

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : Docket No. P-_____
For The Period January 1, 2008 :
Through December 31, 2010 :

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DIRECT TESTIMONY OF
NANCY J. KRAJOVIC

Dated: January 25, 2007

1 **Q. Please state your full name and business address.**

2 A. Nancy J. D. Krajovic, 411 Seventh Avenue, Pittsburgh, PA 15219.

3

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Duquesne Light Company (“Duquesne” or “the Company”) as
6 Manager of Regulatory Affairs.

7

8 **Q. What are your principal duties and responsibilities in this position?**

9 A. I act as the primary interface with the Pennsylvania Public Utility Commission
10 (“PUC” or “Commission”) staff in the conduct of financial and management
11 audits of the Company. I prepare or direct the preparation of numerous reports
12 filed with the Commission, as well as calculate the annual revisions to the State
13 Tax Adjustment Surcharge. I am also responsible for the administration of the
14 Company’s Retail and Supplier Tariffs, ensuring proper modifications and
15 appropriate and timely distribution of effective tariffs. Relative to my
16 responsibilities regarding the tariff, I also provide interpretation of the provisions
17 of the rules and regulations, rates and riders contained therein.

18

19 **Q. What is your educational background?**

20 A: I received a Bachelor of Science in Accounting from Duquesne University in
21 1982 and a Master of Business Administration from the University of Pittsburgh’s
22 Katz Graduate School of Business in 1988.

23

24 **Q. Please describe your professional experience.**

25 A. I was employed by the Commission from 1984 through 1987 as an auditor. In
26 that position I performed audits of gas, electric and steam heat utilities’ fuel cost
27 rates, as well as original cost and continuing property records audits of water,
28 telephone and gas utilities. I was also responsible for the review of fuel cost rate
29 filings from all jurisdictional gas, electric and steam heat utilities and the
30 preparation of Audit Bureau reports recommending Commission action on those
31 filings.

1 In 1988, following the completion of my graduate work at the University of
2 Pittsburgh, I joined Duquesne as a Regulatory Analyst. Since that time, I have
3 held various positions supporting the Rates and Regulatory Affairs function of the
4 Company. My responsibilities have included activities and projects regarding
5 regulatory reporting compliance, interaction with regulatory staff, interpretation
6 and implementation of the tariff and regulations, development of strategy to
7 respond to new or changing regulations, transition of business processes and
8 regulatory compliance to reflect customer choice and the Company's role as an
9 electric distribution company ("EDC").

10
11 In the course of my employment with Duquesne, I have provided written
12 testimony before the PUC at Docket No. R-00061346 – Duquesne's most recent
13 distribution base rate proceeding, Docket No. I-900005 – Demand Side
14 Management, Docket No. M-00930404C001, a complaint proceeding filed by the
15 Office of Consumer Advocate against Duquesne's 1993 ECR, Docket No. R-
16 00016854C001, a complaint proceeding filed by the Office of Consumer
17 Advocate against Duquesne's proposed recovery of Revenue Neutral
18 Reconciliation tax liability. I provided oral testimony before the Commission at
19 Docket No. M-FACE0302 in regard to the billing of CTC to large C & I
20 customers and also in several formal complaint actions filed by residential
21 customers over the past several years.

22
23 **Q. What is the purpose of your testimony?**

24 **A.** My testimony supports implementation of an agreement to develop a new
25 Purchase of Receivables ("POR") program in Duquesne's service territory that is
26 designed to promote retail competition. This agreement was negotiated with the
27 participation of electric generation suppliers ("EGSs"), consumer advocates, the
28 Company and others. Additionally, I am sponsoring the changes to Duquesne's
29 tariffs reflecting the proposals made by other Company witnesses testifying at this
30 docket.

31

1 **Q. Are you sponsoring any exhibits in this proceeding?**

2 A. Yes. Exhibit NJDK-1 is the POR agreement. Exhibit NJDK-2 is a draft
3 supplement to the Company's Electric Generation Supplier Coordination Tariff
4 ("Supplier Tariff") that will implement the POR program as well as modify the
5 transmission and distribution line losses contained therein. Exhibit NJDK-3 is a
6 draft supplement to the Company's retail Tariff reflecting the modifications to the
7 rules, rates and riders as described in Mr. Pfrommer's testimony, as well as
8 modifications to support the POR.

9

10 **PURCHASE OF RECEIVABLES PROGRAM**

11

12 **Q. What are your conclusions in regard to the proposed POR program?**

13 1.) A considerable effort over several months prior to this filing was made by
14 Duquesne and the other parties to develop the POR program filed in this
15 proceeding.

16 2.) The POR program is designed to promote retail competition and avoid
17 contentious litigation associated with the unbundling of provider-of-last-
18 resort ("POLR") costs from distribution rates.

19 3.) Duquesne and the parties, through extensive negotiations, were able to
20 resolve many issues balancing the interests of EGSs, customers and the
21 Company. All parties in the distribution rate case settlement (plus
22 Dominion Retail and ConEdison Solutions) have signed the agreement or
23 affirmatively agreed not to oppose the agreement in this proceeding.

24 4.) Therefore, I recommend that the Commission approve the POR agreement
25 without modification in lieu of unbundling of POLR costs from
26 distribution rates.

27

28 **Background**

29

30 **Q. What led to the development of the proposed POR?**

1 A. In Duquesne's recent distribution rate proceeding at Docket No. R-00061346,
2 certain Parties raised the issue of unbundling of POLR costs from distribution
3 rates. As a potential solution, they proposed a purchase of receivables program as
4 an alternative to unbundling. Under a purchase of receivables program, the EDC
5 purchases the receivables of EGSs, and then the EDC must attempt to recover the
6 receivables from customers and bears the risk of incurring uncollectible costs. It
7 is Duquesne's position that the principal issue, if any, with regard to unbundling
8 POLR costs concerns the level of uncollectible costs in distribution rates. As
9 such, Duquesne determined that, depending upon the particular terms and
10 conditions, a purchase of receivables program could be a reasonable way to
11 resolve unbundling issues.

12
13 Therefore, as part of the settlement of Duquesne's distribution rate case,
14 Duquesne and the Parties agreed to consider the development of a POR program
15 for suppliers serving residential and small commercial customers in Duquesne's
16 service area as an alternative to further litigating the unbundling of POLR costs
17 from distribution rates. The settlement provided that if unanimous agreement (or
18 agreement not to oppose) by the Parties was achieved on a POR program, the
19 Parties agreed that there will be no further need to unbundle Duquesne's POLR
20 costs.

21
22 **Q. Please describe the process that resulted in the proposed POR agreement.**

23 A. Shortly after the negotiation of the settlement terms in the distribution rate case,
24 an internal team was convened at Duquesne to develop the framework of a POR
25 program to present to the rate case parties. The initial work of that team included
26 researching current POR programs or similar billing arrangements at other
27 utilities, both within the Commonwealth and in other jurisdictions where Parties
28 in the distribution rate case conduct business and to assess the impact of a POR
29 program on Duquesne's systems, procedures and service performance. The
30 outcome of that work was a proposed draft term sheet that was presented to the
31 parties in mid-October. (Dominion Retail, although not a party to Duquesne's

1 rate case, was also invited to and did participate in the negotiations as Dominion
2 currently provides service to a significant number of shopping customers in
3 Duquesne's service territory. They are therefore included in the group identified
4 as "parties" in my testimony.) Two meetings then followed at which all of the
5 parties had an opportunity to identify significant issues with the draft term sheet
6 and offer proposed changes. At that point, twelve parties representing EGSs,
7 consumers, the PUC and others were engaged in negotiating the POR agreement.
8

9 The majority of issues to be further addressed were generally the concerns of a
10 number of the EGSs. In order to move forward efficiently, a smaller group
11 consisting of representatives of the Company and three EGSs then met or talked
12 frequently over the next six weeks to negotiate the specific components of the
13 program and manner in which it is to be administered as it directly relates to the
14 EGSs. Once these matters had been dealt with and an overall compromise agreed
15 upon by the smaller group, a revised term sheet was presented to the larger group
16 of parties for consideration. After another round of comments from the parties,
17 consensus was reached and is embodied in the Agreement dated December 11,
18 2006 attached as Exhibit NJDK-1.
19

20 The resultant agreement is the product of significant compromise that, in my
21 opinion, fairly addresses the concerns of customers and all parties to the
22 agreement.
23

24 **Program Description**
25

26 **Q. Please provide an overview of the proposed POR program.**

27 A. Duquesne will purchase the accounts receivable, without recourse, associated
28 with EGS sales of retail electric commodity services to residential and small
29 commercial and industrial customers ("Small Customers") within Duquesne's
30 service territory. A small discount will be applied to the purchase price. Under
31 the POR program, Duquesne will reimburse EGSs for their customer billings for

1 transmission and generation supply service regardless of whether Duquesne
2 receives payment from the customer. Duquesne will seek to recover the EGS
3 receivables from EGS customers consistent with Duquesne's existing collection
4 procedures for recovery of billings to POLR customers, and incur any
5 uncollectible costs related to billings for EGSs.

6
7 **Q. What is the basis for the discount to the purchase price of the receivables?**

8 A. The discount has two components. Duquesne's existing distribution rates recover
9 from all customers Duquesne's costs of the POLR customers' uncollectible
10 expense based on the most recent rate case test period. The first component of the
11 discount rate gives recognition to that fact that Duquesne's distribution rates
12 currently do not recover any costs associated with EGS uncollectibles. The
13 discount component for EGS uncollectibles included in the agreement is a
14 negotiated rate that has been agreed to as reasonable by the parties during the
15 development of the specifics of the program.

16
17 The second component of the discount will recover incremental initial and
18 incremental ongoing operating and administrative costs associated with the POR
19 program.

20
21 **Q. What is the discount rate that will be applied to the receivables purchased
22 under this program?**

23 A. The parties have agreed that the first component, which will remain fixed
24 throughout the term of the program, is to be set at 0.42%. The second component
25 will initially equal 0.28%, to recover administrative costs estimated at \$750,000,
26 with recovery spread over the three-year term of the program. The second rate
27 component may be adjusted annually to reflect changes in administrative costs
28 and the levels of EGS billings under the program to ensure that there is no
29 significant under or over recovery of these costs.

1 **Q. What is the term of the POR program?**

2 A. The POR program is a pilot program and will become effective January 1, 2008,
3 with Duquesne using best efforts to implement the program at the earliest feasible
4 date. The POR program will remain in effect through December 31, 2010 and
5 will terminate on December 31, 2010. In a report filed with the Commission in
6 2010, Duquesne will either propose to continue the POR program under such
7 terms and conditions as it deems appropriate or provide an explanation as to why
8 the POR program should be discontinued after December 31, 2010.

9

10 **Q. Will the terms of the POR program be included in Duquesne's Supplier**
11 **Tariff?**

12 A. Yes. Exhibit NJDK-2 is a draft tariff supplement that reflects the proposed
13 changes to the Supplier Tariff to incorporate the POR program.

14

15 **Impact on Program Participants**

16

17 **Q. Does the POR program offer potential benefits for customers?**

18 A. Yes. EGSs participating in this POR program will "agree not to reject for
19 enrollment" a new customer covered by the program based on credit-related
20 issues. Any customer who wishes to be served by an EGS participating in the
21 POR program will be accepted by the EGS if that EGS is actively serving the rate
22 class to which that customer belongs. EGSs participating in the POR program
23 will no longer have to avoid serving low-income or poor credit customers due to
24 concerns about non-payment. This increased access to competitive choices
25 facilitates the migration of customers who might otherwise be overlooked by
26 EGSs due to poor credit scores or past financial troubles.

27

28 Additionally, the designation of one entity to handle all credit and collection and
29 several consumer protection functions eliminates the duplication of these
30 functions and costs at the utility and at each EGS. Customers should experience a
31 simplification in security requirements and costs as the POR program frees

1 residential and small C&I customers from potentially being required to post two
2 separate security deposits, and allows customers previously terminated due to
3 non-payment to avoid contending with two payment plans upon their return to
4 service.

5
6 The benefits should ultimately flow even to non-shopping customers. A
7 successful POR program will mitigate the problem of EGSs serving only good
8 credit customers, leaving the poor credit customers on utility default service.

9
10 **Q. How does the Agreement address the EGSs' customers who fail to pay the**
11 **utility bills underlying the purchased receivables?**

12 A. Under the Agreement, Duquesne will apply the same collection treatment to
13 customers associated with the POR program as the Company applies to its own
14 charges, with one exception. If an EGS customer faces termination of service for
15 failure to pay all or any portion of the bill for commodity and delivery service or
16 has been terminated and seeks reconnection of service, the basis for the payment
17 to avoid termination or accomplish reconnection will be the lower of: a) EGS
18 charges for commodity plus the Company's delivery charges or b) the amount the
19 customer would have been billed for service if the customer had received POLR
20 supply from Duquesne during the non-payment period. This provision will
21 protect customers from termination due to non-payment of unregulated EGS
22 charges in excess of Duquesne's default service rates.

23
24 Any termination of service shall be in accordance with the service termination
25 provisions contained herewith and consistent with the provisions of Chapter 14 of
26 the Pennsylvania Public Utility Code and Chapter 56 (or a successor chapter) of
27 the Commission's regulations.

28
29 **Q. Is the termination provision an important part of the POR program?**

30 A. The termination provision is an integral part of the program. The level of
31 discount that Duquesne applies to EGS' receivables was calculated based upon

1 the condition that allows Duquesne to terminate EGS customers that fail to pay
2 bills on the same non-discriminatory basis as its default service customers. If this
3 termination provision did not exist, at a minimum, the level of discount applied to
4 the EGS receivables would have to be considerably higher, making the POR
5 agreement a less attractive option to EGSs. In any event, a POR program that
6 does not include a right to terminate service to EGS customers for failure to pay
7 purchased receivables is not acceptable to Duquesne.

8
9 **Q. In the event that the EGS rate billed to a customer is greater than the POLR**
10 **rate and a customer pays only the POLR rate to avoid termination or**
11 **accomplish reconnection, how will Duquesne seek recovery of that remaining**
12 **unpaid balance, or EGS/POLR delta, on a customer's account?**

13 A. Duquesne will continue to subject that EGS/POLR delta account balance to
14 normal collection activities with the caveat that the delta will not be the basis for
15 service termination activity.

16
17 **Q. If ultimately not collected from the customer, will Duquesne seek recovery of**
18 **this delta from the EGS?**

19 A. No. Duquesne recognizes that it is assuming the collection risks associated with
20 EGS charges in excess of POLR rates, but has agreed to do so in the interest of
21 arriving at an agreement with all parties. As a result, customers in the POR
22 program are protected from termination due to failure to pay unregulated EGS
23 charges in excess of POLR charges.

24
25 **Q. The potential to be disconnected for non-payment of charges by an EGS (at**
26 **or below POLR charges) will be a change for shopping customers. How does**
27 **Duquesne propose to communicate this to customers?**

28 A. To ensure that all residential and small commercial and industrial customers are
29 provided notice of Duquesne's authority to conduct collection activities and, if
30 necessary, to terminate its delivery service and EGS commodity service,
31 Duquesne will notify all residential and small commercial and industrial

1 customers 60 days prior to the implementation of the program via bill insert that
2 those customers electing to take service from an EGS and receiving consolidated
3 billing for EGS services may be terminated consistent with the provisions of
4 Chapter 14 of the Pennsylvania Public Utility Code and Chapter 56 (or a
5 successor chapter) of the Commission's regulations. In addition, Duquesne will
6 modify its 10-day notice letter sent to new EGS customers confirming the EDI
7 814 Enrollment transaction to include a notice of Duquesne's authority to
8 terminate service if a customer fails to pay for either delivery service or EGS
9 commodity service (up to the POLR rate).

