the sale of property is the sum of any money received plus the fair market value of the property (other than money) received. Section 1.1001-2(a)(1) provides that a seller's amount realized from the sale of property includes the amount of liabilities from which the seller is discharged

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as a result of the sale. This may include debt and non-debt liabilities. See Fisher Co. v. Commissioner, 84 T.C. 1319, 1345-47 (1985) (assumption of lessee's repair liability was part of amount realized on sale of leasehold). The decommissioning liabilities from which Taxpayer/Company 1 will be relieved are fixed and determinable. As an owner and operator of nuclear plants, Taxpayer/Company 1 is required by law to provide for eventual decommissioning. See 10 CFR sections 50.33, 50.75.

Accordingly, in each transaction, the amount of Taxpayer/Company 1's decommissioning liability (not including the portion of the liability attributable to the qualified funds on the date of the transfer) will be included in Taxpayer/Company 1's amount realized.

Requested Rulings ## 1d, 2e, 3e: Company 2 will not recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of all of the assets of the Taxpayer/Company 1's nonqualified nuclear decommissioning funds with respect to Plants 1 and 2 to the nonqualified nuclear decommissioning funds maintained by Company 2 respectively for Plants 1 and 2 except to the extent otherwise required by section 1031 and the regulation thereunder and/or to the extent the Class 1 assets (as defined in section 1.338-6T(b)(1)) received by Company 2 exceed the fair market value of the assets transferred by Company 2 to the Taxpayer/Company 1. Company 3 will not recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of all of the assets of the Taxpayer/Company 1's nonqualified nuclear decommissioning fund with respect to Plant 3 to the nonqualified nuclear decommissioning fund maintained by Company 3 for Plant 3 except to the extent otherwise required by section 1031 and the regulation thereunder and/or to the extent the Class 1 assets (as defined in section 1.338-6T(b)(1)) received by Company 3 exceed the fair market value of the assets transferred by Company 2 to the Taxpayer/Company 1.

Section 1031(a)(1) provides that no gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like kind which is to be held either for productive use in a trade or business or for investment.

Section 1031(b) provides that if an exchange would be within the provisions of section 1031(a) if it were not for the fact that the property received in exchange consists not only of property permitted by such provisions to be received without the recognition of gain, but also of other property or money, then gain, if any, to the recipient shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

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Section 1.1031(j)-1(b) provides the rules for computing gain with respect to exchanges of multiple properties qualifying for nonrecognition of gain or loss under section 1031. Section 1.1031(j)-1(b)(2) provides that to the extent possible the properties transferred and the properties received by the taxpayer in the exchange are separated into exchange groups and a residual group. Each exchange group consists of the properties transferred and received in the exchange, all of which are of a like kind or like class. A residual group is created if the aggregate fair market value of the properties transferred in all of the exchange groups differs from the aggregate fair market value of the properties received in all of the exchange groups. section 1.1031(j)-1(b)(2)(iii).

Section 1.1031(j)-1(b)(3) provides that the amount of gain or loss realized with respect of each exchange group and the residual group is the difference between the aggregate fair market value of the properties transferred in that exchange group or residual group and the properties' aggregate adjusted basis. The gain realized with respect to each exchange group is recognized to the extent of the lesser of the gain realized and the amount of the exchange group deficiency, if any. An exchange group deficiency is the excess aggregate fair market value of the properties transferred in an exchange group over the aggregate fair market value of the properties received (less the amount of any excess assumed liabilities). The amount of gain or loss realized and recognized with respect to property not within any exchange group or the residual group is determined under section 1001 and other applicable provisions of the Code.

Thus, under section 1031, gain will be recognized to the extent of the lesser of the gain realized and deficiency. Although the nonqualified decommissioning funds are not like kind property and will not be included in any exchange group, an exchange group deficiency may, in fact, result from their transfer (the aggregate fair market value of the like-kind property received may be less than the aggregate fair market value of the like-kind property transferred) and gain may be recognized. On the other hand, to the extent the residual group consists of all or a portion of the nonqualified decommissioning funds received, section 1.1031(j)-1(b)(3) provides that no gain will be realized.

Thus, Company 2 and Company 3 will not realize income from their receipt of the assets in the nonqualified qualified nuclear decommissioning funds except to the extent that, under the rules of section 1060, the amount of cash and other Class 1 assets² received by Company 2 or Company 3 (not including the assets in the qualified nuclear

² It is represented that at the time of the transfer the nonqualified decommissioning funds will consist solely of stocks and securities (no cash or other Class 1 assets).

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decommissioning fund) exceeds the amount of consideration provided by Company 2 or Company 3 and taken into account in the year of the exchange. See section 1.338-6T(b)(1).

Requested Rulings ## 1f, 2g, 3g: If the exchange of assets between Taxpayer/Company 1 and Company 2 qualifies as a like kind exchange under section 1031, the Plant 1 and 2 decommissioning liability that is not attributable to the qualified nuclear decommissioning funds for Plants 1 and 2, respectively, and that is assumed by Company 2 will be taken into account in determining gain recognized under sections 1031 and 1.1031(j)-1(b), but will not be taken into account in determining basis under sections 1031 and 1.1031(j)-1(c), until such time as economic performance occurs with respect to such liability. If the exchange of assets between Taxpayer/Company 1 and Company 3 qualifies as a like kind exchange under Section 1031, the Plant 3 decommissioning liability that is not attributable to the qualified nuclear decommissioning fund for Plant 3 and that is assumed by Company 3 will be taken into account in determining gain recognized under sections 1031 and 1.1031(j)-1(b), but will not be taken into account in determining basis under sections 1031 and 1.1031(j)-1(c), until such time as economic performance occurs with respect to such liability.

Section 1031(a)(1) provides that no gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like kind which is to be held either for productive use in a trade or business or for investment.

Section 1031(b) provides that if an exchange would be within the provisions of section 1031(a) if it were not for the fact that the property received in exchange consists not only of property permitted by such provisions to be received without the recognition of gain, but also of other property or money, then gain, if any, to the recipient shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

Section 1031(d) provides that if property was acquired in an exchange described in this section then the basis shall be the same as that of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized on such exchange. If the property so acquired consisted in part of the type of property permitted by this section to be received without the recognition of gain or loss, and in part of other property, the basis provided in this subsection shall be allocated between the properties (other than money) received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange.

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Section 1.1031(j)-1 provides specific rules for computing basis and gain with respect to exchanges of multiple properties qualifying for nonrecognition of gain or loss under section 1031. See Sections 1.1031(j)-1(c) & 1.1031(j)-1(b).

