

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet**

1. REPORT DATE: December 13, 2000	2. BUREAU AGENDA NO.: DEC-2000-FUS-1122*
3. BUREAU: Fixed Utility Services	
4. SECTION(S): Energy	5. PUBLIC MEETING DATE:
6. APPROVED BY: Director: Rosenthal 3-5242 <i>RAR</i> Supervisor: Bennett 7-5553 <i>CB</i> Legal Review by: <i>Komoury 2-8883</i>	December 20, 2000 <div style="text-align: right; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> DOCKETED JAN 11 2001 </div>
7. PERSONS IN CHARGE: Rodrock/Deichmiller 3-6185	
8. DOCKET NO.: R-00974104	

9. (a) **CAPTION (abbreviate if more than 4 lines)**
 (b) **Short summary of history & facts, documents & briefs**
 (c) **Recommendation**

- (a) Duquesne Light Company ("Duquesne")
 Petition of Duquesne Light Company for Approval of Plan for Post-Transition Period Provider of Last Resort Service
- (b) On December 7, 2000, Duquesne filed its Competitive Transition Charge (CTC) Reconciliation and Auction Accounting Compliance Filing pursuant with the Commission's April 13, 2000 Opinion and Order at Docket No. A-00110150F0023.
- (c) The Bureau of Fixed Utility Services recommends that the Commission:
1. Adopt the proposed draft Order which approves Duquesne's CTC Reconciliation and Auction Accounting Compliance Filing as modified.

CONTINUED

10. MOTION BY: Commissioner Chm. Quain

SECONDED: Commissioner Bloom

Commissioner Brownell - Yes
 Commissioner Wilson - Yes
 Commissioner Fitzpatrick - Yes

CONTENT OF MOTION: Staff recommendation adopted.

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2. That the Commission adopt the draft Order which implements this recommendation.



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

IN REPLY PLEASE
REFER TO OUR FILE

December 20, 2000

R-00974104

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

DOCKETED
JAN 03 2001

Petition of Duquesne Light Company for Approval of Plan for
Post-Transition Period Provider Of Last Resort Service

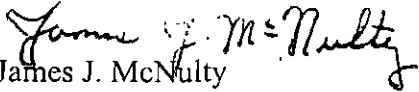
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To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on December 20, 2000 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

law
encls
cert. mail

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held December 20, 2000

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
Nora Mead Brownell
Aaron Wilson, Jr.
Terrance J. Fitzpatrick

Petition of Duquesne Light Company for
Approval of Plan for Post-Transition Period
Provider Of Last Resort Service

Docket Number:
R-00974104

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ORDER

DOCKETED
JAN 03 2001

On April 13, 2000, the Commission in its Opinion and Order at Docket No. A-00110150F0023 (Auction Order) directed the Duquesne Light Company (Duquesne) to "continue its collaboration with interested parties on the proper form of POLR II and submit a proposal to the Commission by July 1, 2000." Duquesne and the stakeholders conducted numerous meetings over a six-month period, prior to this filing, and have successfully negotiated to narrow the issues. On June 30, 2000, Duquesne submitted a proposal addressing its Provider of Last Resort (POLR) obligation during the period between the completion of the Company's transition period and December 31, 2004. Duquesne requested that the Commission grant approval of its proposal by September 1, 2000.

Under the Company's POLR II proposal, new levelized shopping credits would commence upon the termination of the competitive transition charge (CTC) for each individual rate classification. These new levelized shopping

credits would cease on December 31, 2004. The Company claimed that these new shopping credits would produce a 17 % system-average rate reduction. The Company stated that the benefits produced by these new shopping credits are possible only because Orion Power MidWest, L.P. (Orion), the winning bidder in the Auction, had agreed to provide wholesale power at prices that permit the Company to offer such savings. The Company noted, however, that Orion had conditioned its agreement to provide this energy supply upon the implementation of a rule that protects it against POLR customers returning for POLR service only during high-cost months. In addition, the Company proposed a method to compensate Orion for energy costs incurred during the summer of 2000 due to customers returning to POLR service. The Company's proposal also included several reforms to provide greater customer usage information to the Electric Generation Suppliers (EGSs) and changes to the allocation of load responsibility and losses. The Company also proposed market-based POLR service in 2004 for large commercial and industrial customers (Rate Classes L, GL, GHL, and HVPS) if a visible, liquid wholesale market exists in the Company's area. The Company's proposal contained an extended rate freeze for transmission and distribution services through December 31, 2003, with an option to extend it through December 31, 2004. The Company had also proposed an increase in the new shopping credits to help offset transmission and distribution costs not reflected in the Company's existing rates which were last established in 1987.