10
11 **Q. How does the POR program address EGSs' interests?**

12 A. The POR program eliminates the risk associated with credit-troubled customers,
13 providing an opportunity for EGSs to market to customers that they might
14 otherwise not consider. The POR program also allows the EGSs to avoid
15 incurring costs for upfront credit analysis of potential customers and the costs of
16 collection activities. In addition, the program eliminates the uncertainty for EGSs
17 surrounding the level of uncollectible accounts in the event of non-payments by
18 customers.

19
20 In regard to the specifics of the POR program in Duquesne's service area, many
21 features have been designed to provide protections and flexibility to participating
22 EGSs: the Company has agreed to fix the discount associated with EGS
23 uncollectibles, even though many factors could make those uncollectibles increase
24 significantly over current levels; the Company has agreed to allow the EGSs to
25 opt-into the program at any time in its term; the EGSs have been given rights of
26 review of the administrative costs as well as an adjustment clause that ensures that
27 only actual administrative costs incurred by Duquesne will be recovered through
28 the discount. Many of these features are more favorable to EGSs than similar
29 programs that exist in other jurisdictions.

30

1 Finally, this agreement allows all parties, including the EGSs, to avoid
2 contentious litigation associated with unbundling of POLR costs from distribution
3 rates.
4

5 **Q. How does this program compare to the programs the team reviewed in other**
6 **jurisdictions?**

7 A. The POR program proposed in this proceeding shares many of the features
8 contained in programs in other jurisdictions, such as a discount to the purchase
9 price, recovery of incremental and on-going implementation costs, the ability to
10 disconnect non-paying customers of participating EGSs and stated dispute
11 resolution processes. It should be noted, however, that in the majority of the other
12 programs reviewed, the discount rate to be applied to the purchased receivables
13 was based on the EDCs own historical uncollectible rate, rather than a negotiated
14 rate, and significantly exceeded the negotiated rate of 0.42% contained in
15 Duquesne's POR program. Additionally, the discounts in several of the programs
16 were subject to annual adjustment to reflect changes in the EDC's uncollectible
17 experience as compared to the fixed nature of the first component of the discount
18 in Duquesne's POR program. A number of the programs reviewed also contained
19 an additional discount component to compensate the company for the financial
20 risk that the actual uncollectible rate for the purchased receivable would be
21 greater than that in the previous year.
22

23 **Q. What are the benefits of the proposed POR for Duquesne?**

24 A. As structured, and to the extent that EGSs choose to participate, the proposal
25 provides Duquesne with a reasonable opportunity to recover its initial and on-
26 going costs to administer the POR program.
27

28 The program also contains a provision to protect Duquesne from potential EGS
29 behavior that would expose the Company to substantial risk by promoting pricing
30 structures, marketing strategies or other actions that would exploit the program for
31 the individual EGS' financial gain. Specifically, the terms of the agreement

1 contain an adjustment feature that can be applied to the discount rate for an
2 individual EGS if the 60-days or older uncollectible amount for that specific EGS
3 exceeds 5% of its total annual consolidated billings. The rate of 5% is more than
4 twice Duquesne's 60-day uncollectible rate, but will provide the Company with
5 some protection from a scenario in which an EGS might engage in unusual
6 behavior under the assurances of full payment from Duquesne.

7
8 Finally, this agreement allows all parties, including the Company, to avoid
9 contentious litigation associated with the unbundling of POLR costs from
10 distribution rates since the Agreement provides that there will be no further
11 unbundling of costs during the term of the Agreement.

12
13 **Q. Given the balance of interests that you describe, what do you recommend?**

14 A. I recommend that the Commission approve the POR agreement without
15 modification. A considerable effort prior to this filing was made by Duquesne
16 and other parties to develop this program. The POR program will promote retail
17 competition, and at the same time continue to protect customers and avoid
18 contentious litigation associated with the unbundling of POLR costs from
19 distribution rates.

20
21 **RETAIL TARIFF MODIFICATION**

22
23 **Q. What tariff modifications are included in Exhibit NJDK-3.**

24 A. Pages 2 – 2G itemize the modifications contained in the draft supplement to the
25 Company's retail Tariff submitted as Exhibit NJDK-3. Generally, the draft
26 supplement contains the new supply rates and rate design changes proposed by
27 the Company and sponsored by Mr. Pfrommer in his testimony, as well as
28 modifications to support the POR.

1 **WAIVER OF COMMISSION REGULATIONS**

2
3 **Q. Is Duquesne requesting a waiver of any Commission regulations, policies or**
4 **guidelines with respect to the POR agreement?**

5 A. Yes. Duquesne understands that in early guidelines issued by the Commission
6 during the restructuring process, the Commission stated that where an EDC
7 purchases accounts receivable from an EGS, the EDC cannot use the Chapter 56
8 termination process for nonpayment of EGS supply charges. *Final Order Re:*
9 *Guidelines for Maintaining Customer Services as the Same Level of Quality*
10 *Pursuant to 66 Pa. C.S. § 2807(D), and Assuring Conformance with 52 Pa. Code*
11 *Chapter 56 Pursuant to 66 Pa. C.S. § 2809(E) and (F), p. 39. Duquesne*
12 *respectfully requests a waiver of this guideline for its POR program. As*
13 *explained above, the termination provision is an integral part of the POR program.*
14 *Also, in Pennsylvania Power Company's ("Penn Power") recent default service*
15 *proceeding, the Commission recognized that EDCs cannot be compelled to*
16 *purchase EGSs' receivables, but encouraged Penn Power to develop a purchase of*
17 *receivables program. See Petition of Pennsylvania Power Company for Approval*
18 *of Interim POLR Supply Plan, Docket No. P-00052188, Order entered April 28,*
19 *2006, p. 152. In addition, the Commission has allowed Pike County Light &*
20 *Power Company ("Pike County") to terminate service to customers for failure to*
21 *pay supplier charges where Pike County agreed to purchase an EGS' receivables.*
22 *Petition of Direct Energy Services, LLC for Emergency Order Approving a Retail*
23 *Aggregation Bidding Program for Customers of Pike County Light & Power*
24 *Company, Docket no. P-00062205, Tentative Order entered April 6, 2006, p. 11,*
25 *Final Order entered April 20, 2006. For these reasons, a waiver of this guideline*
26 *is appropriate.*

27
28 Duquesne also understands that certain parties have contended in other
29 proceedings that allowing an EDC to terminate customers based on a failure to
30 pay EGS charges may conflict with certain regulations contained in Chapter 56 of
31 the Public Utility Code. Duquesne does not believe that any provision of Chapter

1 56 prohibits an EDC from terminating service to a customer for failure to pay
2 EGS' charges where the EDC has purchased the right to collect receivables for
3 that customer. This is particularly true for Duquesne's POR agreement because
4 under the agreement, Duquesne cannot terminate customers for EGS charges that
5 are higher than Duquesne's default service rates. However, because parties have
6 raised these arguments in other proceedings, Duquesne respectfully requests a
7 waiver of any provision of Chapter 56, to the extent necessary, for Duquesne to
8 terminate customers for failure to pay receivables purchased from EGSs for
9 commodity service under the terms and conditions of the POR agreement.
10 Duquesne also requests a general waiver of any other regulation, policy or
11 guideline, to the extent necessary, for Duquesne to implement all of the terms and
12 conditions of its POR program.

13

14 **Q. Does this conclude your testimony?**

15 **A. Yes.**

Exhibit NJDK-1

Duquesne Light Company

**Executed Purchase of Receivables Agreement
and Parties' Letters of Non-Opposition**

January 23, 2007

Purchase Of Receivables Agreement

This Agreement is entered into this 11th day of December, 2006 a Purchase of Receivables ("POR program") in the Duquesne Light Company service territory consistent with the terms set forth below:

Background

- As part of the Duquesne Light Company settlement to the distribution rate case the Joint Petitioners¹ at Docket No. R-00061346 agreed to consider the development of a POR program for suppliers serving residential and small commercial and industrial customers (inclusive of customers served under Rates RS, RH, RA, GS/GM and GMH, hereinafter referred to as "Small Customers") in Duquesne's territory as a potential alternative to full unbundling of POLR costs in distribution rates. If unanimous agreement (or agreement not to oppose) by the Parties was achieved on a POR program, the Parties agreed that there will be no further need to unbundle Duquesne's POLR costs. In addition to the Joint Petitioners other interested parties participated in the discussions relative to the development of a POR Program (hereinafter referred to as "Parties"²).
- If unanimous agreement (or agreement not to oppose) among the Parties is not achieved:
 - The Parties agreed that issues concerning further unbundling of distribution costs will be addressed in the proceeding to establish Default Service rates effective January 1, 2008 and Duquesne will submit an analysis in that proceeding addressing the further unbundling of distribution costs, including the issue of further unbundling of uncollectible accounts expense and the potential of purchasing EGS account receivables.
 - All Parties reserved the right: (1) to claim that it was inappropriate to unbundle any cost that is not avoidable by Duquesne when a customer elects to obtain supply service from an EGS and to the timing of implementation; or (2) to assert that a POR plan should be implemented in lieu of full POLR cost unbundling.
 - Duquesne agreed that it would not contend in such proceeding that unbundling of distribution rates cannot be undertaken in such proceeding because it was not a general rate proceeding.

Overview of POR Program and General Purpose

- Duquesne will purchase the accounts receivable, without recourse, associated with electric generation supplier ("EGS") sales of retail electric commodity services to residential and

¹ The Joint Petitioners included the Office of Trial Staff of the Pennsylvania Public Utility Commission, the Office of Consumer Advocate, the Office of Small Business Advocate, Duquesne Industrial Intervenors, Pennsylvania Large Energy Users Coalition, International Brotherhood of Electrical Workers Local 29, Constellation NewEnergy, Inc., NRG Energy Center Pittsburgh LLC, Reliant Energy, Inc., Citizen Power, Inc., Citizens for Pennsylvania's Future, Community Action Association of Pennsylvania, Retail Energy Supply Association, Strategic Energy, LLC, Direct Energy, LLC, Comcast of California/Pennsylvania/Utah/ Washington, Inc., Wal-Mart Stores East, LP, and Duquesne Light Company.

² For purposes of the Agreement the term "Parties" includes both signing and non-opposing parties. Dominion Retail, Inc. was not a party in Docket No. R-00061346, however, actively participated in the development of and is a signatory to this Agreement.

small commercial and industrial customers ("Small Customers") within Duquesne's service territory.

- Under the POR program, Duquesne will reimburse EGSs for their customer billings regardless of whether Duquesne receives payment from the customer, subject to the limitations set forth below.
- Duquesne will seek to recover the EGS receivables from EGS customers consistent with Duquesne's existing collection procedures for recovery of billings to POLR customers, and incur any uncollectible costs related to billings for EGSs.
- The purpose of the POR program is to encourage the development of competitive retail electric markets for residential and small commercial and industrial customers in Duquesne's service area.
- EGSs participating in this POR program will "agree not to reject for enrollment" a new customer covered by the program based on credit-related issues. Any customer who wishes to be served by an EGS participating in the POR program will be accepted by the EGS if that EGS is actively serving the rate class to which that customer belongs. If after being served by an EGS, the customer defaults on its payment obligation in a manner that requires Duquesne to terminate the customer's service, or to otherwise write-off as a bad debt any EGS payment amount, then Duquesne will subject the customer to the same collection treatment as Duquesne applies to address Duquesne's own charges, subject to the limitations described in this Agreement.
- The signing parties anticipate that a POR program could provide customers with several potential benefits:
 - Increased access to competitive choices -- by encouraging EGSs to accept all residential and small C&I customers, not only those with good credit scores, the POR program facilitates the migration of customers who might otherwise be overlooked by EGSs due to poor credit scores or past financial troubles.
 - Better economies of scale -- by designating one party to handle all credit and collections and several consumer protection functions. Duplicating credit and collections functions at the utility, and at each EGS, needlessly creates costs ultimately borne by customers.
 - Simplification of security requirements -- a POR program frees residential and small C&I customers from potentially being required to post two separate security deposits, and allows customers previously terminated due to non-payment to avoid contending with two payment plans upon their return to service.
 - Expansion of EGS customer base -- the POR program is also intended to avoid the potential problem of EGSs serving only good credit customers, leaving the poor credit customers on utility default service where they will escalate costs to all remaining default service customers.

Eligibility Requirements

- EGSs that choose Duquesne's consolidated billing option for all or a portion of their small customer accounts will be required to sell their accounts receivable to Duquesne for those customers for whom Duquesne issues a consolidated bill. EGSs may continue to issue their

own bills (dual billing) for commodity service, for all or a portion of their customers, but will not be eligible to participate in the POR program for those customers that receive dual billing. EGSs may choose to participate in the POR program with consolidated billing at any time during the term of the POR program as long as the EGS does not remove customer accounts from consolidated billing and the POR program for 12 consecutive billing cycles. For the purposes of the last sentence, a customer whose service is terminated or who voluntarily switches from the EGS' service to another generation provider has not been removed by the EGS from consolidated billing and the POR program.

Purchase Price

- EGSs' electric commodity (which is comprised of generation and transmission service) receivables will be purchased at a discount. The discount rate will reflect the costs related to the estimated incremental EGS uncollectible expenses and to recover incremental initial and incremental ongoing operating and administrative costs associated with the POR program. The methodology for establishing and revising these discount rates is specified in Appendix A to this Agreement.
- The initial discount rates for electric commodity will be determined November 1, 2007 and shall equal: the sum of 0.42% (i.e., a negotiated rate in lieu of estimated incremental EGS uncollectible expenses which shall remain fixed throughout the three-year Pilot Program) plus expected total incremental administrative costs to implement and operate the POR program spread over a three year recovery period, divided by the actual EGS consolidated billings for the most recent 12 month period. See Appendix A.
- The initial administrative cost rate will be set at 0.28%. This is based on a program implementation cost estimate of \$750,000. Duquesne will keep the Parties to this document abreast of implementation costs by providing a quarterly summary of costs incurred to the parties. If at any time Duquesne believes that the total implementation costs will exceed \$750,000, Duquesne will convene a meeting of the Parties to this document to discuss overall project management issues, including a revised scope and project viability.
- During the term of the three-year Pilot Program, beginning in January, 2008, the discount rate may be adjusted twice – once on February 1, 2009 and again on February 1, 2010 – to reflect Duquesne's most recent experiences of the total administrative discount cost to implement and operate the POR program (including actual incremental costs already incurred), less the actual total dollar amount of discounts from the prior calendar year(s) related to the recovery of administrative costs, divided by the number of years remaining in the recovery period, divided by the actual EGS consolidated billings for the most recent 12 month period.
- Duquesne will provide the updated discount rates to all Parties of this Agreement, as well as to EGSs authorized to serve customers in the Company's service territory, 60 days before the effective date of the discount rate change. This information will be provided in the form of an update to Appendix A.
- Duquesne will monitor individual EGS uncollectible percentage rates (measured as any unpaid amounts 60 days or older divided by that EGS's total annual consolidated billings), to determine whether any individual EGS is engaging in Unusual Business Behavior that results in an increase to the total uncollectible percentage rate for the Duquesne System. If, based on this monitoring, Duquesne finds that an individual EGS's uncollectible percentage rate

exceeds 5% (which is significantly above Duquesne's uncollectible percentage rate), then Duquesne, at its discretion, may increase the discount rate for that individual EGS's accounts to reflect the increased costs associated with the EGS's uncollectible accounts by the difference between the EGS's uncollectible percentage rate and 2%.³ For purposes of this calculation, Duquesne shall rely on the most recent 12 month period (or shorter if the EGS is new to the POR program) to calculate the EGS's uncollectible percentage rate. For example, if an individual EGS has an uncollectible percentage rate of 5.4% over a 12 month period, Duquesne could increase that individual EGS's discount rate by 3.4 percentage points. Duquesne, in its discretion, may opt to waive the imposition of the additional discount if the increase in the uncollectible rate results primarily from providing service to previously poor paying customers currently on POLR service and the individual EGS is able to provide a reasonable explanation for the significant increase in its uncollectible rate is not the result of a particular price offering, marketing strategy or other actions of the individual EGS. If, however, Duquesne determines that an additional discount is appropriate, the EGS may challenge that determination pursuant to the dispute resolution procedures discussed below. Should the result of those procedures uphold the EGS's position, Duquesne will refund to the EGS the additional discount withheld from their receivables. In the course of the dispute resolution, the EGS may be called upon to provide customer payment history for the small customers it serves, commodity pricing, and other such information deemed appropriate, subject to confidentiality agreement. The discount will be lowered to the level applicable to other EGSs when and if the particular EGS's uncollectible percentage rate decreases to a level of 2% or below over a 12 month period. If the particular EGS stops providing service to a customer under the POR program, the EGS must pay to Duquesne an amount equal to the increase to the discount multiplied by that customer's prior year's billings, to the extent that such amount has not already been paid on the date the EGS stops providing service to that customer.