Section 1.1031(j)-1(c) provides that in an exchange of multiple properties qualifying for nonrecognition of gain or loss under section 1031 the aggregate adjusted basis of property received by the taxpayer within that exchange group is adjusted for, among other things, the amount, if any, of the excess liabilities assumed by the taxpayer that are allocated to that exchange group. The basis of properties received by the taxpayer that are not within any exchange group or the residual group is determined under section 1012.

Section 1.1031(j)-1(b)(2) provides that to the extent possible the properties transferred and the properties received by the taxpayer in the exchange are separated into exchange groups and a residual group. Each exchange group consists of the properties transferred and received in the exchange, all of which are of a like kind or like class. A residual group is created if the aggregate fair market value of the properties transferred in all of the exchange groups differs from the aggregate fair market value of the properties received in all of the exchange groups. Section 1.1031(j)-1(b)(2)(iii). The amount of gain or loss realized and recognized with respect to properties transferred by the taxpayer that are not within any exchange group or the residual group is determined under section 1001 and other applicable provisions of the Code, with proper adjustments made for all liabilities not allocated to the exchange groups or the residual group. section 1.1031(j)-1(b)(3)(ii). If there are excess liabilities assumed (the amount of the liabilities assumed by the taxpayer exceed the amount of liabilities of which the taxpayer is relieved) by the taxpayer as part of the exchange, the excess amount is allocated among the exchange groups (but not to the residual group) in proportion to, but not in excess of, the aggregate fair market value of the properties received by the taxpayer in the exchange groups. Section 1.1031(j)-1(b)(2)(B).

The issue presented is whether the assumed decommissioning liabilities not associated with the qualified nuclear decommissioning funds should be taken into account for purpose of determining the Company 2 and 3's basis in the property received and/or their gain on the exchange.

a. Basis

As a general rule, the assumed decommissioning liability cannot be treated as incurred for any federal income tax purpose -- including basis -- until economic performance occurs with respect to that liability. The legislative history underlying the enactment of section 461(h) makes it clear that Congress intended to exclude an item

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from being taken into account for tax purposes until economic performance occurs. This treatment applies to capital and well as non-capital transactions. H.R. Rep. No. 432, Pt. 2, 98th Cong., 2d Sess., 1252,1255 (1984); S. Prt. No. 169, Vol. 1, 98th Cong., 2d Sess. 266-267 (1984). Despite criticism from some commentators that the Service lacks authority to apply the economic performance rules broadly enough to include the calculation of basis and cost of goods sold, the Service explicitly stated in the preamble to the final regulations implementing section 461(h) that the Service and Treasury believe the intended scope of the statutory provision is indeed broad enough to apply in this manner. Preamble to T.D. 8408, 57 Fed. Reg. 12411 (Apr. 10, 1992) [1992-1 C.B. 155, 156].

Consistent with this position, the Service amended the regulations under section 446 to clarify that a liability is incurred, and generally is taken into account for federal income tax purposes, in the taxable year in which the all events test is satisfied and economic performance has occurred with respect to the item. Section 1.446-1(c)(1)(ii)(A). Section 1.446-1(c)(1)(ii) provides that "[t]he term 'liability' includes any item allowable as a deduction, cost, or expense for Federal income tax purposes." The regulations further clarify that applicable provisions of the Code, the regulations, and other guidance published by the Secretary prescribe the manner in which a liability that has been incurred is taken into account, and specifically cite to the capitalization provisions of section 263 as an example of a Code provision subordinate to the economic performance requirement. Specifically, the regulations state, "[f]or example, an amount that a taxpayer expends or will expend for capital improvements to property must be incurred before the taxpayer may take the amount into account in computing its basis in the property." Section 1.446-1(c)(1)(ii)(B).

Thus, critical to determining whether Companies 2 and 3 are entitled to treat the future decommissioning liability as a component of its basis in the received assets at the time of the transfer is determining whether the liability will be incurred as of that date. It will not. Economic performance does not occur with respect to a service liability such as the decommissioning obligation until and to the extent that costs are incurred in satisfaction of that liability. Section 1.461-4(d)(4). Because Companies 2 and 3 will not have performed any services relating to the decommissioning liability at the time of the transfer of the Plants, economic performance will not have occurred, and the liability will not have been incurred at that time for purpose of determining Company 2 or 3's basis under section 1031.

Accordingly, at the time of transfer, Companies 2 and 3 will have a basis in the received assets computed in accordance with section 1.1031(j)-1(c) without taking into account the amount of the assumed liabilities relating to their assumption of the decommissioning liability associated with the qualified nuclear decommissioning fund.

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Companies 2 and 3's basis in the assets received that are not part of the like kind exchange must be allocated among all such assets in accordance with section 1012 and the residual method provided in section 1060 and section 1.1060-1T(c). Companies 2 and 3 will not be entitled to treat as a component of its basis at the time of the transfer any amount attributable to the future decommissioning liability.

b. Gain

The fact that prior to economic performance a liability is not "incurred" and, thus, not taken into account for purpose of determining a taxpayer's basis does not mean that the liability is ignored for all purposes. Specifically, the enactment of the economic performance rules contained in section 461(h) did not change the rules for determining when a liability is included in the calculation of amount realized under Sections 451 and 1001.

This principle is reflected in section 1.461-4(d)(5), in the context of relief from a liability as an amount realized. Section 1.461-4(d)(5) provides an exception to the economic performance rules in the case of the sale of a trade or business and makes clear that section 461(h) does not determine the amount or timing of the taxpayer's amount realized. When it applies, section 1.461-4(d)(5) provides that "economic performance . . . occurs as the amount of the liability is properly included in the amount realized on the transaction" by the Taxpayer/Company 1. This language provides an exception that deems economic performance to be satisfied when the amount of the liability is properly included in the taxpayer's amount realized and clarifies that the rules for determining whether and when the liability is "properly included" in the amount realized are independent of section 461(h). See the cross-reference to section 1.1001-2 at the end of section 1.461-4(d)(5)(i).

The "all events test" in section 451 and section 1.451-1(a), require gain/income to be included in gross income under an accrual method of accounting when (1) all the events have occurred which fix the right to receive the income; and (2) the amount of income can be determined with reasonable accuracy. As indicated above, both prongs of the "all events test" have been met here.

Under the section 1.1031(j) regulations, liabilities assumed are initially pooled, reduced by liabilities relieved, if any, and then allocated among the exchange groups to reduce the fair market value of properties received, in order to determine whether gain is recognized because of a "deficiency" in that group. See section 1.1031(j)-1(b); section. 1103(j)-1(d), Example 4.