On September 13, 2000, the Commission adopted an order proposing to convene a collaborative for the purpose of resolving the issues related to Duquesne's POLR II Petition. Meetings began on October 4, 2000 and continued through November 27, 2000 which resulted in the execution and filing of a Joint Petition for Settlement.

On November 29, 2000, a Joint Petition for Settlement (“Joint Petition”) was submitted by Duquesne, the Office of Trial Staff (“OTS”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Citizen Power, Inc. (“Citizen Power”), the Duquesne Industrial Intervenors (“DII”), Enron Energy Services, Inc. (“Enron”), and Dominion Retail (collectively, the “Joint Petitioners”).

On December 7, 2000, Duquesne filed its Compliance Filing to implement the terms of its post-transition period POLR service.

On December 14, 2000, DII submitted a letter in lieu of comments regarding Duquesne’s Compliance Filing. DII indicated that it reviewed the various tariff modifications proposed in the compliance filing and states that it believes that the filing adequately and accurately reflects what was agreed to by the parties in the Settlement.

MAPSA filed comments to Duquesne’s Compliance Filing on December 14, 2000.

On December 15, 2000, Duquesne submitted its reply to the comments of intervenors on tariff filings submitted by Duquesne in compliance with the Commission’s November 30, 2000 Order in this docket.

I. SETTLEMENT

According to the settlement, Duquesne’s existing transmission and distribution rates will be capped through December 31, 2003. Duquesne’s

distribution rates may be adjusted by the Commission upon adjudication of a complaint alleging overearning by Duquesne.

Duquesne agrees to expand its universal service programs by (a) continuing to fund its Low Income Usage Reduction Program ("LIURP") in 2003 and 2004 at an annual level of \$1,750,000; (b) making a special contribution in the amount of \$950,000 to its LIURP for each of the years of 2002, 2003 and 2004; and (c) changing its Customer Assistance Program ("CAP") fund eligibility criteria to exactly match the definition of "low-income customer" and "payment troubled" found at 52 Pa. Code §54.72. Duquesne will also provide notice of the eligibility for and the benefits of participation in its universal service programs through a new bill insert and through its Cold Weather Survey.

In order to promote competition, Duquesne agrees to provide to EGSs, for all customers who have authorized the release of their information, the most recent available twelve individual months of historical monthly electric usage and billed demand. Until January 1, 2005, Duquesne agrees not to market, advertise or promote its POLR I or POLR II service or otherwise to engage in advertising that discourages customer participation in the competitive market. Furthermore, Duquesne will distribute copies of the OCA's "Shopping Guide" to all of its residential customers.

Duquesne will provide a neutral report to the Commission, served on all Joint Petitioners, by December 31, 2002 evaluating the existing wholesale market in its service territory. After January 1, 2003, any party may file a petition with the Commission seeking approval of a market-based program for commercial and industrial customers for implementation in 2004.

Duquesne will negotiate a memorandum of understanding with PJM Interconnection, L.L.C. similar to the agreement executed between Allegheny Energy, Inc. and PJM. If successful, these negotiations may lead to the establishment of PJM West.

As part of this comprehensive Settlement, the Joint Petitioners have agreed to address the return of customers to POLR I and POLR II service. These rules take effect January 1, 2001 for customers that have taken service from an EGS and are returning to POLR I or POLR II service.

The Joint Petitioners agree that they shall not initiate or join in any court challenge that would preclude or prevent implementation of this settlement or any of its terms or any order approving the settlement.