- Duquesne will not be permitted to recover retroactively from distribution ratepayers any difference between discounts applied to EGS receivables and uncollected amounts resulting from the purchase of EGSs' billings.
- Other payment provisions:
 - If the EGS customer is on a budget or levelized payment plan, Duquesne shall only be obligated to purchase each month the amount of the monthly installment under the budget or levelized payment plan. Duquesne shall also purchase accounts receivable of EGS's customers based upon an estimated bill.
 - Duquesne shall add to or deduct from any payments due to EGSs amounts that may result from reconciliations, adjustments or recalculations of budget or levelized plans, estimated readings, cancel and rebills, or any applicable billing adjustment.

³ Duquesne is concerned that total uncollectible costs could increase substantially if EGSs price significantly above existing POLR rates and customers fail to pay EGS supply charges. Duquesne reserves the right to monitor this situation and address possible "gaming" of the POR program if such instances occur.

Timing of Payments

- Payments to EGSs will occur electronically; 35 days after consolidated bills are issued, and will continue throughout the billing cycle. If the 35th day falls on a weekend or bank holiday, payments will occur on the next business day.

Transfer of Collection Responsibilities and Rights from EGS to Duquesne

- Duquesne is entitled to receive and retain all payments from customers under the POR program.
- Duquesne is authorized to conduct collection activities and, if necessary, terminate its delivery service and EGS commodity service to customers whose accounts receivables were purchased and who fail to make payment of amounts due on the consolidated bill, including the amount of the purchased EGS receivables (up to the amount the customer would have been billed for commodity service if the customer had received POLR supply from Duquesne during the non-payment period). Any such termination of service shall be in accordance with the service termination provisions contained herewith and consistent with the provisions of Chapter 14 of the Pennsylvania Public Utility Code and Chapter 56 (or a successor chapter) of the Commission's regulations. Duquesne shall be authorized to terminate commodity service to an EGS customer if the customer's payments do not cover the amount the customer would have been billed if the customer were on POLR service, as referenced above.
- To ensure that all residential and small commercial and industrial customers are provided notice of Duquesne's authority to conduct collection activities and, if necessary, to terminate its delivery service and EGS commodity service, 60 days prior to the implementation date Duquesne will notify its Small Customers via bill insert that those receiving consolidated billing for EGS services may be terminated consistent with the provisions of Chapter 14 of the Pennsylvania Public Utility Code and Chapter 56 (or a successor chapter) of the Commission's regulations. In addition, Duquesne will modify its 10-day notice letter sent to new EGS customers confirming the EDI 814 Enrollment transaction to include a notice of Duquesne's authority to discontinue service for a customer's default on payments for both its delivery service and the EGS commodity service. The Parties to this Agreement and licensed EGSs in Duquesne's service territory will have the right to review this letter before it is used by Duquesne.
- A residential customer terminated from utility service under the POR program shall be reconnected to service upon the payment of the arrears that were subject to the termination or a lesser amount as set forth below. The required payment may include both delivery and EGS commodity charges.
- An EGS customer in the POR program that has been terminated for non-payment may be reconnected upon paying the lesser of: a) the sum of unpaid distribution charges (plus any applicable reconnection fees or deposits) and the amount billed for EGS commodity service, (or a payment arrangement required by applicable law); or b) the sum of unpaid distribution charges (plus any applicable reconnection fees or deposits) and the amount the customer would have been billed for commodity service if the customer had received POLR supply from Duquesne during the non-payment period (or a payment arrangement required by applicable law). At the time of reconnection the customer will be reconnected to the EGS or the default service provider of record.

Effect of Agreement

- By this Agreement Duquesne agrees to file this POR program as part of its upcoming POLR IV filing for Commission review and approval. The parties also agree that Duquesne need not submit an analysis to address further unbundling of POLR costs in its POLR IV proposal. Further, the parties agree that, subject to Commission approval of the POR program and so long as this Agreement is being honored by Duquesne, it will not be required to unbundle its distribution rates to remove POLR-related costs prior to December 31, 2010.
- Each signing party to this Agreement has expressly conditioned its support upon the approval and adoption of this Agreement in its entirety by the Commission. If the Commission does not approve this Agreement in its entirety, or with modifications accepted by all Parties, then each of the Parties reserves the right to withdraw its acceptance or its non-opposition to this Agreement by serving written notice on the Commission.
- No provision of this Agreement, nor any methodology or principle utilized herein, nor any of the positions taken herein by any Party may be cited or relied upon as precedent in any other proceeding before the Commission, or any other regulatory agency or before any court of law for any purpose other than the furtherance of the purposes, results and disposition of matters expressly governed by this Agreement. Further, this Agreement does not supersede or alter any existing agreements by or among the Parties.
- It is intended by the Parties that this Agreement, including the establishment and operation of the Pilot POR program, should continue without modification until December 31, 2010.
- The signing parties agree to support the POR program and make reasonable and good faith efforts to obtain approval of the POR program by the Commission and to present testimony and/or briefs supporting the POR Program in response to any challenges submitted by non-parties challenging or questioning the appropriateness of the POR Program. The non-opposing parties will indicate their non-opposition by letter to Duquesne which Duquesne will file with this Agreement.

Term

- The POR program is a pilot program and will become effective January 1, 2008, with Duquesne using best efforts to implement the program at the earliest feasible date. Payments made to EGSs related to billed supply charges on or after the implementation date will be subject to the purchase of receivables discount.
- The POR program will remain in effect as described through December 31, 2010 and will terminate on December 31, 2010.
- In its 2010 Performance and Monitoring report discussed below, Duquesne will either propose to continue the POR program under such terms and conditions as it deems appropriate or provide an explanation as to why the POR program should be discontinued.

Performance and Monitoring

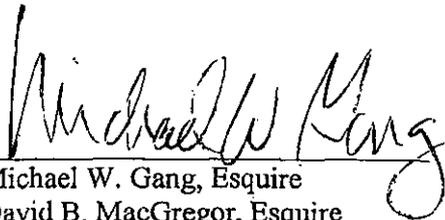
- Duquesne is required to file (and provide a copy to the parties) a performance report within 90 days following the end of each calendar year covered by the Term of the POR program. In addition, parties will have the opportunity to conduct a review of the program's performance within 90 days after Duquesne submits its performance report so that parties

may discuss the operation of the POR program and audit the calculation of the POR discount rate.

Dispute Resolution

- To the extent concerns arise regarding the implementation of the provisions of the POR program, parties shall attempt to resolve such disputes according to the informal, internal and/or external dispute resolution procedures described in Duquesne's Supplier Tariff.
- With respect to discounts subsequent to the initial discount, any party may invoke mediation with respect to any change in the discount rate (but not with respect to the preceding discount rates) if the party believes that the Company has not established the change reasonably in accordance with this Agreement.
- Parties shall also have the right to resolve such disagreements in the Commission's dispute resolution process.

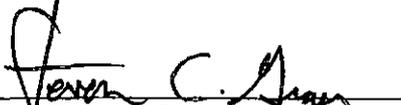
Respectfully submitted,



Michael W. Gang, Esquire
David B. MacGregor, Esquire
Andrew S. Tubbs, Esquire
Gary Jack, Esquire
For: *Duquesne Light Company*

Date:

12/11/06



Steven C. Gray, Esquire
Sharon E. Webb, Esquire
For: *Office of Small Business Advocate*

Date:

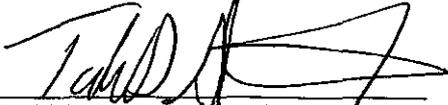
12/13/06



Daniel Clearfield, Esquire
Kevin J. Moody, Esquire
For: *Direct Energy, LLC*

Date:

12/11/06



Todd S. Stewart, Esquire
For: *Dominion Retail, Inc.*

Date:

12/13/06


Richard Hudson
For: Strategic Energy, LLC

Date: 12-13-06

Date: _____

Date: _____

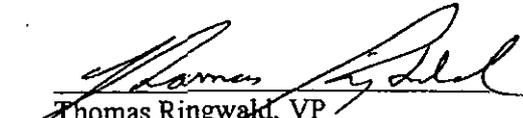
Non-Opposing Parties:

Office of Trial Staff of the Pennsylvania Public Utility Commission
Office of Consumer Advocate
Citizen's For Pennsylvania's Future
Citizen Power, Inc.
Comcast of California/Pennsylvania/Utah/Washington, Inc.
Community Action Association of Pennsylvania
Constellation NewEnergy, Inc.
Duquesne Industrial Intervenors
Industrial Energy Consumers of PA
International Brotherhood of Electrical Workers Local 29
NRG Energy Center Pittsburgh LLC
Pennsylvania Large Energy Users Coalition
Reliant Energy, Inc.
Retail Energy Supply Association
Wal-Mart Stores East, L.P.

Richard Hudson

For: *Strategic Energy, LLC*

Date: _____


Thomas Ringwald, VP
For: *ConEdison Solutions*

Date: 12/12/06

Date: _____

Non-Opposing Parties:

Office of Trial Staff of the Pennsylvania Public Utility Commission
Office of Consumer Advocate
Citizen's For Pennsylvania's Future
Citizen Power, Inc.
Comcast of California/Pennsylvania/Utah/Washington, Inc.
Community Action Association of Pennsylvania
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Duquesne Industrial Intervenors
Industrial Energy Consumers of PA
International Brotherhood of Electrical Workers Local 29
NRG Energy Center Pittsburgh LLC
Pennsylvania Large Energy Users Coalition
Reliant Energy, Inc.
Retail Energy Supply Association
Wal-Mart Stores East, L.P.

Appendix A

Overview: Adjusts estimated incremental administrative costs based on actual costs incurred, updated projections and dollars already collected from EGSs. Spreads remaining dollars over remaining period and most recent experience of EGS billings (given changes in shopping levels and EGS pricing).

Incremental Administrative Cost Discount			Comments
Initial Discount Rate Established November 1, 2007 [FOR PURPOSES OF ILLUSTRATION]			
a	DLC POR Administrative Costs	\$ 750,000 Estimate of incremental implementation and ongoing operating costs. (Taking into account costs incurred to date and projected incremental costs).	To be updated on November 1, 2007. The parties would agree now to the categories and types of costs Duquesne would submit.
b	Recovery Period in Years	3	Costs to be recovered over 3 years.
c=a/b	Annual Revenue Requirement	\$ 250,000	
d	Total Billed EGS Charges	\$ 89,756,777 Most recent 12 month period available.	To be updated on November 1, 2007.
e=c/d	EGS Administrative POR Discount	<input type="text" value="0.28%"/>	
Methodology Used to Adjust Discount Rate on February 1, 2009*			
	Updated DLC POR Administrative Costs:		
	xxxxx	0	
f	Total Administrative Costs	\$ 725,000 Revised estimate of incremental implementation and ongoing operating costs. (Taking into account costs incurred to date and projected incremental costs).	To be updated on February 1, 2009 and February 1, 2010. The parties would agree now to the categories and types of costs Duquesne would submit.
g	Less Total Dollar Amount of EGS Admin. Discounts Paid from Prior Months(s)	\$ 275,000 Based on prior admin. discount rate * prior EGS billings.	Actual costs recovered from EGSs to date over life of POR program reflecting changes in EGS sales and pricing.
h=f-g	Remaining Balance, Administrative Costs Yet to be Recovered	\$ 450,000	
i	Years Remaining in Recovery Period	2	
j=h/i	Revised Annual Revenue Requirement	\$ 225,000	
k	Total Billed EGS Charges	\$ 100,000,000 Most recent 12 months available.	To be updated on February 1, 2009 and February 1, 2010.
l=j/k	Revised EGS Administrative Cost Discount	<input type="text" value="0.23%"/>	
* Note: The same methodology would be used to adjust the discount rate on February 1, 2010.			



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

DEC 15 2006

R-00061346

IN REPLY PLEASE
REFER TO OUR FILE

December 11, 2006

Michael Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Re: *Pennsylvania Public Utility Commission v. Duquesne Light
Company*; Docket No. R-00061346

Dear Mr. Gang:

The Office of Trial Staff will not be a signatory to the Purchase of Receivables (POR) program agreement, but, as indicated previously, does not oppose the agreement.

If you have any questions or concerns, please contact me.

Sincerely,

Robert V. Eckenrod
Prosecutor
Attorney I.D. No. 84889

COMMONWEALTH OF PENNSYLVANIA



DEC 12 2006

OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

December 11, 2006

Michael Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

RE: Pennsylvania Public Utility Commission
v.
Duquesne Light Company
Docket No. R-00061346

Dear Mr. Gang:

The Office of Consumer Advocate will not be a Signing Party to the Purchase of Receivables (POR) program agreement, but does not oppose the agreement.

Copies have been served on the parties of record as indicated on the enclosed Certificate of Service.

Sincerely,

A handwritten signature in cursive script that reads "Tanya J. McCloskey".

Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044

cc: Parties of Record

00091882.DOC



Citizens for Pennsylvania's Future
Regional Enterprise Tower
425 Sixth Avenue, Suite 2770
Pittsburgh, PA 15219-1853

December 11, 2006

Michael Gang, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Mr. Gang:

Citizens for Pennsylvania's Future will not oppose the Purchase of Receivables Agreement between the parties participating in those discussions.

If you have any questions, please contact me at (412) 258-6684.

Sincerely,

George Jugovic, Jr.

George Jugovic Jr.
Senior Attorney

cc: All parties



STINSON
MORRISON
HECKER LLP

John E. McCaffrey
(202) 728-3013
jmccaffrey@stinsonmoheck.com
www.stinsonmoheck.com

DEC 12 2006

1150 13th Street N.W., Suite 800
Washington, D.C. 20036-3816

Tel (202) 785-9100
Fax (202) 785-9163

December 11, 2006

VIA FEDERAL EXPRESS

Michael W. Gang, Esq.
Andrew S. Tubbs, Esq.
Post & Schell, P.C.
17 North Second Street
Twelfth Floor
Harrisburg, PA 17101-1601

Re: *Pennsylvania Public Utility Commission v. Duquesne Light
Company, Docket No. R-00061346*

Dear Messrs. Gang and Tubbs:

On behalf of Citizen Power, Inc. the undersigned hereby states that Citizen Power neither supports nor opposes the Purchase of Receivables Agreement in the referenced proceeding.