The specific issue addressed in, for example, section 1.461-4(d)(5) - whether relief from a liability is included in amount realized - and the specific question addressed

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here - whether an assumed liability is taken into account in determining realized and recognized gain under the section 1.1031(j) regulations - are not identical. However, they both concern the effect of liability assumption on the calculation of amount realized. Thus, while section 1.1031(j)-1(b) provides special rules for calculating gain with respect to exchanges of multiple properties qualifying for nonrecognition under section 1031, the issue of whether a liability is taken into account in such a calculation is governed by the general principles of section 1001 and section 451, which do not require, at least in this context, that economic performance be satisfied.

Accordingly, the decommissioning liability should be taken into account for purposes of determining the Transferees' gain on the exchange of property, but not for purposes of determining their basis in the received property.

c. Section 1060 considerations

Section 1060 provides that, in the case of an "applicable asset acquisition," the consideration received for such assets shall be allocated among the acquired assets in the same manner as amounts are allocated to assets under section 338(b)(5). Section 1.1060-1T(a)(1) provides that, in the case of an applicable asset acquisition, sellers and purchasers must allocate the consideration under the "residual method" as described in sections 1.338-6T and 1.338-7T in order to determine, respectively, the amount realized from, and the basis in, each of the transferred assets.

Section 1060(c) defines the term "applicable asset acquisition" as the transfer of assets constituting a trade or business if the acquirer's basis is determined wholly by reference to the consideration paid for such assets. Section 1060(c) also provides that a transfer shall not be treated as failing to be an applicable asset acquisition merely because section 1031 applies to a portion of the assets.

Section 1.1060-1T(c)(1) defines a seller's consideration as the amount, in the aggregate, realized from selling the assets in the applicable asset acquisition under section 1001(b). Section 1060 provides no independent basis for determining the amount a taxpayer realizes on the sale of assets or the time such amount may be taken into account; the amount realized and the time such amount is taken into account are determined solely under generally applicable tax accounting principles. See sections 1001 and 461(h). Section 1.1060-1T(c)(1) defines a purchaser's consideration as the amount, in the aggregate, of its cost of purchasing the assets in the applicable asset acquisition that is properly taken into account in basis. Section 1060 provides no independent basis for determining a taxpayer's cost of acquired assets; cost is determined solely under generally applicable rules of tax accounting.

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The residual method is based on a division of assets into seven classes: Class I (generally consisting of cash and general deposit accounts held in banks, savings and loan associations, and other depository institutions), Class II (generally consisting of actively traded personal property like U.S. government securities and publicly traded stock, but also including certificates of deposit and foreign currency even if they are not actively traded personal property), Class III (accounts receivable, mortgages, and credit card receivables from customers which arise in the ordinary course of business), Class IV (stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business), Class V (all assets other than Class I, II, III, IV, VI, and VII assets), Class VI (all section 197 intangibles, as defined in section 197, except goodwill and going concern value), and Class VII (goodwill and going concern value, whether or not they qualify as section 197 intangibles).

Consideration is first reduced by the amount of Class I assets transferred by the seller. The remaining consideration is then allocated among the Class II assets (pro rata, to the extent of their fair market value), then among the Class III assets (pro rata, to the extent of their fair market value), then among the Class IV assets (pro rata, to the extent of their fair market value), then among the Class V assets (pro rata, to the extent of their fair market value), then among the Class VI assets (pro rata, to the extent of their fair market value), and, finally, any remaining consideration is allocated among the Class VII assets (pro rata, according to their fair market value). Sections 1.1060-1T(c)(2), 1.338-6T(b)(1), and 1.338-6T(b)(2).

If under general tax principles there is a subsequent adjustment to the consideration, e.g., if it is later determined that the actual amount of the liability assumed differs from the value that the parties assigned to such liability on the date of the applicable asset acquisition, that amount is allocated in a manner that produces the same allocation that would have been made at the time of the acquisition had such amount been paid or incurred on the acquisition date. Sections 1.1060-1T(a)(1), 1.1060-1T(c)(2), and 1.338-7T.

The Plants, equipment, operating assets and nonqualified fund assets comprise a trade or business in Taxpayer/Company 1's hands and the gain or loss recognized by with respect to those assets will be determined wholly by reference to Taxpayer/Company 1's amount realized. Thus, the transfer of the Plants, equipment, operating assets and nonqualified fund assets to Companies 2 and 3 in exchange for the non-nuclear generating assets and the assumption of the decommissioning liability

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(except to the extent funded by the qualified nuclear decommissioning fund) is an applicable asset acquisition as defined in section 1060(c). As such, its Federal tax treatment is determined under section 1060 and the regulations thereunder.

The following example illustrates the operation of section 1060 for a seller: On Date 1, an applicable asset acquisition is made. The assets sold consist of Class I assets in the amount of \$50; Class II assets with a fair market value of \$250 and a basis in the hands of the seller of \$100; Class III assets with a fair market value of \$100 and a basis of \$100; Class IV assets, with a fair market value of \$150 and a basis of \$50; Class V assets, half of which are section 1231 assets with a fair market value of \$60 and a basis of \$70, and the other half of which are not section 1231 assets with a fair market value of \$40 and a basis of \$50; and Class VI assets, which are section 1231 assets with a fair market value of \$50 and a basis of \$0. The consideration consists of \$375 cash and an assumed liability of \$400 that, under applicable tax accounting principles, is taken into account at the time of the applicable asset acquisition.

The \$775 consideration will be first reduced by \$50 (the amount of Class I assets). The remaining consideration will be allocated as follows: \$250 to Class II assets (pro rata according to fair market value, resulting in a \$150 gain); \$100 to the Class III assets (pro rata according to fair market value, resulting in no gain or loss); \$150 to the Class IV assets (pro rata according to the fair market value, resulting in a \$100 gain); \$100 to the Class V assets (pro rata according to the fair market value, resulting in a \$10 loss on the section 1231 assets and a \$10 loss on the non section 1231 assets); \$50 to the Class VI assets (pro rata according to the fair market value, resulting in a \$50 gain); and the remaining \$75 to the Class VII assets (pro rata according to the fair market value, resulting in a \$75 gain). Sections 1.1060-1T(a)(1), 1.1060-1T(c)(2), and 1.338-6T.

Therefore, on the sale of its interests in the Plants, Taxpayer/Company 1's gain or loss on each of the purchased assets (excluding the assets of the qualified nuclear decommissioning funds) will be the difference between Taxpayer/Company 1's basis in the assets and the amount realized with respect to that asset, taking into account the allocation of consideration pursuant to section 1060 and the regulations thereunder.

With respect to the acquisition of the non-nuclear generating assets, Taxpayer/Company 1 will not recognize income except to the extent the Class I assets (as defined in section 1.338-6T(b)(1)) it receives exceed its total cost determined under section 1012 (which will be the sum of its cash consideration and the fair market value of any other consideration it provides to Companies 2 and 3, that is, under applicable tax principles, taken into account on the date of the applicable asset acquisition).