II. TERMS AND CONDITIONS

A. General

1. Approval of Plan- Duquesne's POLR II Petition will be approved, subject to the modifications set forth herein.

B. POLR II Generation and Transmission and Distribution Rates

1. Rate Reductions- Beginning on the date that the CTC expires for each rate class, total POLR II rates, compared to the total rates in effect during POLR I (including generation, transmission and distribution, and CTC charges), will be reduced 17% on a

system-wide average basis. Residential POLR II customers will receive a 21% rate reduction compared to total POLR I rates.

2. POLR II Generation Rates- POLR II generation rates for all classes are attached to the Joint Petition. These rates shall be in effect, for a customer class, commencing on the date Duquesne completes CTC recovery for that customer class. POLR II generation rates shall be in effect for all customer classes through December 31, 2004. POLR II Generation rates are inclusive of gross receipts tax and ancillary service charges and are exclusive of transmission charges. Duquesne will be permitted to retain the margin on POLR II generation rates ("POLR Margin").
3. POLR II Transmission and Distribution Rates- Duquesne's existing transmission and distribution rates will be capped through December 31, 2003.
4. Overearnings Allegations or Adjustments- Upon complaint of any party alleging overearning by Duquesne, the Commission reserves the right to adjust Duquesne's distribution rates after appropriate procedures.
5. New or Additional RTO-Related Costs- The parties have agreed to address new costs or obligations in the following manner:
 - a. RTO Administrative and Operating Costs- The parties recognize that an RTO will recover its administrative and operating costs through an unbundled charge (commonly called a "Grid Management Charge"). Duquesne shall seek FERC and Commission approval of this charge and, in any proceeding respecting such approval, parties to this settlement may raise any arguments, but shall

not contend that recovery of such costs is prohibited by the rate caps described above.

b. Other New RTO Costs or Obligations- The parties recognize that an RTO may modify existing market or reliability rules, or establish new rules, that impose new costs or obligations on Duquesne, the POLR Supplier and/or EGSs. In addition, the POLR Supplier is concerned that some changes would adversely affect its POLR obligations or ability to perform. Furthermore, the parties recognize that an RTO may establish other new costs or obligations that the parties cannot foresee at this time. Duquesne agrees to try to minimize or eliminate the potential for such new costs. If it appears there are new costs or obligations not contemplated by the Settlement, Duquesne will use reasonable effort to involve the Commission in an effort to avoid such a result. If new costs are imposed, Duquesne will make a filing with the Commission describing them and their impact on POLR and competitive service, and request appropriate modifications.

6. Universal Service Programs- Duquesne agrees to extend the funding of its Low Income Usage Reduction Program ("LIURP") in 2003 and 2004 at an annual funding level of \$1,750,000. Duquesne also agrees to make contributions of \$950,000 to its LIURP for each of the POLR II years of 2002, 2003 and 2004. Duquesne agree to change its Customer Assistance Program

("CAP") fund eligibility criteria to exactly match the definitions of "low-income customer" and "payment troubled" found at 52 Pa. Code §54.72. Twice a year Duquesne will include a new bill insert that explains the benefits of LIURP and CAP. Finally, Duquesne agrees to instruct its employees conducting Duquesne's Cold Weather Survey to refer eligible customers to its universal service programs.

7. Customer Specific Issues- The contracts to be executed between Duquesne and the DII Members as part of this process to resolve certain service issues related to the POLR I and POLR II periods shall be deemed approved by the Commission with approval of the Settlement. Contracts negotiated pursuant to this provision will not affect the generation rates or transmission rates for other customers, as established in Paragraphs B.2. and B.3.
8. Market-Based POLR Generation Rate Pilot Program in 2004- The market-based POLR generation rate pilot program for large commercial and industrial customers in 2004, as described in the Petition, shall not be approved at this time. By December 31, 2002, Duquesne will provide a neutral report to the Commission, providing statistics regarding retail shopping by large commercial and industrial customers. After January 1, 2003, any party may file a petition seeking implementation of a market-based program in 2004.

C. RTO PARTICIPATION

1. RTO Evaluation- Duquesne agrees to negotiate a memorandum of understanding ("MOU") with PJM Interconnection, L.L.C.

comparable to the agreement executed between Allegheny Energy, Inc. and PJM. The Commission may authorize Duquesne to terminate negotiations with PJM, on the basis of unacceptable RTO operating or reliability rules.