Should you require any further information, please do not hesitate to contact me.

Respectfully yours,

STINSON MORRISON HECKER LLP

John E. McCaffrey

An attorney for Citizen Power, Inc.

cc: All parties (via electronic mail)

KANSAS CITY
OVERLAND PARK
WICHITA
WASHINGTON, D.C.
PHOENIX
ST. LOUIS
OMAHA
JEFFERSON CITY

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

DEC 14 2006

1201 NORTH MARKET STREET
P.O. Box 1347
WILMINGTON, DELAWARE 19899-1347

302 658 9200
302 658 3989 FAX

GEOFFREY A. SAWYER, III
302 351 9417
302 498 6221 FAX
gsawyer@mnaat.com

December 8, 2006

VIA FIRST CLASS MAIL

Michael Gang, Esquire
Post & Schell
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Re: Pennsylvania Public Utility Commission v. Duquesne Light Company;
Docket No. R-00061346 – POR Program

Dear Mike:

Comcast of California/Pennsylvania/Utah/Washington, Inc. will not be a Signing Party to the Purchase of Receivables ("POR") program agreement, but does not oppose the agreement.

Sincerely,



Geoffrey A. Sawyer, III

GAS:lf
548696

cc: Parties of Record (via email)

BURKE VULLO REILLY ROBERTS

ATTORNEYS AT LAW

1460 Wyoming Avenue
Forty Fort, PA 18704
Phone (570) 288-6441 + Fax (570) 288-4598

*Formerly Burke & Burke
Thomas F. Burke, Sr. (1932-1972)*

www.bvrrlaw.com

JOSEPH L. VULLO
jlvullo@bvrrlaw.com

December 13, 2006

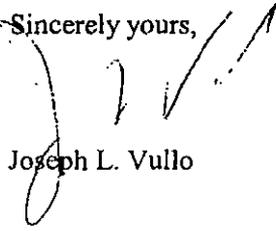
Michael W. Gang, Esquire
Post & Schell, P.C.
12th Floor
17 North Second Street
Harrisburg, PA 17101-1601

RE: Pennsylvania Public Utility Commission v. Duquesne Light Company
Docket No. R-00061346
Purchase of Receivables Agreement

Dear Mr. Gang:

Community Action Association of Pennsylvania will not be a signing party to the Purchase of Receivables Agreement ("Agreement"), but does not oppose the Agreement.

Sincerely yours,


Joseph L. Vullo

JLV/jar

cc: All Parties of Record (via email)

DEC 13 2006

One South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101-2114

Brian J. Knipe
(717) 237-4820
brian.knipe@bipc.com

T 717.237.4800
F 717.233.0852

www.bipc.com

December 13, 2006

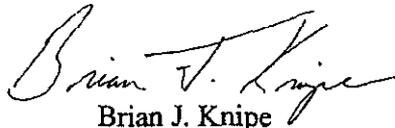
Michael W. Gang, Esquire
Post & Schell, P.C.
12th Floor
17 North Second Street
Harrisburg, PA 17101-1601

Re: Pennsylvania Public Utility Commission v. Duquesne Light Company,
Docket No. R-00061346 —
Purchase of Receivables Agreement

Dear Mr. Gang:

Constellation NewEnergy, Inc. will not be a Signing Party to the Purchase of Receivables Agreement ("Agreement"), but does not oppose the Agreement.

Very truly yours,



Brian J. Knipe

For BUCHANAN INGERSOLL & ROONEY, P.C.

BJK/eh

cc: Certificate of Service (via e-mail)

DEC 11 2006



McNees Wallace & Nurick LLC
attorneys at law

PAMELA C. POLACEK
DIRECT DIAL: (717) 237-5368
E-MAIL ADDRESS: PPOLACEK@MWN.COM

December 11, 2006

Michael W. Gang, Esquire
Post & Schell, P.C.
17 North Second Street
Harrisburg, PA 17101-1601

VIA HAND DELIVERY

**RE: PA Public Utility Commission v. Duquesne Light Company;
Docket No. R-00061346**

Dear Mr. Gang:

The Duquesne Industrial Intervenors ("DII") submits this letter to indicate that it neither supports nor opposes the Purchase of Receivables Agreement.

Please feel free to contact us with any questions regarding this letter.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek

Counsel to the Duquesne Industrial
Intervenors

PCP:nk

c: Certificate of Service



McNees Wallace & Nurick LLC
attorneys at law

PAMELA C. POLACEK
DIRECT DIAL: (717) 237-5368
E-MAIL ADDRESS: PPOLACEK@MWN.COM

December 15, 2006

Michael W. Gang, Esquire
Post & Schell, P.C.
17 North Second Street
Harrisburg, PA 17101-1601

VIA HAND DELIVERY

**RE: PA Public Utility Commission v. Duquesne Light Company;
Docket No. R-00061346**

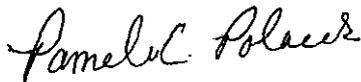
Dear Mr. Gang:

The Industrial Energy Consumers of Pennsylvania ("IECPA") submits this letter to indicate that it neither supports nor opposes the Purchase of Receivables Agreement.

Please feel free to contact us with any questions regarding this letter.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek

Counsel to the Industrial Energy
Consumers of Pennsylvania

PCP:nk

c: Certificate of Service

DEC 19 2006

Scott J. Rubin
Attorney ♦ Consultant

3 Lost Creek Drive ♦ Selinsgrove, PA 17870 ♦ (570)743-2233 ♦ Fax: (570)743-8145 ♦ scott@publicutilityhome.com

December 18, 2006

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

Re: Pa. PUC v. Duquesne Light Company
Docket No. R-00061346

Dear Secretary McNulty:

Please be advised that International Brotherhood of Electrical Workers, Local 29 ("Local 29") has not participated in negotiations concerning the Purchase of Receivables program and related issues contained in the proposed settlement. As a result, Local 29 will not be taking a position on the proposed settlement.

Sincerely,


Scott J. Rubin

DEC 13 2006

Brian J. Knipe
(717) 237-4820
brian.knipe@bipc.com

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213 Market Street, 3rd Floor
Harrisburg, PA 17101-2114

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December 13, 2006

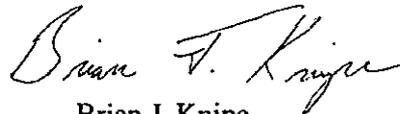
Michael W. Gang, Esquire
Post & Schell, P.C.
12th Floor
17 North Second Street
Harrisburg, PA 17101-1601

Re: Pennsylvania Public Utility Commission v. Duquesne Light Company,
Docket No. R-00061346 —
Purchase of Receivables Agreement

Dear Mr. Gang:

NRG Energy Center Pittsburgh LLC will not be a Signing Party to the Purchase of Receivables Agreement ("Agreement"), but does not oppose the Agreement.

Very truly yours,



Brian J. Knipe

For BUCHANAN INGERSOLL & ROONEY, P.C.

BJK/eh

cc: Certificate of Service (via e-mail)

**Sutherland
Asbill &
Brennan LLP**

ATTORNEYS AT LAW

PAUL F. FORSHAY
DIRECT LINE: 202.383.0708
E-mail: paul.forshay@sablaw.com

DEC 18 2006

1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
202.383.0100
fax 202.637.3593
www.sablaw.com

December 14, 2006

Michael Gang, Esq.
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

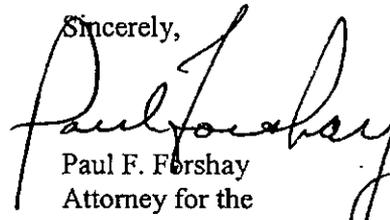
Re: Pennsylvania Public Utility Commission v.
Duquesne Light Company, Docket No. R-00061346

Dear Mr. Gang:

The Pennsylvania Large Energy Users Coalition neither supports nor opposes the Purchase of Receivables (POR) program agreement.

Please contact me if you have any questions.

Sincerely,



Paul F. Forshay
Attorney for the
Pennsylvania Large Energy Users Coalition

Enclosures

cc: All Parties (via email)

WO 674692.1

One South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101-2114

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F 717.233.0852

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Brian J. Knipe
(717) 237-4820
brian.knipe@bipc.com

December 13, 2006

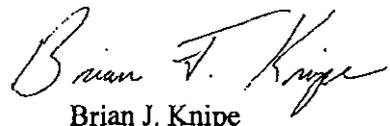
Michael W. Gang, Esquire
Post & Schell, P.C.
12th Floor
17 North Second Street
Harrisburg, PA 17101-1601

Re: Pennsylvania Public Utility Commission v. Duquesne Light Company,
Docket No. R-00061346 —
Purchase of Receivables Agreement

Dear Mr. Gang:

Reliant Energy, Inc. will not be a Signing Party to the Purchase of Receivables Agreement ("Agreement"), but does not oppose the Agreement.

Very truly yours,



Brian J. Knipe

For BUCHANAN INGERSOLL & ROONEY, P.C.

BJK/eh

cc: Certificate of Service (via e-mail)

DEC 8 2006

WolfBlock

213 Market Street, 9th Floor, P.O. Box 865, Harrisburg, PA 17108-0865
Tel: (717) 237-7160 ■ Fax: (717) 237-7161 ■ www.WolfBlock.com

Kevin J. Moody
Direct Dial: (717) 237-7187
Direct Fax: (717) 237-2767
E-mail: kmoody@wolfblock.com

December 8, 2006

VIA HAND DELIVERY

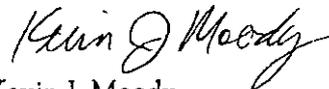
Michael Gang, Esquire
Post & Schell
17 North Second St., 12th Fl.
Harrisburg, PA 17101-1601

Re: Pennsylvania Public Utility Commission v. Duquesne
Light Company; Docket No. R-00061346 - POR Program

Dear Mike:

The Retail Energy Supply Association will not be a Signing Party to the Purchase of Receivables ("POR") program agreement, but does not oppose the agreement.

Sincerely,



Kevin J. Moody

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

KJM/jls

cc: Parties of Record (via email)

HAR:70112.1/MID051-236834

Boston, MA ■ Cherry Hill, NJ ■ Harrisburg, PA ■ New York, NY ■ Norristown, PA ■ Philadelphia, PA ■ Roseland, NJ ■ Wilmington, DE

WolfBlock Government Relations - Harrisburg, PA ■ WolfBlock Public Strategies - Boston, MA and Washington, DC

Wolf, Block, Schorr and Solis-Cohen LLP, a Pennsylvania Limited Liability Partnership

DEC 15 2006

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& SACKS** LLP
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December 13, 2006

File No.
9006-2-3

Michael Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

**Re: Pennsylvania Public Utility Commission
v.
Duquesne Light Company
Docket No. R-00061346**

Dear Mr. Gang:

Wal-Mart Stores East, LP will not be a signatory to the Purchase of Receivables (POR) program agreement, but does not oppose the agreement.

If you have any questions or concerns, please contact me.

Very truly yours,



Scott H. DeBroff
Counsel for Wal-Mart Stores East, LP

SHD/ddm
Enclosures
cc: All parties of record

Duquesne Light Company

Proposed Changes
to Duquesne Light Company's
Electric Generation Supplier Coordination Tariff Electric – PA. P.U.C. No. 3S

January 23, 2007

SUPPLEMENT NO. X
TO ELECTRIC - PA. P.U.C. NO. 3S

DUQUESNE LIGHT COMPANY

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued By

DUQUESNE LIGHT COMPANY
411 Seventh Avenue
Pittsburgh, PA 15219

Morgan K. O'Brien
President and Chief Executive Officer

Issued: XXX

Effective: January 1, 2008

NOTICE

THIS TARIFF ADDS A NEW RULE AND MODIFIES AN EXISTING RIDER

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

Definitions of Terms and Explanations of Abbreviations

**First Revised Page No. 6B
Cancelling Original Page No. 6B**

Transmission Losses have been updated to reflect the Company's line loss study performed in September 2005 supporting the distribution rates approved by the Commission's final order at R-00061346 dated December 1, 2006.

Rule No. 12 – Payment and Billing

**First Revised Pages No. 30
Cancelling Original Pages No. 30
Original Pages No. 30A – 30C**

- Rule No. 12.1.5 – Company Reimbursement to EGS for Customer Payments**
- Rule No. 12.1.7 – Purchase of EGS Receivables**

Rule No. 12.1.5 has been modified and Rule No. 12.1.7 has been added to Rule No. 12 to incorporate the proposed Purchase of Receivables Program relative to the receivables associated with small customers served by EGSs utilizing the Company's billing services.

Real Power Distribution Losses Table

**First Revised Page No. 49
Cancelling Original Page No. 49**

Distribution Line Losses have been updated to reflect the Company's line loss study performed in September 2005 supporting the distribution rates approved by the Commission's final order at R-00061346 dated December 1, 2006.

DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS - (Continued)

Peak Load Contributions (PLCs) - A customer's contribution to the DLC Zone's normalized summer peak load, as calculated by the zone's Electric Distribution Company and used in determining a Load Serving Entity's Peak Load obligation.

Pennsylvania Public Utility Commission or Commission - The Pennsylvania Public Utility Commission.

Pilot Customer(s) - A customer participating in the Company's Customer Choice pilot program.

PJM - PJM Interconnection, L.L.C.

PJM Control Area - the area encompassing electric systems recognized by the North American Electric Reliability Council as the "PJM Control Area".

PJM Miscellaneous Charges - PJM miscellaneous energy related allocations or charges or credits to the LDC, and not to the LSE, including but not limited to those related to PJM allocated "ECAR Automatic Reserve Sharing". PJM Grid Management, Transitional Market and Transitional costs collected through Rider 1 of the Retail Tariff are excluded from Miscellaneous Charges.

PJM OI - the PJM Office of Interconnection, the system operator for the PJM Control Area.

PJM Tariff - the PJM Open Access Transmission Tariff on file with the FERC and which sets forth the rates, terms and conditions of transmission service over transmission facilities located in the PJM Control Area.

Preliminary Forecast - The week ahead hourly forecast for energy to be supplied the following week.

Residual Losses - Residual Losses/Unaccounted for Energy = PJM Zonal Energy Requirement - ((summation of EGS consumption adjusted for Transmission and Distribution Losses) + (POLR consumption adjusted for Transmission and Distribution Losses)).

Retail Load Responsibility (RLR) - For non-metered and monthly metered load, the sum total of the estimated hourly load plus transmission losses, distribution losses, and the EGS's pro rata share of UFE within the service territory of the EDC, for which the EGS must provide energy to its customers. For hourly metered customers, the sum total of the hourly consumed load of all of an EGS's customers, adjusted for transmission losses, distribution losses and the EGS's pro rata share of UFE within the service territory of the EDC, for which the EGS must provide energy to its customers.

Scheduling Coordinator - Entity that performs one or more of an EGS's Coordination Obligations, including the submission of energy schedules to the PJM OI, and that either is (1) a member of the PJM Interconnection, L.L.C. or (2) is the agent, for scheduling purposes, of one or more Electric Generation Suppliers that are members of the PJM Interconnection, L.L.C.

Tariff - This Electric Generation Supplier Coordination Tariff.