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Therefore, in the taxable year of closing, Taxpayer/Company 1 will not recognize any gain or otherwise currently take any income into account by reason of the receipt of the non-nuclear generating assets, provided the Class I assets it receives do not exceed its total cost.

The non-nuclear generating assets comprise a trade or business in the hands of Companies 2 and 3 and the basis Taxpayer/Company 1 takes in those assets will be determined wholly by reference to Taxpayer/Company 1's consideration paid. Thus, Companies 2 and 3s' transfer of the non-nuclear generating assets to Taxpayer/Company 1 in exchange for the Plants, equipment, operating assets, assets of the nonqualified decommissioning funds, and the assumption of liabilities is an applicable asset acquisition as defined in section 1060(c). As such, its Federal tax treatment is determined under section 1060 and the regulations thereunder.

The following example illustrates the operation of section 1060 for a purchaser. On Date1, an applicable asset acquisition is made. The assets acquired consist of Class I assets in the amount of \$50, Class II assets with a fair market value of \$350, Class III assets with a fair market value of \$100, Class IV assets with a fair market value of \$150, and Class V assets with a fair market value of \$100, there are no Class VI or VII assets. The consideration paid consists of \$150 cash and an assumed liability for which economic performance has not occurred. On Date1, the purchaser has provided \$150 of consideration that may be allocated as basis; it will be first reduced by \$50 (the amount of Class I assets); the remaining \$100 will be allocated to Class II assets (pro rata according to fair market value); nothing is allocated to Class III or below. On Date2, economic performance occurs with respect to the liability to the extent of \$300; at that time, the purchaser has an additional \$300 of basis that may be taken into account. Of that amount, \$250 is allocated to Class II assets (which will then have been allocated their full \$350 fair market value--as determined on the acquisition date), and the remaining \$50 is allocated to the Class III assets (pro rata according to fair market value--as determined on the acquisition date). On Date3, economic performance occurs to the extent of an additional \$400, which is then taken into account as basis. Of that amount, \$50 will be allocated to the Class III assets (which will then have been allocated their full \$100 fair market value--as determined on the acquisition date), \$150 will be allocated to the Class IV assets (which will then have been allocated their full \$150 fair market value--as determined on the acquisition date), \$100 will be allocated to the Class V assets (which will then have been allocated their full \$100 fair market value--as determined on the acquisition date), and the remaining \$100 will be allocated to the Class VII assets (as goodwill). The last amount is allocated to goodwill even though goodwill was not identified as a separate asset having value on

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Date1. If, on Date3, instead of an addition to purchaser's consideration, there is a \$100 decrease in consideration, the consideration previously allocated to the Class III assets would be reduced to zero and the consideration previously allocated to the Class II assets would be reduced by the remaining \$50 (pro rata according to fair market value).

Therefore, Taxpayer/Company 1's total basis will be allocated among the non-nuclear generating assets pursuant to the residual method as required by section 1060 and the regulations promulgated thereunder.

Requested Rulings ## 1g, 2h, 3h: When and to the extent additional amounts are paid or incurred by Company 2 for the assets acquired in the applicable assets acquisition (e.g., when and to the extent the nonqualified decommissioning fund pays or incurs decommissioning expenses), such amounts will be taken into account as increases to Company 2's consideration and allocated in the same manner and subject to the same conditions as though they were paid or incurred on the acquisition date, including for purposes of the adjustments to basis contemplated by section 1.1031(j)-1(c), if the exchange of assets between Taxpayer/Company 1 and Company 2 qualifies as a like kind exchange under Section 1031. When and to the extent additional amounts are paid or incurred by Company 3 for the assets acquired in the applicable assets acquisition (e.g., when and to the extent the nonqualified decommissioning fund pays or incurs decommissioning expenses), such amounts will be taken into account as increases to Company 3's consideration and allocated in the same manner and subject to the same conditions as though they were paid or incurred on the acquisition date, including for purposes of the adjustments to basis contemplated by Treas. Reg. section 1.1031(j)-1(c), if the exchange of assets between Taxpayer/Company 1 and Company 3 qualifies as a like kind exchange under Section 1031.

As indicated above, the amount of Company 2 and 3's basis in the received assets will not include the amount of its assumption of the decommissioning liability associated with the nonqualified nuclear decommissioning fund at the time of the exchange. When and to the extent economic performance is satisfied with respect to such liability, such amounts will be taken into account as increases in the Companies' consideration and allocated in the same manner and subject to the same conditions as though they were incurred on the exchange date. To the extent the liability, when incurred, is not taken into account under section 1.1031(j)-1(c) such amounts shall be allocated to the non-like kind property as though they were incurred on the exchange date. Sections 1.1060-1T(a)(1), 1.1060-1T(c)(2), 1.338-6T, and 1.338-7T.

No determination is made as to whether the described exchange satisfies the requirements for nonrecognition of gain or loss under section 1031.

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Requested Rulings ## 1e, 2f, 3f: Company 2 is treated as the owner of the entire nonqualified nuclear decommissioning funds, for Plants 1 and 2 respectively, under section 677 and 1.677(a)-1(d). Company 2 shall include in computing its taxable income and credits all items of income, deduction, and credits against tax of its nonqualified nuclear decommissioning funds to the extent that such items would be taken into account in computing taxable income or credits against the tax of Company 2. Company 3 is treated as the owner of the entire nonqualified nuclear decommissioning fund for Plant 3 under section 677 and 1.677(a)-1(d). Company 3 shall include in computing its taxable income and credits all items of income, deduction, and credits against tax of its nonqualified nuclear decommissioning fund to the extent that such items would be taken into account in computing taxable income or credits against the tax of Company 3.

Section 671 provides that where it is specified in sections 673 through 678 that the grantor or another person shall be treated as the owner of any portion of a trust, there shall be included in computing the taxable income and credits of that person those items of income, deduction, and credits against tax of the trust which are attributable to that portion of the trust to the extent that such items would be taken into account in computing taxable income or credits against the tax of an individual.

Section 1.671-2(e)(1) provides that for purposes of part I of subchapter J, chapter 1 of the Internal Revenue Code, a grantor includes any person to the extent such person either creates a trust, or directly or indirectly makes a gratuitous transfer (within the meaning of section 1.671-2(e)(2)) of property to a trust. For purposes of section 1.671-2, the term *property* includes cash.

Section 1.671-2(e)(2)(i) provides that a gratuitous transfer is any transfer other than a transfer for fair market value.

Section 1.671-2(e)(2)(ii) provides that for purposes of section 1.671-2(e), a transfer is for fair market value only to the extent of the value of property received from the trust, services rendered by the trust, or the right to use property of the trust.