2. Stakeholder Participation- Duquesne will, throughout the RTO negotiation process, apprise the parties of the status of such negotiations and meet with them, if they desire, to discuss concerns.
3. RTO Election Date- Duquesne will make an election as to which RTO to join by December 15, 2001.

D. PROMOTING COMPETITION

1. Access to Information- Duquesne agrees to provide all EGSs access to customer information who have authorized the release of their information.
2. Advertising- Until January 1, 2005, Duquesne agrees not to market, advertise or promote its POLR I or POLR II service or otherwise engage in advertising that would discourage customers from participating in the competitive market.
3. Shopping Guide- Duquesne will distribute to all its residential customers copies of OCA's "Shopping Guide" or a similar guide that shows the prices offered by competitive suppliers. The shopping guide will be distributed at Duquesne's expense twice a year, during 2001 and 2002.

E. SWITCHING RULES

1. General- These rules take effect January 1, 2001 for customers that have taken service from an EGS and are returning to POLR I or POLR II service.
2. Non-Residential Customers- If a non-residential customer returns to Duquesne for POLR service, it will be required to receive service from Duquesne at the rates set forth in Schedule 3 of the POLR Agreement or Appendix 1 of the Joint Petition for twelve consecutively 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 the non-residential 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. Duquesne shall include a notice in the non-residential customers bill advising them of the change in the switching rules. On the non-residential 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.
3. Residential Customers- An EGS shall give a residential customer and Duquesne at least 90 days notice prior to the meter read date on which the EGS has a reasonable expectation that it will no longer be serving the customer. If an EGS has a reasonable

expectation that it will no longer be serving a customer as of a meter read date which is less than 90 days from January 1, 2001, the EGS shall issue the notice within five business days of January 1, 2001, and such customer shall have a minimum of 60 days in which to make the choices outlined in the above discussion. Appropriate EDI transactions and procedures must be followed before any change in suppliers is implemented. Duquesne may request EGSs to furnish updates of the information provided by the 90-day notices. A residential customer may contract with an EGS for service prior to returning to POLR service or may return to POLR service. After September 1, 2001, Duquesne may file a petition requesting further restrictions on switching by residential customers, on the basis that residential customers are returning to POLR service only during high-cost periods. If an EGS fails to give notice, Duquesne may file a complaint requesting the Commission enter an order directing the EGS to pay Duquesne an amount equal to the Generation Rate Adjustment, unless the customer switches to another EGS or stays on POLR service for one year. Duquesne may seek enforcement of the Commission's decision through the bond requirements imposed pursuant to 66 Pa. C.S. §2809.

**F. CHANGES IN DUQUESNE'S SUPPLIER LOAD
RESPONSIBILITY**

As part of the Settlement, Duquesne agrees to modify its Electric Generation Supplier Coordination Tariff procedures for determining responsibility for control area losses and unaccounted for energy. These changes become

effective January 1, 2001. Beginning January 1, 2001, Duquesne will calculate POLR load in the same manner in which EGS load is calculated. After meters are read, load profiles will be applied to all customers, including those on POLR service.

G. GENERAL SETTLEMENT PROVISIONS

1. Effective Date of Settlement- The Settlement will go into effect when the Commission issues a final order approving the Settlement without modification. If the Settlement is rejected by the Commission, the Settlement will become null and void. If the Settlement is modified by the Commission, any Joint Petitioner may withdraw from the Settlement by filing a notice of withdrawal within five days of entry of the Commission's order.
2. Enforcement of Settlement- The Joint Petitioners may enforce this Settlement through any appropriate action before the Commission.
3. No Court Challenge- The Joint Petitioners agree not to initiate or join in any court challenge that would prevent implementation of this settlement.
4. Effect of Settlement- The Joint Petitioners agree that this Settlement governs only Duquesne and only the period through December 31, 2004, by which time the Commission expects to have promulgated and implemented regulations governing post-transition period POLR service for the entire Commonwealth.