Transmission Losses - Real Power Transmission Losses are associated with all transmission service. The Transmission Provider is not obligated to provide Real Power Losses. The Transmission Customer is responsible for replacing losses associated with all transmission service as calculated by the Transmission Provider. The applicable Real Power Transmission Loss factor is 0.8%.

(C) - Indicates Change

(C)

RULES AND REGULATIONS - (Continued)

12. PAYMENT AND BILLING

12.1 CUSTOMER BILLING BY THE COMPANY All EGS charges to customers, if billed by the Company, shall be billed in accordance with the EDC Tariff and the following provisions:

12.1.1 COMPANY BILLING FOR EGS The Company will bill price plans offered by the EGS which are based on fixed and variable charges similar to those the Company employs for billing distribution service and default Provider-of-Last-Resort service. Nothing in this rule shall require the Company to manually bill customers. Within this context, if the Company's billing system has the capability to bill the price plans offered by the EGS, the EGS may request the Company to do all or some of the billing for the EGS's customers based on the customers' preferences. In addition, the Company will include on its bill EGS late fees and payment arrangements as required by the Pennsylvania Public Utility Commission. However in no case shall the Company require the EGS to provide separate customer lists or perform unique scheduling and reconciliation services for customers billed directly by the Company.

12.1.2 BILLING FILES Where the EGS has requested the Company to act as the EGS's billing agent the Company shall electronically transmit files of billing detail daily to the EGS. Such files shall include the Company account number, rate codes, usage information, demand and energy charges, sales tax, and other EGS charges. Billing files transmitted shall have control totals to assure all data was received by the EGS. Control totals include the number of records on the file and significant totals (e.g. total kWh billed, total amount billed, total tax). All billing files will be in a format consistent with standards developed by the EDEWG.

12.1.3 BUDGET BILLING The Company will develop dual tracking systems to administer budget billing and apply payments for EGS charges and Company charges.

12.1.4 EGS TAX RESPONSIBILITY The Company is not responsible for paying or remitting on behalf of an EGS taxes including, but not limited to, Pennsylvania Gross Receipts Tax, Pennsylvania Public Utility Realty Tax, Pennsylvania Capital Stock Tax and Pennsylvania Corporate Net Income Tax.

12.1.4.1 SALES TAX EXEMPTION With respect to customers receiving one bill from the Company, the EGS for whom the Company is billing must provide to the Company the applicable sales tax exemption percentage for each customer. The Company will use the sales tax exemption percentage provided by the EGS for billing the EGS's charges. The EGS is responsible for holding appropriate exemption certificates and is liable for the collection and remittance of sales tax on the EGS's charges. The Company will use a zero exemption percentage if no percentage is provided by an EGS.

12.1.5 COMPANY REIMBURSEMENT TO EGS FOR CUSTOMER PAYMENTS For EGSs serving small customers, defined as those on Rate Schedules RS, RH, RA, GS/GM and GMH, the Company shall forward payment in accordance with the provisions of Rule No. 12.1.7 below. For receivables associated with EGS sales to all other customers, the Company shall reimburse the EGS within 14 days of receipt of payment for all energy charges, late fees, sales taxes, and any other taxes and charges collected on behalf of the EGS from the customer consistent with Section 2807 (c) (3) of the Competition Act. (C)

12.1.6 EGS BILLING DATA The EGS shall provide all necessary data in its possession for the timely computation of bills. A failure of the EGS to provide necessary data to the Company in a timely fashion may delay generation of a bill for the month to which the data pertain. In such instances, the EGS is responsible for all fines and violations, if any, arising as a consequence of the Company's inability to render a timely bill.

RULES AND REGULATIONS - (Continued)

12. PAYMENT AND BILLING - (Continued)

12.1.7 PURCHASE OF EGS RECEIVABLES (POR) PILOT PROGRAM Duquesne will purchase the accounts receivable, without recourse, associated with EGS sales of retail electric commodity, comprised of generation and transmission services, to small customers within Duquesne's service territory. Small customers are those taking delivery service under the Company's retail tariff Rates RS, RH, RA, GS/GM and GMH. Under the POR program, Duquesne will reimburse EGSs for their customer billings regardless of whether Duquesne receives payment from the customer, subject to the limitations set forth below. Duquesne will seek to recover the EGS receivables from EGS customers consistent with Duquesne's existing collection procedures for recovery of billings to POLR customers, and incur any uncollectible costs related to billings for EGSs. The POR program is a pilot program and will become effective January 1, 2008, and will remain in effect as described through December 31, 2010 and will terminate on December 31, 2010. In the Performance Report to be filed with the Commission in 2010 (described below) Duquesne will either propose to continue the POR program under such terms and conditions as it deems appropriate or provide an explanation as to why the POR program should be discontinued as of December 31, 2010.

12.1.7.1 ELIGIBILITY REQUIREMENTS EGSs that choose Duquesne's consolidated billing option for all or a portion of their small customer accounts will be required to sell their accounts receivable to Duquesne for those customers for whom Duquesne issues a consolidated bill. (EGSs may continue to issue their own bills [dual billing] for commodity service, for all or a portion of their customers, but will not be eligible to participate in the POR program for those customers that receive dual billing.) EGSs may choose to participate in the POR program with consolidated billing at any time during the term of the POR program as long as the EGS does not remove customer accounts from consolidated billing and the POR program for 12 consecutive billing cycles. A customer whose service is terminated or who voluntarily switches from the EGS' service to another generation provider is not considered to have been removed by the EGS from consolidated billing and the POR program.

EGSs participating in this POR pilot program will agree not to reject for enrollment a new customer covered by the program based on credit-related issues. Any customer who wishes to be served by an EGS participating in the POR program will be accepted by the EGS if that EGS is actively serving the rate class to which that customer belongs.

12.1.7.2 PURCHASE PRICE DISCOUNT EGSs' electric commodity receivables will be purchased at a discount. The discount rate will be comprised of two components reflecting 1.) the costs related to the estimated incremental EGS uncollectible expenses which will remain fixed throughout the pilot program, and 2.) recovery of incremental initial and incremental ongoing operating and administrative costs associated with the POR program which will be adjusted twice during the pilot program. The discount rate for electric commodity shall equal 0.70%, the sum of 0.42% for the first component and 0.28% for the second component.

12.1.7.2.1 PURCHASE PRICE DISCOUNT ADJUSTMENT During the term of the three-year Pilot Program, beginning in January, 2008, the discount rate may be adjusted twice - once on February 1, 2009 and again on February 1, 2010 - to reflect Duquesne's most recent experiences of the total administrative discount cost to implement and operate the POR program (including actual incremental costs already incurred), less the actual total dollar amount of discounts from the prior calendar year(s) related to the recovery of administrative costs, divided by the number of years remaining in the recovery period, divided by the actual EGS consolidated billings for the most recent 12 month period.

Duquesne will provide the updated discount rates to EGSs authorized to serve customers in the Company's service territory 60 days before the effective date of the discount rate change.

(C)

RULES AND REGULATIONS - (Continued)

12. PAYMENT AND BILLING -- (Continued)

12.1.7 PURCHASE OF EGS RECEIVABLES (POR) PILOT PROGRAM -- (Continued)

12.1.7.2.2 PURCHASE PRICE DISCOUNT ADJUSTMENT FOR INDIVIDUAL EGS Duquesne will monitor individual EGS uncollectible percentage rates (measured as any unpaid amounts 60 days or older divided by that EGS's total annual consolidated billings), to determine whether any individual EGS is engaging in Unusual Business Behavior that results in an increase to the total uncollectible percentage rate for the Duquesne System. If, based on this monitoring, Duquesne finds that an individual EGS's uncollectible percentage rate exceeds 5%, then Duquesne, at its discretion, may increase the discount rate for that individual EGS's accounts to reflect the increased costs associated with the EGS's uncollectible accounts by the difference between the EGS's uncollectible percentage rate and 2%. For purposes of this calculation, Duquesne shall rely on the most recent 12-month period (or shorter if the EGS is new to the POR program) to calculate the EGS's uncollectible percentage rate. Duquesne, in its discretion, may opt to waive the imposition of the additional discount if the increase in the uncollectible rate results primarily from providing service to previously poor paying customers currently on POLR service and the individual EGS is able to provide a reasonable explanation for the significant increase in its uncollectible rate is not the result of a particular price offering, marketing strategy or other actions of the individual EGS. If, however, Duquesne determines that an additional discount is appropriate, the EGS may challenge that determination pursuant to the dispute resolution procedures discussed below. Should the result of those procedures uphold the EGS's position, Duquesne will refund to the EGS the additional discount withheld from their receivables. In the course of the dispute resolution, the EGS may be called upon to provide customer payment history for the small customers it serves, commodity pricing, and other such information deemed appropriate, subject to confidentiality agreement. The discount will be lowered to the level applicable to other EGSs when and if the particular EGS's uncollectible percentage rate decreases to a level of 2% or below over a 12 month period. If the particular EGS stops providing service to a customer under the POR program, the EGS must pay to Duquesne an amount equal to the increase to the discount multiplied by that customer's prior year's billings, to the extent that such amount has not already been paid on the date the EGS stops providing service to that customer.

12.1.7.3 TIMING OF PAYMENTS Payments to EGSs will occur electronically; 35 days after consolidated bills are issued, and will continue throughout the billing cycle. If the 35th day falls on a weekend or bank holiday, payments will occur on the next business day.

12.1.7.4 OTHER PAYMENT PROVISIONS If the EGS customer is on a budget or levelized payment plan, Duquesne shall only be obligated to purchase each month the amount of the monthly installment under the budget or levelized payment plan. Duquesne shall also purchase accounts receivable of EGS's customers based upon an estimated bill. Duquesne shall add to or deduct from any payments due to EGSs amounts that may result from reconciliations, adjustments or recalculations of budget or levelized plans, estimated readings, cancel and rebills, or any applicable billing adjustment.

12.1.7.5 TRANSFER OF COLLECTION RESPONSIBILITIES AND RIGHTS Under the POR program, Duquesne is entitled to receive and retain all payments from customers. Duquesne is authorized to conduct collection activities and, if necessary, terminate its delivery service and EGS commodity service to customers whose accounts receivables were purchased and who fail to make payment of amounts due on the consolidated bill, including the amount of the purchased EGS receivables (up to the amount the customer would have been billed for commodity service if the customer had received POLR supply from Duquesne during the non-payment period). Any such termination of service shall be in accordance with the

RULES AND REGULATIONS - (Continued)

12. PAYMENT AND BILLING - (Continued)

12.1.7 PURCHASE OF EGS RECEIVABLES (POR) PILOT PROGRAM - (Continued)

12.1.7.5 TRANSFER OF COLLECTION RESPONSIBILITIES AND RIGHTS - (Continued)

service termination provisions contained herewith and consistent with the provisions of Chapter 14 of the Pennsylvania Public Utility Code and Chapter 56 (or a successor chapter) of the Commission's regulations. Duquesne shall be authorized to terminate commodity service to an EGS customer if the customer's payments do not cover the amount the customer would have been billed if the customer were on POLR service, as referenced above. A residential customer terminated from utility service under the POR program shall be reconnected to service upon the payment of the arrears that were subject to the termination or a lesser amount as set forth below. The required payment may include both delivery and EGS commodity charges.

An EGS customer in the POR program that has been terminated for non-payment may be reconnected upon paying the lesser of: a) the sum of unpaid distribution charges (plus any applicable reconnection fees or deposits) and the amount billed for EGS commodity service, (or a payment arrangement required by applicable law); or b) the sum of unpaid distribution charges (plus any applicable reconnection fees or deposits) and the amount the customer would have been billed for commodity service if the customer had received POLR supply from Duquesne during the non-payment period (or a payment arrangement required by applicable law). At the time of reconnection the customer will be reconnected to the EGS or the default service provider of record.

12.1.7.6 PROGRAM PERFORMANCE AND MONITORING Duquesne is required to file (and provide a copy to the parties) a performance report within 90 days following the end of each calendar year covered by the Term of the POR program. In addition, parties will have the opportunity to conduct a review of the program's performance within 90 days after Duquesne submits its performance report so that parties may discuss the operation of the POR program and audit the calculation of the POR discount rate.

12.1.7.7 DISPUTE RESOLUTION To the extent concerns arise regarding the implementation of the provisions of the POR program, parties shall attempt to resolve such disputes according to the informal, internal and/or external dispute resolution procedures described in this tariff at Rule No. 18. Parties shall also have the right to resolve such disagreements in the Commission's dispute resolution process.

TABLE 1

Real Power Distribution Losses

(C)

Rate Schedule	Percentage of Loss
AL - Architectural Lighting Service	6.1%
GL - General Service Large	2.9%
GLH - General Service Large Heating	2.9%
GMH - General Service Medium Heating	5.3%
GS/GM - General Service Small and Medium	5.3%
HVPS - High Voltage Power Service	0
L - Large Power Service	2.9%
RA - Residential Service Add On Heat Pump	6.1%
RH - Residential Service Heating	6.1%
RS - Residential Service	6.1%
SE - Street Lighting Energy	6.1%
SH - Street Lighting Highway	6.1%
SM - Street Light Municipal	6.1%
MTS - Municipal Traffic Signals	6.1%
PAL - Private Area Lighting	6.1%

Duquesne Light Company

Proposed Changes

to Duquesne Light Company's

Tariff Electric – PA. P.U.C. No. 24

January 23, 2007



SCHEDULE OF RATES

For Electric Service in Allegheny and Beaver Counties

(For List of Communities Served, see Pages No. 4 and 5)

Issued By

DUQUESNE LIGHT COMPANY

411 Seventh Avenue
Pittsburgh, PA 15219

Morgan K. O'Brien
President and Chief Executive Officer

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: January 1, 2008

NOTICE

**THIS TARIFF INCREASES, DECREASES AND CHANGES EXISTING RATES AND RIDERS
AND REMOVES RIDERS AND PAGES**

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

Table of Contents

**Second Revised Page No. 3
Cancelling First Revised Page No. 3**

Rider No. 1 – PJM Surcharge. This rider has been removed the tariff.
Rider No. 8 – Fixed Price Service – Pages No. 88A-88B. This rider has been removed from the tariff.
Rider No. 20 – Market Price Adjustment. This rider has been added to the tariff.
Rider No. 23 – Generation Rate Adjustment – Pages No. 112A-112D. This rider has been removed from the tariff.
Rules and Regulations – Contracts – Page No. 9A. This page has been removed from the tariff.
Rules and Regulations – General Provisions - Page No. 31A. This page has been removed from the tariff.

Rule No. 45.2 – Supplier Switching Options

**Second Revised Page No. 31
Cancelling First Revised Page No. 31**

**Original Page No. 31A
has been removed from the tariff.**

Rate GL – General Service Large

**Second Revised Pages No. 47-48
Cancelling First Revised Pages No. 47-48**

Rate GLH – General Service Large Heating

**Second Revised Pages No. 50-51
Cancelling First Revised Pages No. 50-51**

Rate L – Large Power Service

**Second Revised Pages No. 53-54
Cancelling First Revised Pages No. 53-54**

Rate HVPS – High Voltage Power Service

**Second Revised Pages No. 57-58
Cancelling First Revised Pages No. 57-58**

Rider No. 5 – Time of Day Discounts

**Second Revised Page No. 84
Cancelling First Revised Page No. 84**

Rider No. 8 – Fixed Price Service

**Second Revised Page No. 88
Cancelling First Revised Page No. 88**

**Original Pages No. 88A-88B
have been removed from the tariff.**

Rider No. 9 – Hourly Price Service

**Second Revised Page No. 93
Cancelling First Revised Page No. 93**

Rider No. 16 – Service to Non-Utility Generating Facilities

**Second Revised Pages No. 101-102
Cancelling First Revised Pages No. 101-102**

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)**CHANGES – (Continued)****Rider No. 23 – Generation Rate Adjustment****Original Pages No. 112A-112D
have been removed from the tariff.**

Rider No. 8 – Fixed Price Service and Rider No. 23 – Generation Rate Adjustment, which applied only to customers served under Rider No. 8, have been eliminated from the tariff. All references to these riders have been deleted from the remaining rules, rates and regulations of the tariff as reflected on the pages listed above.