Section 677 provides that the grantor shall be treated as the owner of any portion of a trust, whether or not he is treated as such under section 674, whose income without the approval or consent of any adverse party is, or, in the discretion of the grantor or a nonadverse party, or both, may be distributed to the grantor, or held or accumulated for future distribution to the grantor.

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Section 1.677(a)-1(d) provides that under section 677 a grantor is, in general, treated as the owner of a portion of a trust whose income is, or in the discretion of the grantor or a nonadverse party, or both, may be applied in discharge of a legal obligation of the grantor.

Company 2 received the assets of Taxpayer/Company 1's nonqualified decommissioning funds for Plants 1 and 2 as part of the like kind exchange. Company 2 then contributed those assets as grantor to Company 2's nonqualified decommissioning funds for Plants 1 and 2. Under the terms of Company 2's Nuclear Decommissioning Trust Agreement between Company 2 and Trustee, all income, as well as principal of Company 2's nonqualified decommissioning funds for Plants 1 and 2, is held to satisfy Company 2's legal obligation to decommission Plants 1 and 2, and upon completion of the decommissioning any remaining assets will be distributed to Company 2. Accordingly, Company 2 is treated as the owner of the entire Company 2's nonqualified decommissioning funds for Plants 1 and 2 under section 677 and section 1.677(a)-1(d). Company 2 shall include in computing its taxable income and credits all items of income, deduction, and credits against tax of Company 2's nonqualified decommissioning funds for Plants 1 and 2 to the extent that such items would be taken into account in computing taxable income or credits against the tax of Company 2.

Company 3 received the assets of Taxpayer/Company 1's nonqualified decommissioning funds for Plant 3. In addition, Company 3 is treated as receiving the excess contribution (as defined in section 1.468A-5) from Taxpayer/Company 1 as part of the like kind exchange. Company 3 then contributed the fund and the excess contribution as grantor to Company 3's nonqualified decommissioning fund for Plant 3. Under the terms of the Company 3's Nuclear Decommissioning Trust Agreement between Company 3 and Trustee, all income, as well as principal of Company 3's nonqualified decommissioning fund for Plant 3, is held to satisfy Company 3's legal obligation to decommission Plant 3 and upon completion of the decommissioning any remaining assets will be distributed to Company 3. Accordingly, Company 3 is treated as the owner of the entire Company 3's nonqualified decommissioning fund for Plant 3 under section 677 and section 1.677(a)-1(d). Company 3 shall include in computing its taxable income and credits all items of income, deduction, and credits against tax of the Company 3's nonqualified decommissioning fund for Plant 3 to the extent that such items would be taken into account in computing taxable income or credits against the tax of Company 3.

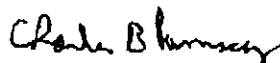
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Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the transaction described above. This letter ruling is directed only to Taxpayer/Company 1 that requested it. Section 6110(k)(3) provides that this ruling may not be used or cited as precedent.

In accordance with the powers of attorney the original of this letter is being sent to Taxpayer/Company 1's authorized representative. In addition, we are sending a copy of this ruling to Taxpayer/Company 1 and an additional copy of this ruling to the Taxpayer/Company 1's second authorized representative. We are also sending a copy of this letter ruling to the applicable Industry Director.

Sincerely,



CHARLES B. RAMSEY
Chief, Branch 6
Office of Associate Chief Counsel
Passthroughs and Special Industries

Attachment B
Accounting for Updated Transaction Costs
Reflecting November 29, 2001 IRS Private Letter Ruling

Commission Order of January 18, 2001

On January 18, 2001 the Commission approved a total of \$274.805 MM in transaction costs, resulting in Net Auction Proceeds of \$1,430.195 MM to be applied to determine Duquesne's allowable stranded costs pursuant to the Approved Accounting Protocols. Attached, as Attachment C, is an updated Summary of Transaction Costs, as approved by the January 18, 2001 Order. Highlighted on Attachment C are the First Energy Decommissioning Tax Liability Payments of \$1.306 MM.

Based on the closing of the asset sale on April 28, 2000 the calculation of Net Auction Proceeds, Taxable Gain and After-tax Auction Proceeds, consistent with the Approved Accounting Protocols, is as follows:

	(\$000)
Sales Price	1,705,000
(Transaction Costs)	<u>(274,805)</u>
Net Auction Proceeds	1,430,195
(Tax Basis)	<u>(316,000)</u>
Taxable Gain	1,114,195
Current Taxes @ 41.4935%	<u>(462,318)</u>
After-tax Auction Proceeds	967,876

Attached, as Attachment D, is an updated table showing the Stranded Cost Allowance with Associated Deferred Taxes, as approved by the January 18, 2001 Order. Highlighted on Attachment D are the Offset Credits of \$881.82 MM and \$367.15 MM that result:

	(\$000)
After-tax Auction Proceeds	967,876
January 1, 1999 Market Value (at 7.29%)	881,823
Market Value Offset Credit	(881,823)
Deferred Tax Offset Credit	(367,152)

The resulting stranded cost and deferred tax balances as of January 1, 1999 are \$579.515 MM and \$370.290 MM, respectively, as shown on Attachment D.

November 29, 2001 IRS Private Letter Ruling

Duquesne had originally sought a private letter ruling from the IRS by a request dated September 24, 1999. No IRS ruling had been received by the date of Duquesne's August 4, 2000 CTC Reconciliation and Auction Accounting Compliance Filing. As subsequently noted in the October 26, 2000 Reply Comments of Duquesne Light Company to comments of interveners on Duquesne's Auction Accounting Compliance Filing: "A decision on the remaining issue before the IRS, whether nonqualified funds transferred to FirstEnergy are taxable, is not expected until early 2001. If the IRS rules against Duquesne and FirstEnergy on this matter, the additional payment to FirstEnergy could increase further."

The IRS finally issued its private letter ruling on November 29, 2001, (attached as Attachment A) which addressed, among other things, the issue of the taxability of the transfer of nonqualified decommissioning funds to the FirstEnergy subsidiaries. The original requested ruling was as follows:

"Company 2 [Pennsylvania Power Company] will not recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of all of the assets of the Taxpayer/Company 1's [Duquesne Light Company] nonqualified nuclear decommissioning funds with respect to Plants 1 [Beaver Valley I] and 2 [Beaver Valley II] to the nonqualified nuclear decommissioning funds maintained by Company 2 respectively for Plants 1 and 2 except to the extent otherwise required by section 1031 and the regulation thereunder and/or to the extent the Class 1 assets (as defined in section 1.338-6T(b)(1)) received by Company 2 exceed the fair market value of the assets transferred by Company 2 to the Taxpayer/Company 1.