The following are the issues raised by MAPSA with regard to Duquesne's Compliance Filing:

H. ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

A. Section 5.1.3- Eligible Customer List

MAPSA comments that this provision should be modified to ensure that the information provided to EGSs has some value. According to MAPSA this can be accomplished by modifying the second sentence of this provision as follows:

“This information, which will be provided on Duquesne’s web site in downloadable format compatible for use with spreadsheet and database applications, will be updated quarterly and will continue to be available through December 31, 2004.”

Duquesne indicates that it agrees with MAPSA’s proposed modification, in effect. Duquesne proposes to make “a” downloadable format available. Duquesne argues that it would not commit to provide every downloadable format.

Resolution

We agree with the recommendation proposed by MAPSA as modified by Duquesne. We therefore, order Duquesne to revise the tariff language into its Section 5.3.1. The information should be provided in a usable format.

I. Section 8.4- Consumption and Losses

MAPSA comments that this provision addressing consumption and losses must be modified to reflect the changes contained in the Joint Settlement which allows an EGS to self-determine its obligations. MAPSA recommends the following language modification:

“8.4 CONSUMPTION AND LOSSES (TRANSMISSION, DISTRIBUTION AND RESIDUAL LOSSES) Transmission and distribution losses are calculated based upon customer consumption consistent with Rule 8.4.1. These losses, plus residual losses, are added to the hourly energy consumed by customers and are included in the Consumption Energy Imbalance calculation.

8.4.1 CONSUMPTION CALCULATION The Company will calculate POLR load in the same manner in which EGS load is calculated. After meters are read load profiles will be applies to all customers, including those on POLR service. When interval meter reading data for a specific customer is available for use, the Company shall use this information in determining load obligation.

8.4.2 RESIDUAL LOSSES To determine the proper allocation of losses, average losses by classes will be applied to both EGS and POLR loads, and residual losses (and unaccounted for energy) will be allocated pro rata among all suppliers, including the POLR supplier.

Duquesne comments that it does not oppose the modifications proposed by MAPSA with the exception of replacing the word “applies” with “applied” in section 8.4.1.

Resolution

We agree that the modifications proposed by MAPSA are proper as corrected by Duquesne. We note that Duquesne has agreed to these modifications,

and therefore, order the above discussed revisions to be made by Duquesne to the tariff.

C. Section 14.5-Non-Residential Customers Returning From POLR Service

MAPSA comments that it is concerned that the dispute reference in this provision could be misconstrued. In addition MAPSA submits that failure to pay the GRA would not affect the customer's ability to switch to an EGS if the customer waits until its service anniversary date. MAPSA recommends the following recommendation:

“If a non-residential customer that has been receiving POLR service switches to an EGS and fails to pay the Generation Rate Adjustment imposed under the terms of Duquesne’s retail tariff within 60 days of the bill date or otherwise fails to dispute the calculation pursuant to Duquesne’s retail tariff, the customer shall be returned to POLR service and remain there until the GRA is paid or until the service anniversary date of the customer.”

Duquesne comments that it agrees to the addition of the words “fails to” in MAPSA’s modification to section 14.5.

However, Duquesne does not agree with the proposal to include the phrase “or until the service anniversary date of the customer”. Duquesne comments that the Settlement provides that if a customer “fails to pay the GRA within 60 days of the bill date or otherwise dispute the calculation pursuant to Duquesne’s tariff, the customer shall be returned to POLR service and remain there until the GRA is paid.” Duquesne submits that MAPSA’s comment that “it is MAPSA’s understanding that failure to pay the GRA would not affect the customer’s ability to switch to an EGS if the customer waits until its service

anniversary date” departs from the exact language agreed to in the Settlement. Duquesne argues that MAPSA’s suggested language would hold the customer harmless for this behavior by permitting it to depart POLR service on its next anniversary date without paying the GRA. Duquesne points out this result allows the customer to (1) stay on POLR service during high-cost months; (2) depart POLR during low-cost months; (3) remain off POLR service for the time it would take to prepare a bill, plus the 60 days the customer has to pay that bill (90 days minimum), (4) return to POLR service for the remainder of the year, and (5) depart POLR service without paying the GRA at the end of the year. Duquesne argues that this is exactly the result the switching rules were designed to avoid and therefore, MAPSA’s comments should be rejected.