Rider No. 9 – Hourly Price Service**Second Revised Pages No. 90 and 91
Cancelling First Revised Pages No. 90 and 91**

Rider No. 9 has been modified to directly include the PJM Surcharge and reflect updated fixed retail adder rate.

3. – Applications**Second Revised Page No. 6
Cancelling First Revised Page No. 6****3.1 – Definitions – (2) Basic Services****Second Revised Page No. 6
Cancelling First Revised Page No. 6****3.1 – Definitions – (6) Default Service****Second Revised Page No. 7
Cancelling First Revised Page No. 7****3.1 – Definitions – (17) Supply Charges****Second Revised Page No. 8
Cancelling First Revised Page No. 8****4. – Contracts****Second Revised Pages No. 8-9
Cancelling First Revised Pages No. 8-9****21.2 – Partial Payment of Bills****Second Revised Page No. 24
Cancelling First Revised Page No. 24****Rule No. 45.2 – Supplier Switching Options****Second Revised Page No. 31
Cancelling First Revised Page No. 31****Rate RS – Residential Service****Second Revised Page No. 32
Cancelling First Revised Page No. 32****Rate RH – Residential Service Heating****Second Revised Pages No. 34-35
Cancelling First Revised Pages No. 34-35****Rate RA – Residential Service Add-On Heat Pump****Second Revised Pages No. 37-38
Cancelling First Revised Pages No. 37-38**

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)**CHANGES – (Continued)**

Rate GS/GM – General Service Small and Medium	Second Revised Pages No. 40-42 Cancelling First Revised Pages No. 40-42
Rate GMH – General Service Medium Heating	Second Revised Pages No. 43-45 Cancelling First Revised Pages No. 43-45
Rate GL – General Service Large	Second Revised Pages No. 47-48 Cancelling First Revised Pages No. 47-48
Rate GLH – General Service Large Heating	Second Revised Pages No. 50-51 Cancelling First Revised Pages No. 50-51
Rate L – Large Power Service	Second Revised Pages No. 53-54 Cancelling First Revised Pages No. 53-54
Rate HVPS – High Voltage Power Service	Second Revised Pages No. 57-59 Cancelling First Revised Pages No. 57-59
Rate AL – Architectural Lighting Service	Second Revised Pages No. 61-62 Cancelling First Revised Pages No. 61-62
Rate SE – Street Lighting Energy	Second Revised Page No. 64 Cancelling First Revised Page No. 64
Rate SM – Street Lighting Municipal	Second Revised Pages No. 68-69 Cancelling First Revised Pages No. 68-69
Rate SH – Street Lighting Highway	Second Revised Page No. 71 Cancelling First Revised Page No. 71
Rate UMS – Unmetered Service	Second Revised Page No. 74 Cancelling First Revised Page No. 74
Rate PAL – Private Area Lighting	Second Revised Pages No. 76-77 Cancelling First Revised Pages No. 76-77
Rider No. 5 – Time of Day Discounts	Second Revised Page No. 84 Cancelling First Revised Page No. 84
Rider No. 9 – Hourly Price Service	Second Revised Page No. 89 Cancelling First Revised Page No. 89
	Second Revised Page No. 93 Cancelling First Revised Page No. 93
Rider No. 11 – Street Railway Service	Second Revised Page No. 95 Cancelling First Revised Page No. 95

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)

CHANGES – (Continued)

Rider No. 13 – General Service Separately Metered Electric Space Heating Service	Second Revised Page No. 97 Cancelling First Revised Page No. 97
Rider No. 14 – Residential Service Separately Metered Electric Space and Water Heating	Second Revised Page No. 98 Cancelling First Revised Page No. 98
Rider No. 16 – Service to Non-Utility Generating Facilities	Second Revised Page No. 102 Cancelling First Revised Page No. 102
Rider No. 17 – Emergency Energy Conservation	Second Revised Page No. 103 Cancelling First Revised Page No. 103
Rider No. 19 – Off-Peak Water Heating Service	Second Revised Page No. 107 Cancelling First Revised Page No. 107
Appendix A – Transmission Service Charges	Second Revised Pages No. 113-115 Cancelling First Revised Pages No. 113-115

The term "generation" has been replaced with "supply" and "Provide of Last Resort" or "POLR" has been replaced with "Default Service," as appropriate, throughout the tariff to more accurately describe the service provided to customers.

Rate RS – Residential Service	Second Revised Page No. 32 Cancelling First Revised Page No. 32
Rate RH – Residential Service Heating	Second Revised Page No. 35 Cancelling First Revised Page No. 35
Rate RA – Residential Service Add-on-Heat Pump	Second Revised Page No. 38 Cancelling First Revised Page No. 38
Rate GS/GM – General Service Small and Medium	Second Revised Page No. 41 Cancelling First Revised Page No. 41
Rate GMH – General Service Large Heating	Second Revised Page No. 44 Cancelling First Revised Page No. 44
Rate AL – Architectural Lighting Service	Second Revised Page No. 61 Cancelling First Revised Page No. 61
Rate SE – Street Lighting Energy	Second Revised Page No. 64 Cancelling First Revised Page No. 64
Rate SM – Street Lighting Municipal	Second Revised Page No. 68 Cancelling First Revised Page No. 68

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)**CHANGES – (Continued)****Rate SH – Street Lighting Highway****Second Revised Page No. 71
Cancelling First Revised Page No. 71****Rate UMS – Unmetered Service****Second Revised Page No. 74
Cancelling First Revised Page No. 74****Rate PAL – Private Area Lighting****Second Revised Page No. 77
Cancelling First Revised Page No. 77****Appendix A – Transmission Service Charges****Second Revised Pages No. 113-116
Cancelling First Revised Pages No. 113-116**

Language regarding the inclusion of ancillary services, line losses and PJM Surcharge in the supply charge has been eliminated, as those costs will be recovered via the Transmission Service Charge prospectively, which has been modified accordingly.

Rule No. 4 – Contracts**Second Revised Page No. 9
Cancelling First Revised Page No. 9****First Revised Page No. 9A
has been removed from the tariff.**

Deleted special contract information no longer needed due to modifications to Rider No. 9 – Hourly Price Service.

Rider No. 5 – Time of Day Discounts**Second Revised Page No. 84
Cancelling First Revised Page No. 84**

The availability and application of Rider No. 5 – Time of Day Discounts will terminate December 31, 2010.

Rate RH – Residential Service Heating**Second Revised Page No. 34
Cancelling First Revised Page No. 34****Rate RA – Residential Service Add-On Heat Pump****Second Revised Page No. 37
Cancelling First Revised Page No. 37****Rate GS/GM – General Service Small and Medium****Second Revised Page No. 40
Cancelling First Revised Page No. 40****Rate GMH – General Service Medium Heating****Second Revised Pages No. 43-44
Cancelling First Revised Pages No. 43-44****Rider No. 13 – General Service Separately Metered
Electric Space Heating Service****Second Revised Page No. 97
Cancelling First Revised Page No. 97**

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)**CHANGES – (Continued)****Rider No. 14 – Residential Service Separately Metered
Electric Space and Water Heating****Second Revised Page No. 98
Cancelling First Revised Page No. 98**

These rate schedules have been modified to show supply charges effective January 1, 2008, January 1, 2009 and January 1, 2010.

Rate GS/GM – General Service Small and Medium**Second Revised Page No. 41
Cancelling First Revised Page No. 41****Rate GMH – General Service Medium Heating****Second Revised Page No. 44
Cancelling First Revised Page No. 44****Rider No. 20 – Annual Market Price Adjustment Rate Multiplier****Second Revised Pages No. 108-109
Cancelling First Revised Pages No. 108-109**

Language has been added to Rates GS/GM and GMH and Rider No. 20 has been added to the tariff to implement the market index adjustment factor for small commercial and industrial customers.

Rule No. 26 – Arrears**Second Revised Page No. 24
Cancelling First Revised Page No. 24**

Language has been added to allow the Company to terminate service for non-payment of EGS receivables purchased by the Company pursuant to the proposed Purchase of Receivables Program.

Rate GS/GM – General Service Small and Medium**Second Revised Page No. 42
Cancelling First Revised Page No. 42****Rate GMH – General Service Large Heating****Second Revised Page No. 45
Cancelling First Revised Page No. 45**

The minimum charge provisions in these rates have been modified to reflect the shift toward energy only rate structures.

INCREASES**Rate RS – Residential Service****Second Revised Page No. 32
Cancelling First Revised Page No. 32****Rate RH – Residential Service Heating****Second Revised Page No. 34
Cancelling First Revised Page No. 34****Rate RA – Residential Service Add-On Heat Pump****Second Revised Page No. 37
Cancelling First Revised Page No. 37**

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)**INCREASES – (Continued)**

Rate GS/GM – General Service Small and Medium	Second Revised Page No. 40 Cancelling First Revised Page No. 40
Rate GMH – General Service Medium Heating	Second Revised Pages No. 43-44 Cancelling First Revised Pages No. 43-44
Rate AL – Architectural Lighting Service	Second Revised Page No. 61 Cancelling First Revised Page No. 61
Rate SE – Street Lighting Energy	Second Revised Page No. 64 Cancelling First Revised Page No. 64
Rate SM – Street Lighting Municipal	Second Revised Page No. 68 Cancelling First Revised Page No. 68
Rate UMS – Unmetered Service	Second First Revised Page No. 74 Cancelling First Revised Page No. 74
Rate PAL – Private Area Lighting	Second First Revised Page No. 76 Cancelling First Revised Page No. 76
Rider No. 13 – General Service Separately Metered Electric Space Heating Service	Second First Revised Page No. 97 Cancelling First Revised Page No. 97
Rider No. 14 – Residential Service Separately Metered Electric Space And Water Heating Service	Second First Revised Page No. 98 Cancelling First Revised Page No. 98

Unit supply prices have been changed resulting in increases.

Appendix A – Transmission Service Charges	Second Revised Page No. 113 Cancelling First Revised Page No. 113
-------------------------------------------	----------------------------------------------------------------------

Unit prices have been changed, resulting in increases.

DECREASES

Rate RH – Residential Service Heating	Second Revised Page No. 34 Cancelling First Revised Page No. 34
Rate RA – Residential Service Add-On Heat Pump	Second Revised Page No. 37 Cancelling First Revised Page No. 37
Rate GS/GM – General Service Small and Medium	Second Revised Pages No. 40 and 41 Cancelling First Revised Pages No. 40 and 41

LIST OF MODIFICATIONS MADE BY THIS TARIFF – (Continued)

DECREASES – (Continued)

Rate GMH – General Service Medium Heating

Second Revised Pages No. 43-45
Cancelling First Revised Pages No. 43-45

Rate SH – Street Lighting Highway

Second First Revised Page No. 71
Cancelling First Revised Page No. 71

Rate UMS – Unmetered Service

Second First Revised Page No. 74
Cancelling First Revised Page No. 74

Unit supply prices have been changed resulting in decreases.

Rate AL – Architectural Lighting Service

Second Revised Page No. 61
Cancelling First Revised Page No. 61

Demand Charges have been removed. Unit prices have been changed resulting in decreases.

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(C) - Indicates Change

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		

The supply of electricity may be provided by the Company or by an alternative EGS. Rates for the supply of electricity shall apply per applicable tariffs of the Company or the EGS. (C)

3.1 DEFINITIONS

- (1) **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.
- (2) **Basic Services** - The services necessary for the physical delivery of electricity service including supply, transmission and distribution. Unless indicated otherwise, "electric service" or "service" used throughout this tariff shall have the same meaning. (C)
- (3) **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.
- (4) **Commission** - The Pennsylvania Public Utility Commission.
- (5) **Company** - Duquesne Light Company.

(C) – Indicates Change

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EFFECTIVE: JANUARY 1, 2008

RULES AND REGULATIONS - (Continued)

THE ELECTRIC SERVICE TARIFF - (Continued)

DEFINITIONS - (Continued)

- (6) **Customer** - 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. A residential customer is a natural person in whose name a residential service account is listed and who is primarily responsible for payment of bills rendered for the service, or any adult occupant whose name appears on the mortgage, deed or lease of the property of which the residential utility service is requested.
- (7) **Default Service** - The Company will provide electricity to the customer in the event that a customer: 1) elects not to obtain electricity from an EGS; 2) elects to have the Company supply electricity after having previously purchased electricity from an EGS; 3) contracts with an EGS who fails to supply electricity, or 4) or has been returned to Default Service by the EGS under circumstances as described in Rule No. 45.2 of this Tariff. (C)
- (8) **Direct access** - The right of EGSs 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. (C)
- (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.
- (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 January 1, 1997. 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).

(C) – Indicates Change

RULES AND REGULATIONS - (Continued)

THE ELECTRIC SERVICE TARIFF - (Continued)

DEFINITIONS - (Continued)

- (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) **Non-Basic Services** - Optional recurring services which are distinctly separate and clearly not required for the physical delivery of electric service. (C)
- (14) **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.
- (15) **PJM** – PJM Interconnection, L.L.C.
- (16) **PJM Tariff** - the PJM Open Access Transmission Tariff on file with the FERC and which sets forth the rates, terms and conditions of transmission service over transmission facilities located in the PJM Control Area.
- (17) **Supply Charges** - Basic service charges for acquiring or producing electricity for supply to retail customers. This excludes charges for transmission or other charges related to electric service. (C)
- (18) **Transmission Charges** - Basic charges for the cost of transporting electricity over high voltage wires from the generator to the distribution system of the Company billed to customers that acquire their electricity from the Company. Customers who choose to acquire electricity from an EGS will be billed for transmission services by the EGS.

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.

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 66 Pa.C.S. § 2807. Extension of such facilities will not be conditioned on the customer's agreement to purchase supply 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. (C)

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RULES AND REGULATIONS - (Continued)**THE ELECTRIC SERVICE TARIFF - (Continued)****CONTRACTS, DEPOSITS AND ADVANCE PAYMENTS****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. Any special contracts written to become effective on or after January 1, 2007, shall apply only to charges for the distribution service provided by the Company.

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.

(C)

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RULES AND REGULATIONS - (Continued)

BILLS AND NET PAYMENT PERIODS – (Continued)

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 outstanding balance, if any, and their current bill, as follows: (1) past-due distribution charges; (2) past-due transmission charges; (3) current distribution charges; (4) current transmission charges; (5) past-due supply charges; (6) current supply charges; and (7) non-basic service charges.

(C)
(C)

21.3 RETURNED CHECK OR ACCESS DENIED CHARGE If a check or access device as defined by Pennsylvania law 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.

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, Company charges as the default service charges or EGS receivables purchased by the Company up to the amount that the customer would have paid under Default Service rates during the non-payment period, pursuant to Duquesne's Electric Generation Supplier Coordination Tariff Rule No. 12.1.7. When a residential customer 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" and 66 Pa.C.S. § 1406, "Termination of Utility Service."