Company 3 [Cleveland Electric Illuminating Company] will not recognize gain or loss or otherwise take any income or deduction into account by reason of the transfer of all of the assets of the Taxpayer/Company 1's nonqualified nuclear decommissioning fund with respect to Plant 3 [Perry I] to the nonqualified nuclear decommissioning fund maintained by Company 3 for Plant 3 except to the extent otherwise required by section 1031 and the regulation thereunder and/or to the extent the Class 1 assets (as defined in section 1.338-6T(b)(1)) received by Company 3 exceed the fair market value of the assets transferred by Company 2 to the Taxpayer/Company 1."

The private letter ruling from the IRS provides that the receipt of nonqualified funds by FirstEnergy is taxable to FirstEnergy to the extent that, under the rules of section 1060, the amount of cash and other Class I assets received by FirstEnergy subsidiaries (not including the assets in the qualified nuclear decommissioning fund) exceeds the amount of consideration provided by these subsidiaries and taken account in the year of the exchange.

“The amount of gain or loss realized and recognized with respect to property not within any exchange group or the residual group is determined under section 1001 and other applicable provisions of the Code.

Thus, under section 1031, gain will be recognized to the extent of the lesser of the gain realized and deficiency. Although the nonqualified decommissioning funds are not like kind property and will not be included in any exchange group, an exchange group deficiency may, in fact, result from their transfer (the aggregate fair market value of the like-kind property received may be less than the aggregate fair market value of the like-kind property transferred) and gain may be recognized.”

Letter Ruling at 11

In other words, the IRS concluded that, because FirstEnergy treated the entire generation exchange as a “like-kind exchange” for federal tax purposes, the application of section 1031 of the Internal Revenue Code of 1986 to that exchange results in a taxable event to FirstEnergy in an amount up to the total value of the nonqualified decommissioning funds received by FirstEnergy. For this purpose, the amounts transferred to FirstEnergy’s nonqualified funds and the payment due to FirstEnergy as a result of the September 2000 IRS ruling also are treated as nonqualified funds.

It is Duquesne's understanding that FirstEnergy has reported the transaction in a manner in which the entire amount of nonqualified funds transferred was taxable; therefore, pursuant to section 6.19.1(b)(3), 6.19.2(b)(3) and 6.19.3(a)(v)(B) of the Nuclear Conveyance Agreement, Duquesne has a gross-up payment obligation, which amount is calculated by grossing up the taxable amount using an assumed tax rate of 35 percent. Additionally, interest is payable to FirstEnergy from the date of the nuclear swap closing at an annual rate of 8.5 percent.

At the time of closing in December 1999, the balance of the nonqualified funds was \$12,330,512. In addition, when Duquesne received the private letter rulings from the IRS in September 2000 confirming how much Duquesne was permitted to contribute to its qualified funds during 1999, FirstEnergy was required to move \$2,995,496 from the qualified funds over to the nonqualified funds. As a result of the operation of section 6.19.3(a)(v)(A) of the Nuclear Conveyance

Agreement, this resulted in an obligation of Duquesne to make a payment to FirstEnergy¹ of \$1,306,036, which amount was also treated as nonqualified. Accordingly, the total amount of nonqualified funds transferred was \$16,632,044. This is the amount upon which the additional gross-up payment to FirstEnergy is required pursuant to section 6.19.1(b)(3), 6.19.2(b)(3) and 6.19.3(a)(v)(B) of the Nuclear Conveyance Agreement. Duquesne has calculated the sum owing² to FirstEnergy as of the date of this filing as \$10,597,065.89, which amount is necessary to make FirstEnergy whole for the tax consequences of transferring the nonqualified nuclear decommissioning funds.

Final Transaction Cost and Stranded Cost Calculation

In this filing, Duquesne has updated the transaction cost and stranded cost calculation based on the additional First Energy Decommissioning Tax Liability Payment of \$10,597,065.89. Attached, as Attachment E, is an updated Summary of Transaction Costs, per the IRS Letter Ruling of November 29, 2001, totaling \$285.402 MM resulting in Net Auction Proceeds of \$1,419.598 MM. Highlighted on Attachment E are the First Energy Decommissioning Tax Liability Payments of \$11.903 MM (equal to \$10.597 MM plus the original \$1.306 MM).

Based on the closing of the asset sale on April 28, 2000 the calculation of Net Auction Proceeds, Taxable Gain and After-tax Auction Proceeds, consistent with the Approved Accounting Protocols, is as follows:

	(\$000)
Sales Price	1,705,000
(Transaction Costs)	<u>(285,402)</u>
Net Auction Proceeds	1,419,598
(Tax Basis)	<u>(316,000)</u>
Taxable Gain	1,103,598
Current Taxes @ 41.4935%	<u>(457,921)</u>
After-tax Auction Proceeds	961,676

1 In the January 18, 2001 Order, the Commission adopted Duquesne's request that the Commission "approve recovery of \$1.306 million as well as preserve Duquesne's ability to request recovery of any additional decommissioning liability that results from remaining IRS rulings in this matter." January Order at 32,31.

2 The amount owing is calculated as $(16,632,044 / .65 - 16,632,044) * (1+x)$, where x is simple interest calculated as $x = (0.085) * (787/365)$.

Attached, as Attachment F, is an updated table showing the Stranded Cost Allowance with Associated Deferred Taxes, per the IRS Letter Ruling of November 29, 2001. Highlighted on Attachment F are the Offset Credits of \$876.17 MM and \$363.15 MM that result:

	(\$000)
After-tax Auction Proceeds	961,676
January 1, 1999 Market Value (at 7.29%)	876,174
Market Value Offset Credit	(876,174)
Deferred Tax Offset Credit	(363,146)

The resulting stranded cost and deferred tax balances as of January 1, 1999 are \$585.158 MM and \$374.292 MM respectively as shown on Attachment F. The effect of the IRS Letter Ruling of November 29, 2001 is to increase the stranded cost balance by \$5.643 MM and the deferred tax balance by \$4.002 MM.