Resolution

We agree with Duquesne that Section 14.5 should not contain the additional language proposed by MAPSA that would allow a Commercial and Industrial (C&I) customer to avoid paying a GRA in this situation. We recognize that under the Joint Petition a C&I customer may normally depart from POLR service on its service anniversary date without payment of a GRA. However, where a C&I customer has failed to pay or dispute a GRA and has been returned to POLR service, it must remain until the GRA is paid. To allow the customer to simply await its service anniversary would unfairly permit such customer to avoid paying a GRA that is due and owing for its previous departure from POLR service.

I. SCHEDULE OF RATES EFFECTIVE JANUARY 1, 2001

Section 45.3- Non-Residential Switching Options (paragraph A(1))

MAPSA argues that a customer need not return to POLR service and may switch from EGS to EGS at any time. MAPSA recommends the following modification to this provision:

“The non-residential customer may contract with an EGS for service, provided such notice is made to Duquesne in accordance with the standard switching protocols; or”

Duquesne comments that MAPSA’s revision would eliminate the distinction the provision draws between switching by customers receiving competitive service and customers receiving POLR service. Duquesne submits the following revision which it claims captures the intent of MAPSA while preserving the meaning of the provision:

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.....

Resolution

We agree with Duquesne’s proposed alternative to MAPSA’s recommendation to Section 45.3 paragraph A(1) and order Duquesne to make the revision proposed by MAPSA to its tariff. We believe that Duquesne’s alternative best clarifies the service conditions.

Section 45.3- Non-Residential Switching Options (paragraph A(2))

MAPSA recommends the following modification to this provision:

“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 or until the customer’s service anniversary date.”

Duquesne comments that it agrees to the inclusion of the words “fails to” in Section 45.3 paragraph A(2).

Resolution

We agree with MAPSA’s proposed modification to Section 45.3 paragraph A(2) and order Duquesne to revise its tariff to include the agreed upon language proposed by MAPSA. As noted previously however, we believe that the other modifications need not be adopted. The proposed language concerning the service anniversary would only serve to confuse a customer concerning its responsibility to remit a GRA.

Section 46- Provision of Load Data

MAPSA recommends the following modification to this provision:

“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. Additionally, the exchange of usage and demand data between the Company and EGSs shall be in accordance with the Electric Generation Supplier Coordination Tariff. The information shall be consistent with Section III, D of the Joint Settlement.”

Duquesne comments that MAPSA’s proposed revisions to a provision in the tariff that Duquesne did not modify as a result of this Settlement. Duquesne argues that MAPSA’s proposal is but a reminder that Duquesne must comply with a section in Tariff No. 2S (Section 5.1.3) and is unnecessary.

Resolution

We agree with Duquesne that these proposed changes are unnecessary.

J. GENERATION RATE ADJUSTMENT (Rider 23)

MAPSA petitions the Commission to modify Exhibit A of the Joint Petition for Settlement. Exhibit A describes the method agreed upon by the Joint Petitioners for calculating the generation rate adjustment (GRA) that will be imposed upon commercial and industrial customers who return to POLR service after January 1, 2001 and choose to stay on POLR service for less than twelve consecutive billing cycles. Under the method set forth in Exhibit A, the GRA would be calculated by using the daily weighted average market price index for “North ECAR” as reported by Megawatt Daily. Use of the North ECAR index would continue until such time as Duquesne joins PJM Interconnection, L.L.C. or

another regional transmission organization and a visible hourly price becomes available for the Duquesne zone.

Specifically, MAPSA seeks to have the following language added to Exhibit A:

The POLR Supplier and EGSs will not report volumes and prices of its North ECAR generation transactions to Megawatt Daily. However, the POLR supplier and EGSs may confirm such transactions.