(C)

(C) – Indicates Change

RULES AND REGULATIONS - (Continued)**GENERAL PROVISIONS- (Continued)****45.1 SWITCHING PROTOCOLS – (Continued)**

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 OPTIONS Customers who take Default Service from the Company may switch to an EGS at any time provided such notice is made to the Company in accordance with the switching protocols Rule No. 45.1. If a 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 Default Service, provided such notice is made in accordance with the switching protocols. The customer may return to Default Service at the applicable tariff rates in effect at the time service is rendered to the customer. Only the customer may initiate the switch from EGS service to return to the Company's Default Service. The customer must notify the Company by telephone, in person or by written correspondence to initiate the switch to return to Default Service. The Company, however, will permit a customer to return to Default Service in a switch initiated by the customer's EGS through standard EDI procedures in the following circumstances: (1) the customer's failure to pay for service rendered by the EGS, (2) the complete abandonment of service in the Company's service area by the customer's EGS, (3) to remedy a case of inadvertent slamming of the customer, and (4) the expiration of the term of the customer's contract with the EGS, provided that the customer's contract with the EGS is a standard one commonly used by the EGS to provide service to other customers with similar service requirements and the expiration dates of the contract are not otherwise designed to game supply around Default Service rates by returning the customer to Default Service when wholesale energy prices have increased and EGS service to the customer has become uneconomic. Upon receipt of notice from an EGS to switch a customer from Default Service to the EGS, or notice from the customer of its intention to return to Default Service, the Company will provide the customer with a confirmation letter confirming the change in electricity supply unless otherwise instructed by the customer within 10 days. (C)

46. PROVISION OF LOAD DATA The Company will provide to a customer or its authorized representative historical data in accordance with all current regulatory requirements of direct access once each calendar year for no fee. All subsequent requests by the customer, and all requests for historical data by the EGSs or other customer authorized consultant will be provided in accordance with the Supplier Tariff. (C)

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.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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 and for commercial or professional activity where associated consumption represents less than 25% of the total monthly usage at the premise.

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\$7.00

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour	(C)
All kilowatt-hours	4.2313	7.1560	(I)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

(C) – Indicates Change

(I) – Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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 for commercial or professional activity where associated consumption represents less than 25% of the total monthly usage at the premise, 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.....\$7.00

WINTER MONTHLY RATE

For the Billing Months of November through April:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 500 kilowatt-hours	4.2313	7.1560	7.1560	7.1560	(C) (D)
Additional kilowatt-hours	2.1912	4.1275	5.6418	7.1560	(I)

SUMMER MONTHLY RATE

For the Billing Months of May through October:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
All kilowatt-hours	4.2313	7.1560	7.1560	7.1560	(C) (D)

(C) – Indicates Change

(D) – Indicates Decrease

(I) – Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE RH - RESIDENTIAL SERVICE HEATING - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 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.

(C) - Indicates Change

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 for commercial or professional activity where associated consumption represents less than 25% of the total monthly usage at the premise, 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° 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\$7.00

WINTER MONTHLY RATE

For the Billing Months of November through April:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 500 kilowatt-hours	2.8953	7.1560	7.1560	7.1560	(C) (D)
Additional kilowatt-hours	1.4994	4.1867	5.6713	7.1560	(I)

SUMMER MONTHLY RATE

For the Billing Months of May through October:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
All kilowatt-hours	2.8953	7.1560	7.1560	7.1560	(C) (D)

(C) – Indicates Change

(D) – Indicates Decrease

(I) – Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 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.

(C) - Indicates Change

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 FOR NON-DEMAND METERED CUSTOMERS

CUSTOMER CHARGE

Customer Distribution Charge\$7.00

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
All kilowatt-hours	4.2313	7.0830	7.0830	7.0830	(C) (C) (D)(I)

MONTHLY RATE FOR DEMAND METERED CUSTOMERS

CUSTOMER CHARGE

Customer Distribution Charge\$30.00

DEMAND CHARGES

	<u>Distribution Charge</u> \$ per kilowatt	<u>Supply Charge</u> \$ per kilowatt			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 5 kilowatts or less of Demand	No Charge	No Charge	No Charge	No Charge	(C)
Additional kilowatts of Demand	4.84	6.19	3.09	No Charge	(D)

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 1,300 kilowatt-hours	0.8323	7.0830	7.0830	7.0830	(C) (D)
Additional kilowatt-hours	0.8323	5.2849	6.1840	7.0830	(I)

(C) - Indicates Change

(D) - Indicates Decrease

(I) - Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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

MONTHLY RATE

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. No later than October 1 of 2008, the Company will submit a filing to the Commission adjusting the 2009 Supply Charges to reflect changes in the market price of electricity. The 2009 Supply Charges will be multiplied by the Annual Market Price Adjustment Rate Multiplier described in Rider No. 20 to establish rates that will become effective for usage on or after January 1, 2009. No later than October 1 of 2009, the Company will submit a filing to the Commission adjusting the 2010 Supply Charges to reflect changes in the market price of electricity. The revised rates will become effective for usage on or after January 1, 2010. The 2010 Supply Charges will be multiplied by the Annual Market Price Adjustment Rate Multiplier described in Rider No. 20 to establish rates that will become effective for usage on or after January 1, 2010. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

MAXIMUM AVERAGE CHARGE

For customers who elect to purchase their electricity from the Company, the total average charge for distribution, transmission and supply calculated under the rates contained in this Tariff shall not exceed 15.723 cents per kilowatt-hour except by reason of the Minimum Charge. (D)

For customers who elect to purchase their energy from an EGS, and where the total charges would have exceeded 15.723 cents per kilowatt-hour had they purchased their electricity from the Company, the average charge for distribution shall not exceed 7.88 cents per kilowatt-hour. (D)

The maximum average charges shall be allocated among distribution, transmission and supply and billed as follows: (C)

<u>Maximum Average Distribution Charge cents per kilowatt-hour</u>	<u>Maximum Average Transmission Charge cents per kilowatt-hour</u>	<u>Maximum Average Supply Charge cents per kilowatt-hour</u>	(C)
7.88	0.76	7.0830	(D)

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

RATE GS/GM - GENERAL SERVICE SMALL AND MEDIUM - (Continued)MONTHLY RATE – (Continued)**MINIMUM CHARGE**

(C)

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, whichever is greater, plus the current billing period charges for Company supplied transmission and supply service, if any. The Demand Charge shall be determined using the Distribution Charge only, but shall not be less than 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

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."

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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\$30.00

For the Billing Months of October through May:

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 1,250 kilowatt-hours plus 150 kilowatt-hours for each kilowatt of Demand over 6 kilowatts	3.0313	7.0830	7.0830	7.0830	(C) (C) (D)
Additional kilowatt-hours	0.8323	4.3905	5.7367	7.0830	(I)

For the Billing Months of June through September:

DEMAND CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 5 kilowatts or less of Demand	No Charge	No Charge	No Charge	No Charge	(C)
Additional kilowatts of Demand	4.84	6.19	3.09	No Charge	(D)

(C) – Indicates Change

(D) – Indicates Decrease

(I) – Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE GMH - GENERAL SERVICE MEDIUM HEATING - (Continued)

MONTHLY RATE - (Continued)

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

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
First 1,300 kilowatt-hours	0.8323	7.0830	7.0830	7.0830	(C) (D)
Additional kilowatt-hours	0.8323	5.2849	6.1840	7.0830	(I)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. No later than October 1 of 2008, the Company will submit a filing to the Commission adjusting the 2009 Supply Charges to reflect changes in the market price of electricity. The 2009 Supply Charges will be multiplied by the Annual Market Price Adjustment Rate Multiplier described in Rider No. 20 to establish rates that will become effective for usage on or after January 1, 2009. No later than October 1 of 2009, the Company will submit a filing to the Commission adjusting the 2010 Supply Charges to reflect changes in the market price of electricity. The revised rates will become effective for usage on or after January 1, 2010. The 2010 Supply Charges will be multiplied by the Annual Market Price Adjustment Rate Multiplier described in Rider No. 20 to establish rates that will become effective for usage on or after January 1, 2010. (C) (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C) (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C) (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

MAXIMUM AVERAGE CHARGE

For customers who elect to purchase their electricity from the Company, the total average charge for distribution, transmission and supply calculated under the above rates shall not exceed 15.723 cents per kilowatt-hour except by reason of the Minimum Charge. (C)(D)

For customers who elect to purchase their energy from an EGS, and where the total charges would have exceeded 15.723 cents per kilowatt-hour had they purchased their electricity from the Company, the average charge for distribution shall not exceed 7.88 cents per kilowatt-hour. (D)

(C) – Indicates Change

(D) – Indicates Decrease

(I) – Indicates Increase

RATE GMH - GENERAL SERVICE MEDIUM HEATING - (Continued)

MONTHLY RATE - (Continued)

MAXIMUM AVERAGE CHARGE – (Continued)

The Maximum Average Charges shall be allocated among distribution, transmission and supply and billed as follows: (C)

<u>Maximum Average Distribution Charge cents per kilowatt-hour</u>	<u>Maximum Average Transmission Charge cents per kilowatt-hour</u>	<u>Maximum Average Supply Charge cents per kilowatt-hour</u>	(C)
7.88	0.76	7.0830	(D)

This provision is only applicable for those bills that include demand billed during the billing months of June through September.

MINIMUM CHARGE (C)

For the months of October through May, the Minimum Charge shall be the Customer Distribution Charge for the first kilowatt, plus a Distribution Charge of \$4.55 per kW, plus the current billing period charges for Company supplied transmission and supply service, if any. The Minimum Charge shall not be less than the Customer Distribution Charge. For the months of June through September, the Minimum Charge shall be calculated in accordance with the Minimum Charge provisions in Rate GS/GM.

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 GS/GM.

(C) – Indicates Change

(D) – Indicates Decrease

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

SUPPLY

(C)

Customers who elect to purchase their electric supply requirements from the Company will do so under the provisions of Rider No. 9 – Hourly Price Service and will be billed in accordance with the terms contained therein.

(C)

(C)

DISTRIBUTION

DEMAND CHARGES

First 300 kilowatts or less of Demand	\$2,121.00
Additional kilowatts of Demand	\$6.45 per kW

ENERGY CHARGES

All kilowatt-hours	0.1236 cents per kWh
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ELECTRIC CHARGES

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff.

(C)

Customers who elect to purchase their electric energy requirements from an EGS will be charged the full Distribution Charge by the Company, and must purchase their transmission and supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45.

(C)

(C)

For customers who elect to purchase their supply 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 pursuant to Rider No. 9 – Hourly Price Service.

(C)

(C)

Customers who choose an EGS may elect Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

(C) – Indicates Change

RATE GL - GENERAL SERVICE LARGE - (Continued)MONTHLY RATE – (Continued)**MINIMUM CHARGE**

The Minimum Charge shall be the sum of a Demand Charge based on 50% of the Contract On-Peak Demand for distribution, plus the charges for Company supplied transmission and supply, if any. The Demand Charge shall be determined using the Distribution Charge, and in total shall not be less than the demand charges associated with the first 300 kW's or less of demand. For Company supplied transmission and supply, the transmission charges shall be calculated as set forth in Appendix A and the supply charges shall be calculated as set forth under Rider No. 9. (C)

RIDERS

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

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)

DETERMINATION OF DEMAND FOR DISTRIBUTION

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.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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

CUSTOMER CHARGE

Customer Distribution Charge\$30.00

SUPPLY

Customers who elect to purchase their electric supply requirements from the Company may do so under the provisions of Rider No. 9 - Hourly Price Service and will be billed in accordance with the terms contained therein.

(C)
(C)
(C)

DISTRIBUTION

For the Billing Months of October through May:

ENERGY CHARGES

First 1,250 kilowatt-hours plus 150 kilowatt-hours for each kilowatt of Demand over 6 kilowatts	3.7110 cents per kWh
Additional kilowatt-hours	0.1236 cents per kWh

For the Billing Months of June through September:

Rate GL shall apply.

(C) - Indicates Change

ISSUED: XXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE GLH - GENERAL SERVICE LARGE HEATING - (Continued)MONTHLY RATE - (Continued)**ELECTRIC CHARGES**

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

Customers who elect to purchase their electric energy requirements from an EGS will be charged the full Distribution Charge by the Company, and must purchase their transmission and supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)
(C)

For customers who elect to purchase their supply 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 pursuant to Rider No. 9 – Hourly Price Service. (C)
(C)

Customers who choose an EGS may elect Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

MINIMUM CHARGE

For the months of October through May, the Minimum Charge shall be the Customer Distribution Charge for the first kilowatt plus a Distribution Charge of \$5.57 per kW and the charges for Company supplied transmission and supply, if any. For Company supplied transmission and supply, the transmission charges shall be calculated as set forth in Appendix A and the supply charges shall be calculated as set forth under Rider No. 9. The Minimum Charge shall not be less than the Customer Distribution Charge. For the months of June through September, the Minimum Charge shall be calculated in accordance with the Minimum Charge provisions contained in Rate GL. (C)
(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.

(C) ~ Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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

SUPPLY

(C)

Customers who elect to purchase their electric supply requirements from the Company may do so under the provisions of Rider No. 9 – Hourly Price Service and will be billed in accordance with the terms contained therein.

(C)
(C)

DISTRIBUTION

DEMAND CHARGES

First 5,000 kilowatts or less of Demand	\$30,555.00
Next 10,000 kilowatts of Demand	\$6.04 per kW
Additional kilowatts of Demand	\$5.89 per kW

ENERGY CHARGES

All kilowatt-hours	0.1100 cents per kWh
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ELECTRIC CHARGES

The Company will provide and charge for Transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff.

(C)

Customers who elect to purchase their electric energy requirements from an EGS will be charged the full Distribution Charge by the Company, and must purchase their transmission and supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45.

(C)
(C)

For customers who elect to purchase their supply 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 pursuant to Rider No. 9 – Hourly Price Service.

(C)
(C)

Customers who choose an EGS may elect Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE L - LARGE POWER SERVICE - (Continued)

MONTHLY RATE - (Continued)

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 of \$0.70 per kW based upon the individual demand of the untransformed circuit shall be applied to the customer's account.

MINIMUM CHARGE

The Minimum Charge shall be the Demand Charge based on 70% of the Contract On-Peak Demand for transmission and distribution and the Demand Charge as calculated under Rider No. 9 for Company supplied supply. The Demand Charge shall be determined using the Distribution Charge, and the Transmission and Supply Charges associated with Company supplied transmission and supply, if any, but in total not less than the demand charges associated with the first 5,000 kW's or less of demand.

(C)
(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 FOR DISTRIBUTION

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.

(C) – Indicates Change

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

SUPPLY

(C)

Customers who elect to purchase their electric supply requirements from the Company may do so under the provisions of Rider No. 9 – Hourly Price Service and will be billed in accordance with the terms contained therein.

(C)

(C)

DISTRIBUTION

DEMAND CHARGES

First 30,000 kilowatts or less of On-Peak Demand	\$9,114.90
Additional kilowatts of Demand	\$0.11 per kW

ELECTRIC CHARGES

The Company will provide and charge for Transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff.

(C)

Customers who elect to purchase their electric energy requirements from an EGS will be charged the full Distribution Charge by the Company, and must purchase their transmission and supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45.

(C)

(C)

For customers who elect to purchase their supply 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 pursuant to Rider No. 9 – Hourly Price Service.

(C)

(C)

Customers who choose an EGS may elect Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

(C) – Indicates Change

ISSUED: XXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)MONTHLY RATE - (Continued)**MINIMUM CHARGE**

The Minimum Charge shall be the Demand Charge based on 70% of the Contract On-Peak Demand for transmission and distribution and the Demand Charge as calculated under Rider No. 9 for Company supplied supply. The Demand Charge shall be determined using the Distribution Charge, and the Transmission and Supply Charges associated with Company supplied transmission and supply, if any, but in total not less than the demand charges associated with the first 30,000 kW or less of demand.