Duquesne Light Company
Summary of Transaction Costs
(\$000)
(As approved by Commission
Order of January 18, 2001)

	Gross Auction Proceeds	1,705,000
<u>Category 1 -- Development and Implementation Costs</u>		
Legal Fees	12,310	
Consulting Fees	11,264	
Investment Banking Fees	14,122	
Subtotal		37,696
<u>Category 2 -- Exchange Implementation Costs</u>		
Beaver Valley II Sale-Leaseback	117,126	
First Energy Decommissioning Tax Liability Payments	1,306	
Shippingport Environmental Remediation	1,555	
Subtotal		119,987
<u>Category 3 -- Incremental O&M Costs</u>		
Environmental Remediation Cost at Fossil Sites	12,504	
Incremental Transmission Payments	3,775	
Incremental Purchase Power Expense	11,469	
Incremental Capital Stock Tax Payments	3,131	
Real Estate Transfer Taxes	4,710	
Nuclear Fuel Lease Buyout Expense	444	
Miscellaneous O&M Expense	3,590	
Subtotal		39,623
<u>Category 4 -- Incremental Capital Expenditures</u>		
Duquesne Share of FirstEnergy Transmission Upgrades	10,000	
Cost of Facilities Upgrades	12,094	
Cost of Retiring and Reissuing Debt / Preferred	9,733	
Subtotal		31,827
<u>Category 5 -- Present Value of Severance and Early Retirement Costs</u>		
Early Retirement and Severance Expense	65,014	
Subtotal		65,014
<u>Orion Closing Adjustment</u>		
Credit for M&S and Fuel Inventories Payment to Duquesne (1)	(19,343)	
Subtotal		<u>(19,343)</u>
Total Transaction Costs		274,805
Net Auction Proceeds		1,430,195

**Stranded Cost Allowance
with Associated Deferred Taxes
(\$ Millions)
(As approved by Commission
Order of January 18, 2001)**

**Results of Auction
(April 28, 2000 Closing)**

Duquesne Light Restructuring		
<u>Category/Item:</u>	<u>Deferred Taxes</u>	<u>Amount</u>
Book Value:		
Generating Plant Book Value	\$ 411.34	\$ 852.03
Beaver Valley 2 Lease PV	\$ 213.01	\$ 300.35
Tax Liability SFAS 109 Plant Balance	\$ 62.94	\$ -
Working Capital	\$ -	\$ 61.53
Costs Independent of Operation	\$ -	\$ -
Offset Credit	\$ (367.15)	\$ (881.82)
Total Stranded Generation:	\$320.14	\$332.09
Decommissioning:		
Nuclear Decommissioning	\$ -	\$ 57.40
Fossil Decommissioning	\$ -	\$ -
Total Decommissioning	\$ -	\$ 57.40
Regulatory Assets:		
FAS 109 (including Plant reversal)	\$ -	\$ -
Post '05 Unamortized Debt Costs	\$ 10.67	\$ 18.67
Pre '06 Unamortized Debt Costs	\$ 6.82	\$ 9.61
Deferred Rate Synch. (Early Window)	\$ 1.87	\$ 23.50
Deferred Employee Costs	\$ -	\$ 14.24
Deferred Nuclear Maintenance	\$ 1.35	\$ 1.90
US DOE Decommissioning	\$ 2.33	\$ 3.25
Deferred Coal Costs	\$ -	\$ -
Deferred Caretaker Costs	\$ -	\$ -
Pre-Accrued Nuclear Outage	\$ -	\$ -
BV2 Training Costs	\$ 0.84	\$ 1.58
Low Level Radioactive Waste	\$ -	\$ 2.27
Coal Cost Equalization	\$ -	\$ 0.12
Transition Costs	\$ 7.51	\$ 10.59
SFAS 106 Deferral	\$ 1.40	\$ 1.97
Deferred Fuel Costs	\$ 17.73	\$ 25.00
Other Regulatory Assets	\$ -	\$ 0.53
Consumer Education	\$ -	\$ 15.50
Sale-Leaseback Tax Effect (Gain)	\$ -	\$ 55.13
Deferred Rate Synch. Costs	\$ -	\$ -
BV2 Tax Effect	\$ -	\$ 0.17
Utilities Gross Receipts Tax	\$ -	\$ 6.58
Total Regulatory Assets:	\$ 50.52	\$ 190.61
	99.900%	99.900%
TOTAL STRANDED, STAND ALONE WITH JURISDICTIONAL ALLOCATION	\$ 370.290	\$ 579.515

Note 1

Note 1 Reflects approved Transaction Costs of \$274.805 MM per Commission Order of January 18, 2001.

Duquesne Light Company
Summary of Transaction Costs
(\$000)
(Updated per IRS Letter
Ruling of November 29, 2001)

	Gross Auction Proceeds	1,705,000
<u>Category 1 -- Development and Implementation Costs</u>		
Legal Fees	12,310	
Consulting Fees	11,264	
Investment Banking Fees	14,122	
Subtotal		37,696
<u>Category 2 -- Exchange Implementation Costs</u>		
Beaver Valley II Sale-Leaseback	117,126	
First Energy Decommissioning Tax Liability Payments	11,903	
Shippingport Environmental Remediation	1,555	
Subtotal		130,584
<u>Category 3 -- Incremental O&M Costs</u>		
Environmental Remediation Cost at Fossil Sites	12,504	
Incremental Transmission Payments	3,775	
Incremental Purchase Power Expense	11,469	
Incremental Capital Stock Tax Payments	3,131	
Real Estate Transfer Taxes	4,710	
Nuclear Fuel Lease Buyout Expense	444	
Miscellaneous O&M Expense	3,590	
Subtotal		39,623
<u>Category 4 -- Incremental Capital Expenditures</u>		
Duquesne Share of FirstEnergy Transmission Upgrades	10,000	
Cost of Facilities Upgrades	12,094	
Cost of Retiring and Reissuing Debt / Preferred	9,733	
Subtotal		31,827
<u>Category 5 -- Present Value of Severance and Early Retirement Costs</u>		
Early Retirement and Severance Expense	65,014	
Subtotal		65,014
<u>Orion Closing Adjustment</u>		
Credit for M&S and Fuel Inventories Payment to Duquesne (1)	(19,343)	
Subtotal		<u>(19,343)</u>
Total Transaction Costs		285,402
Net Auction Proceeds		1,419,598

**Stranded Cost Allowance
with Associated Deferred Taxes
(\$ Millions)
(Updated per IRS Letter
Ruling of November 29, 2001)**