In support of its request, MAPSA explains that Duquesne accepted the inclusion of this language during the collaborative negotiations, with the understanding that the language would be inserted in Exhibit A only if MAPSA was a signatory to the Joint Petition. Although MAPSA acknowledges that it did not sign the Joint Petition prior to its filing with the Commission, it explains that it signed the Joint Petition later in the same day. Therefore, on the basis that MAPSA is a signatory to the Joint Petition, it believes that Exhibit A should be revised to incorporate the language agreed upon by Duquesne. As to its desire to have this particular language included in Exhibit A, MAPSA describes it as being “designed to guard against the manipulation of the GRA’s sparsely traded Index of North ECAR.” MAPSA Petition at page 2.

Duquesne objects to the inclusion of this language that would restrict the POLR supplier and EGSs from reporting volumes and prices of North ECAR generation transactions to Megawatt Daily. Although Duquesne acknowledges its prior willingness to accept such language, it emphasizes that it did so only as a means of obtaining global support for the settlement, which was not offered by MAPSA prior to the Commission’s vote on the Joint Petition.

Duquesne further suggests that the proposed provision “is likely to create a more perverse result than the harm against which it is intended to protect.” Duquesne Reply Comments at page 9. Specifically, Duquesne explains that the inability of the POLR supplier to report trades with EGSs will result in a published market price that reflects less than all of the available information. In fact, Duquesne notes that the trades between the parties in the very market most reflective of the Duquesne Control Area will have no influence on what the Duquesne Control Area market price will be. For purposes of calculating the GRA, Duquesne maintains that the most accurate market price index possible is the one that should be used.

As to any concerns that parties have about the potential for the POLR supplier to manipulate the price, Duquesne indicates that the practice of the publisher of the index is to match purchases and sales that are reported or confirmed to it. To the extent that the POLR supplier or an EGS would act in bad faith, remedies already exist to address any wrongful market manipulation in the wholesale markets under federal law.

Resolution

Regarding the dispute between the parties as to whether MAPSA is entitled to the inclusion of certain language in Exhibit A as a result of its delay in signing the Joint Petition, we are not inclined to resolve this issue on that basis. While we realize that Duquesne was willing to have the proposed provision inserted during the collaborative process, we also recognize that this concession was made in an attempt to obtain global support for the settlement prior to the filing of the Joint Petition. We certainly appreciate the parties’ respective

positions as to the effect of the negotiations on this issue. However, for purposes of deciding this issue, we are focusing upon the validity of having the relevant volume and price information available reported to Megawatt Daily.

We agree with Duquesne as to the value in having all volume and price information of North ECAR generation transactions reported to Megawatt Daily. Particularly since the GRA will be calculated on the basis of a market price index for North ECAR as reported by Megawatt Daily, we are convinced that a more accurate index would be published if the volume and price data for all relevant transactions are reported to Megawatt Daily. We are persuaded by Duquesne's comments that the exclusion of this information would likely result in the publication of a market price index that fails to consider information about the very market that is most reflective of the Duquesne Control Area. Additionally, we are satisfied that any inappropriate manipulation of the wholesale market price would be more effectively addressed through the existing remedies under federal law. Therefore, we decline to direct Duquesne to revise Exhibit A as proposed by MAPSA.

CONCLUSION

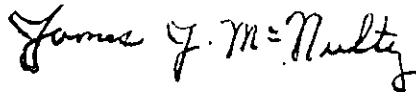
We have thoroughly examined the comments presented to us by the various parties to this case; **THEREFORE,**

IT IS ORDERED:

1. That Duquesne's Tariff Electric Pa. P.U.C. No. 21, issued December 7, 2000, is hereby approved as modified consistent with the findings in this Order and is made effective January 1, 2000.

2. That Duquesne's Tariff Electric Pa. P.U.C. No. 2S, issued December 7, 2000, is hereby approved as modified consistent with the findings in this Order and is made effective as of January 1, 2000.
3. That Duquesne's Tariff Electric, intended to take effect upon the completion of Duquesne's transition period, is hereby approved consistent with the findings in this Order.
4. Duquesne is directed to submit updated tariff sheets to conform the tariff approved in ordering paragraph 3 to Commission requirements within 6 days of the entered date of this Order.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: December 20, 2000

ORDER ENTERED: **DEC 20 2000**