**Results of Auction
(April 28, 2000 Closing)**

<u>Category/Item:</u>	<u>Deferred Taxes</u>	<u>Amount</u>
Duquesne Light Restructuring		
Book Value:		
Generating Plant Book Value	\$ 411.34	\$ 852.03
Beaver Valley 2 Lease PV	\$ 213.01	\$ 300.35
Tax Liability SFAS 109 Plant Balance	\$ 62.94	\$ -
Working Capital	\$ -	\$ 61.53
Costs Independent of Operation	\$ -	\$ -
Offset Credit	\$ (363.15)	\$ (876.17)
Total Stranded Generation:	\$324.15	\$337.74
Decommissioning:		
Nuclear Decommissioning	\$ -	\$ 57.40
Fossil Decommissioning	\$ -	\$ -
Total Decommissioning	\$ -	\$ 57.40
Regulatory Assets:		
FAS 109 (including Plant reversal)	\$ -	\$ -
Post '05 Unamortized Debt Costs	\$ 10.67	\$ 18.67
Pre '06 Unamortized Debt Costs	\$ 6.82	\$ 9.61
Deferred Rate Synch. (Early Window)	\$ 1.87	\$ 23.50
Deferred Employee Costs	\$ -	\$ 14.24
Deferred Nuclear Maintenance	\$ 1.35	\$ 1.90
US DOE Decommissioning	\$ 2.33	\$ 3.25
Deferred Coal Costs	\$ -	\$ -
Deferred Caretaker Costs	\$ -	\$ -
Pre-Accrued Nuclear Outage	\$ -	\$ -
BV2 Training Costs	\$ 0.84	\$ 1.58
Low Level Radioactive Waste	\$ -	\$ 2.27
Coal Cost Equalization	\$ -	\$ 0.12
Transition Costs	\$ 7.51	\$ 10.59
SFAS 106 Deferral	\$ 1.40	\$ 1.97
Deferred Fuel Costs	\$ 17.73	\$ 25.00
Other Regulatory Assets	\$ -	\$ 0.53
Consumer Education	\$ -	\$ 15.50
Sale-Leaseback Tax Effect (Gain)	\$ -	\$ 55.13
Deferred Rate Synch. Costs	\$ -	\$ -
BV2 Tax Effect	\$ -	\$ 0.17
Utilities Gross Receipts Tax	\$ -	\$ 6.58
Total Regulatory Assets:	\$ 50.52	\$ 190.61
	99.900%	99.900%
TOTAL STRANDED, STAND ALONE WITH JURISDICTIONAL ALLOCATION	\$ 374.292	\$ 585.158

Note 1

Note 1 Reflects revised Transaction Costs of \$285.402 MM as a result of IRS Letter Ruling of November 29, 2001.

DATE: February 5, 2002

SUBJECT: R-00974104

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *JJ*

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**DOCUMENT
FOLDER**

Duquesne Light Company

Attached is a copy of a revised Competitive Transition Charge Reconciliation and Auction Accounting Compliance Filing of Duquesne Light Company, filed in connection with the above docketed proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: LAW
AUDITS

was

SKADDEN, ARPS, SLATE, MEACHER & FLOM LLP

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February 14, 2002

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A PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Mr. James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Duquesne Light Company CTC Reconciliation and Auction
Accounting Compliance Filing, Docket No. R-00974104

Dear Mr. McNulty:

Enclosed for filing please find an original and five copies of the Request for Expedited Consideration of Duquesne Light Company of the Revised Competitive Transition Charge Reconciliation and Auction Accounting Compliance Filing submitted on January 28, 2002.

Please date-stamp the extra copy of this filing and return it to me in the enclosed self-addressed, stamped envelope. Thank you for your consideration in this matter. If you have any questions, please do not hesitate to contact me at (202) 371-7049.

Sincerely,

Kathleen L. Barrón
Counsel to Duquesne Light Company

cc: Service List

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FEB 14 2002

PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

**PENNSYLVANIA PUBLIC UTILITY)
COMMISSION)**

v.)

Docket No. R-00974104

**DUQUESNE LIGHT COMPANY)
CTC Reconciliation and Auction)
Accounting Compliance Filing)**

REQUEST FOR EXPEDITED CONSIDERATION

On January 28, 2002, Duquesne Light Company ("Duquesne") submitted a revised Competitive Transition Charge Reconciliation and Auction Accounting Compliance Filing ("Auction Accounting Filing") to account for a recent private letter ruling issued by the Internal Revenue Service. In its January 18, 2001 order in this docket, the Commission noted the outstanding private letter ruling requests related to the transfer of decommissioning funds to FirstEnergy Corp. upon the exchange of generation assets with Duquesne, and approved Duquesne's request to "preserve Duquesne's ability to request recovery of any additional decommissioning liability that results from remaining IRS rulings in this matter." January Order at 31.

The revision to Duquesne's competitive transition charge ("CTC") amortization occasioned by this filing is minimal – an average of approximately 17 days. The late release of the IRS ruling, however, means that Duquesne may complete CTC amortization for Rate Class RS (approximately 500,000 Duquesne's 600,000 customers) before the Commission has an opportunity to address Duquesne's January 28 filing. This would cause Duquesne's customers to experience unnecessary confusion, and Duquesne to incur unnecessary accounting and billing expenses, brought about by the cessation of

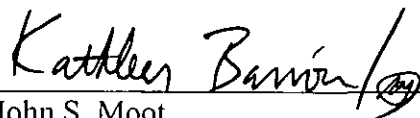
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FEB 28 2002

the CTC, its reinstatement after the Commission's ruling, and its subsequent cessation after a few weeks. In order to ensure that Commission review occurs prior to the anticipated CTC amortization date for Rate Class RS (currently expected to be in early March 2002), Duquesne requests that the Commission rule on its Auction Accounting Filing revision at the February 21, 2002 public meeting. Duquesne has contacted the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Duquesne Industrial Intervenors, who were among the parties that commented on Duquesne's original Auction Accounting Filing. Duquesne has been informed by these parties that they do not intend to file comments and do not object to Duquesne's request for expedited consideration.

WHEREFORE, for the reasons set forth in Duquesne's January 28, 2002 filing, the Commission should approve Duquesne's revised Auction Accounting Filing at its February 21, 2002 public meeting.

Respectfully submitted,



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February 14, 2002


BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY)	
COMMISSION)	
)	
v.)	Docket No. R-00974104
)	
DUQUESNE LIGHT COMPANY)	
CTC Reconciliation and Auction)	
Accounting Compliance Filing)	

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Request for Expedited Consideration of Duquesne Light Company will be served, by first class mail, upon the participants on the attached service list in accordance with Section 1.54 of the Commission's regulations.

Dated this 14th day of February 2002.



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Duquesne Light

A DQE Company

ORIGINAL

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February 18, 2002

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

Dear Mr. McNulty:

R-00974104

In compliance with Duquesne's December 22, 1999 Petition and the Commission's April 13, 2000 Order at R-00974104, Duquesne is providing notification that, based upon current kWh sales projections, the CTC for Rate Class GS/GM is expected to be fully recovered with the bills issued in May, 2002.

As required, Duquesne has also provided notice of the Rate GS/GM anticipated CTC expiration to the Rate GS/GM customers and all electric generation suppliers offering service to customers in our territory.

At the time that the CTC for Rate GS/GM is recovered, Duquesne will file a tariff supplement, effective on one day's notice, to implement the removal of the Rate GS/GM CTC billing component and related language from the appropriate tariff pages.

If you have any questions about this notification, please call me at (412) 393-6334.

Sincerely,

Nancy J. D. Krajovic
Manager
Regulatory Affairs

DOCKETED

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