(C)
(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 FOR DISTRIBUTION

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 that the Company shall be required by the contract to deliver during the On-Peak hours to the customer.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE HVPS - HIGH VOLTAGE POWER SERVICE - (Continued)

ON-PEAK AND OFF-PEAK CONTRACT DEMAND – (Continued)

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.

These demands will apply only for purposes of calculating the applicable transmission and distribution charges under this rate and do not apply to demand for electric supply.

(C)

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 judgment, its generating or transmission capacity is no more than adequate to meet the requirements of its existing customers.

(C) – Indicates Change

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\$7.50

DEMAND CHARGES

	<u>Distribution Charge</u> <u>\$ per kilowatt</u>	<u>Supply Charge</u> <u>\$ per kilowatt</u>	(C)
All kilowatts of Demand	1.40	No Charge	(D)

ENERGY CHARGES

	<u>Distribution Charge</u> <u>cents per kilowatt-hour</u>	<u>Supply Charge</u> <u>cents per kilowatt-hour</u>	(C)
All kilowatt-hours	0.1991	5.9230	(D)(I)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

RATE AL - ARCHITECTURAL LIGHTING SERVICE - (Continued)MONTHLY RATE - (Continued)**ELECTRIC CHARGES – (continued)**

For customers who elect to purchase their supply 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 Distribution and Supply charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 20.1. (C)

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 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

DISTRIBUTION CHARGE

Monthly charge per lamp\$3.17

SUPPLY CHARGE

All kilowatt-hours 5.9230 cents per kWh (I)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

(C) - Indicates Change

(I) - Indicates Increase

RATE SM - STREET LIGHTING MUNICIPALAVAILABILITY

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 kWh Energy Usage per Unit per Month</u>	<u>Distribution Charge per Unit</u>	<u>Supply Charge per Unit</u>	(C)
Mercury Vapor				
100	44	\$12.52	\$2.61	(I)
175	74	\$12.78	\$4.38	(I)
250	102	\$13.03	\$6.04	(I)
400	161	\$13.54	\$9.54	(I)
1,000	386	\$15.59	\$22.86	(I)
Sodium Vapor				
70	29	\$12.94	\$1.72	(I)
100	50	\$13.04	\$2.96	(I)
150	71	\$13.22	\$4.21	(I)
250	110	\$13.57	\$6.52	(I)
400	170	\$14.11	\$10.07	(I)
1,000	387	\$16.23	\$22.92	(I)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

(C) – Indicates Change

(I) – Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: XJANUARY 1, 2008

RATE SM - STREET LIGHTING MUNICIPAL - (Continued)MONTHLY RATE – (Continued)**ELECTRIC CHARGES – (Continued)**

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

Customers who elect to purchase their electric energy requirements from an EGS will be charged the Distribution Charges by the Company, and must purchase their transmission and supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 20.1. (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 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.

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 \$10.26 for each pole required.

(C) – Indicates Change

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 kWh Energy Usage per Unit per Month</u>	<u>Distribution Charge per Unit</u>	<u>Supply Charge per Unit</u>	
Sodium Vapor				
100	50	\$13.04	\$2.96	(D)
150	71	\$13.22	\$4.21	(D)
200	95	\$13.40	\$5.63	(D)
400	170	\$14.11	\$10.07	(D)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

(C) – Indicates Change

(D) – Indicates Decrease

RATE UMS – UNMETERED SERVICE

AVAILABILITY

Available to customers using unmetered standard service at each point of connection for customer-owned and maintained equipment such as traffic signals, communication devices and billboard lighting.

MONTHLY RATE

CUSTOMER CHARGE

Customer Distribution Charge\$10.00

ENERGY CHARGES

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour	(C)
All kilowatt-hours	2.5602	6.7180	(D)(I)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may elect Consolidated Billing or Separate Billing as defined in Rule No. 20.1.

(C) – Indicates Change

(D) – Indicates Decrease

(I) – Indicates Increase

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 kWh Energy Usage per Unit per Month</u>	<u>Distribution Charge per Unit</u>	<u>Supply Charge per Unit</u>	<u>(C)</u>
High Pressure Sodium				
70	29	\$12.94	\$1.72	(I)
100	50	\$13.04	\$2.96	(I)
150	71	\$13.22	\$4.21	(I)
250	110	\$13.57	\$6.52	(I)
400	170	\$14.11	\$10.07	(I)
Flood Lighting				
100	46	\$14.35	\$2.72	(I)
150	67	\$14.54	\$3.97	(I)
250	100	\$14.93	\$5.92	(I)
400	155	\$15.52	\$9.18	(I)

UNMETERED ENERGY FOR CUSTOMER OWNED AND MAINTAINED EQUIPMENT

70	29	\$3.17	\$1.72	(I)
100	46	\$3.17	\$2.72	(I)
150	67	\$3.17	\$3.97	(I)
250	100	\$3.17	\$5.92	(I)
400	155	\$3.17	\$9.18	(I)

(C) – Indicates Change

(I) – Indicates Increase

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

RATE PAL - PRIVATE AREA LIGHTING - (Continued)

MONTHLY RATE - (Continued)

ELECTRIC CHARGES

Customers who elect to purchase their electric supply requirements from the Company will be charged according to the above charges. (C)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission for customers who receive Default Service from the Company. The Transmission Service Charges are included, for informational purposes, in Appendix A of this Tariff. (C)

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 supply requirements from their selected EGS. Customers may change suppliers or return to the Company for electric supply requirements as defined in Rule No. 45. (C)

For customers who elect to purchase their supply 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 Distribution and Supply Charges. (C)

Customers who choose an EGS may select Consolidated Billing or Separate Billing as defined in Rule No. 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.

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.

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

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(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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 the months of June, July, August and September only)

The availability and application of Rider No. 5 – Time of Day Discounts will terminate December 31, 2010. (C)

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.

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.

Rates GL, GLH and L

For customers on Rates GL, GLH and L who purchase their electric supply requirements from the Company, the discounts available under the provisions of this rider will apply only to the demand charges billed for distribution. (C)
The demand charges billed for supply provided under Rider No. 9 will not be impacted by this rider. (C)
For customers on Rates GL, GLH and L who purchase their electric supply requirements from an EGS, the discounts available under the provisions of this rider will apply only to the demand charges billed for distribution service. (C)

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

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ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – HOURLY PRICE SERVICE

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

Hourly price service provides large commercial and industrial customers with the ability to purchase their electric supply requirements on an hourly basis. Beginning January 1, 2005, the Company will supply electricity under this rider by obtaining the requirements through the PJM market. This rider is also available for the supply of electricity to generating stations that are not otherwise self-supplying and where the generating station is not otherwise receiving service from an EGS. Metering equipment must be installed at the generating station at the expense of the customer.

(C)
(C)

MONTHLY CHARGES

Energy charges are hourly and provided at the real-time PJM locational marginal price based on the customer's hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, plus a retail margin. Capacity charges are daily and based on the PJM daily capacity market and shall recover the charges associated with the customer's share of the Company's capacity obligation assigned by PJM, plus cost based ancillary services. Energy and capacity charges will be calculated using the following formula and adjusted for the Pennsylvania Gross Receipts Tax (GRT) in effect.

$$\sum_{t=StartHour}^{EndHour} [(L_t * (1 + ADJ_t)) * (LMP_t + SR_t + OR_t + REG_t + SCN_t + Loss_t + SIA) + L_t * (PJM_s + FRA)] +$$

$$\sum_{D=StartDay}^{EndDay} [(CO_D * CChg_D) + NPLC_D * (R_D + B_D)] +$$

$$CO_D * DefChg$$

Where:

- t = Particular clock hour in the Billing Period from start hour to end hour for energy charges.
- D = Particular day in the Billing Period from start day to end day for capacity charges.

Customer Load

- L_t = Hourly load of the customer measured in MW.
- ADJ_t = Adjustments to the customer load at the retail meter using the same methodology used to determine the hourly load obligations of a customer served by an EGS pursuant to Duquesne's Supplier Coordination Tariff. The hourly load adjustments shall be the sum of the percentage distribution and transmission (if applicable) losses of the applicable schedule as specified in Duquesne's Supplier Coordination Tariff.

(C) Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – HOURLY PRICE SERVICE – (Continued)

(Applicable to Rate Schedules GL, GLH, L and HVPS and Generating Station Service)

MONTHLY CHARGES – (Continued)

Energy Charges

LMP_t = Real-time hourly locational marginal price (LMP) in \$/MWH for the Duquesne Zone or Duquesne Residual Zone as applicable.

PJM Ancillary Service Charges and Other PJM Charges

SR_t = Hourly spinning reserve charge in \$/MWH as calculated by PJM for supporting the customer's load.

OR_t = Hourly real-time operating reserve (supplemental) charge in \$/MWH as calculated by PJM for supporting the customer's load.

REG_t = Hourly regulation charge in \$/MWH as calculated by PJM for supporting the customer's load.

SCN_t = Synchronous Condensing Charge in \$/MWH for supporting the customer's load if this charge is billed separately by PJM to the Company.

Loss_t = Hourly marginal transmission losses in \$/MWH (if applicable) to the customer's load in PJM. This \$/MWH charge will be calculated by PJM for energy delivered to the Duquesne Zone. This charge shall be set to \$0/MWh until such time PJM implements marginal transmission losses.

S1A = PJM Schedule 1A rate in \$/MWH applicable to the Duquesne Zone.

PJM_S = PJM Surcharge of \$0.0384 per MWH. The PJM Surcharge is a pass-through of the charges incurred by the Company for start-up, grid management and administrative costs associated with membership and operation in PJM. These charges are billed by PJM to each electricity supplier. The charges incurred are beyond the control of the Company and can change from time to time. The Surcharge will be adjusted annually to recover actual costs incurred by the Company and reconcile costs with revenues collected. (C)

R_D = Reactive supply service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 2.

B_D = Blackstart service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 6A.

(C) Indicates Change

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****MONTHLY CHARGES – (Continued)****Retail Margin****FRA =** The Company's fixed retail adder of \$3.97 per MWH.**(C)****Customer's Capacity Obligation and Network Service Peak Load****CO_D =** Capacity Obligation in MW for each day associated with supporting the customer's load as described in the section "Determination of Capacity Obligation".**NPLC_D =** The customer's daily network service coincident peak load contribution in MW. This quantity is determined based on the customer's load coincident with the annual peak of the Duquesne Zone (single coincident peak) as defined in the PJM Tariff Section 34.1.**Capacity Charges****CChg_D =** The demand charge in \$/MW-day as determined from the PJM daily capacity market.**DefChg =** Any capacity deficiency charges in \$/MW. Should the PJM daily capacity market be in deficiency at any time during the period in which the customer is taking service under Rider No. 9, then DefChg shall be set at the rate necessary to recover all deficiency charges assessed by PJM for those customers taking service under Rider No. 9 at the time of the capacity deficiency.

PJM bills these charges to the Company as a function of the load measured in megawatts (MW) and expresses these charges as \$/MW, \$/MWH and \$/MW-day. The Company measures the customer's load and energy usage in kilowatts (kW) and will convert the above charges to \$/kW, \$/kWh and \$/kW-day for the purposes of computing the customer's monthly bill.

(C) Indicates Change**ISSUED: XXXXXXXX XX, XXXX****EFFECTIVE: JANUARY 1, 2008**

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

NOTIFICATION AND ELECTION OF SERVICE

Customers may elect to purchase their supply requirements through this rider at any time according to the requirements of Rule No. 45. Customers that do not elect service with an EGS will default to hourly price service under this rider.

(C)
(C)

GENERAL

The Supply Charges are intended to recover the market costs of providing Default Service to customers in PJM as these costs may change or be redefined from time to time. The Supply Charges shall be calculated using the formula and prices referenced above. The formula is subject to change at any time, as PJM rules, charges or market parameters change. The Company will seek Commission approval for modifications to the formula in this rider.

(C)
(C)

(C) Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 11 - STREET RAILWAY SERVICE

(Applicable to Rates GS/GM and GL)

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 supply charges, if purchased from the Company, shall be reduced by 7.20% for Rate GS/GM customers and 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. (C)

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

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

(Applicable to Rate GS/GM)

AVAILABILITY

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:

	<u>Distribution Charge</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	(C)
All kilowatt-hours	0.8323	5.2849	6.1840	7.0830	(C) (I)

For the billing months of May through October:

Rate GS/GM will apply.

METER CHARGE..... \$13.21 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.

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</u> cents per kilowatt-hour	<u>Supply Charge</u> cents per kilowatt-hour			
		<u>01/01/2008</u>	<u>01/01/2009</u>	<u>01/01/2010</u>	
All kilowatt-hours	2.1912	4.1275	5.6418	7.1560	(C) (C) (I)

For the billing months of May through October:

Rate RS will apply.

METER CHARGE\$1.63 per month

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.

(C) – Indicates Change

(I) – Indicates Increase

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 that are qualified in accord with Part 292 of Chapter I, 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 electric energy supplied by the Company to a non-utility generating facility during any 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.

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 supply.

Contract Demand is the maximum electrical capacity in kilowatts that the Company shall be required by the contract to deliver to the customer for back-up service to the customer's generating facility.

Distribution Billing Determinants are the monthly billing period billing demand in kilowatts (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.

Distribution 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.

Supply Billing Determinants for customers on Rate Schedules GL, GLH, L and HVPS are the billing demand (kW) and energy usage (kWh) during the current billing month then in effect under Rider No. 9, depending on which supply service the customer has elected. Supply Billing Determinants for customers on Rate Schedule GS/GM and GMH shall be the same as those defined above for Distribution.

(C)

(C)

(C) – Indicates Change

ISSUED: JANUARY XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

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

(Applicable to all General Service Rates)

B. BACK-UP POWER

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

DISTRIBUTION

Contract Demand of 5,000 kW or more \$6.04 per kW, but no less than \$1,405.00

Contract Demand of less than 5,000 kW \$6.45 per kW, but no less than \$185.00

The distribution charges will be applied in each month based on the customer's Contract Demand without regard to whether or not back-up energy is supplied.

SUPPLY

(C)

In any month that the Company provides energy to back up the customer's equipment, supply service shall be supplied and billed under Rider No. 9 for customers with Contract Demand of 300 kW or more. For customers having Contract Demand of less than 300 kW, the Company will bill the applicable supply demand and energy charges then in effect under Rate Schedule GS/GM.

(C)

(C)

The use of 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 back-up Contract Demand by 5% or more, the actual kW demand as established will become the customer's new back-up Contract Demand for the remaining term of the back-up contract. If a customer's actual kW demand at the time back-up service is being supplied exceeds the customer's 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 back-up Contract Demand multiplied by two times the applicable charge per kilowatt.

C. 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, except as noted below. 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 Rule No. 7 and Rule No. 9 regarding Supply Line Extensions and Relocation of Facilities.

However, customers may elect to pay 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 via a monthly charge rather than in total at the onset of the contract. The monthly charge for transformation equipment for customers with contract demand under this rider of 5,000 kW or more will be determined by the Company on a case-by-case basis. For all others, the rate of \$0.2523 per kW per month will apply.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 17 - EMERGENCY ENERGY CONSERVATION

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

PURPOSE

This rider is applicable in conjunction with Tariff Rule No. 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 supply.

(C)

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 supply:

(C)

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 No. 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 No. 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.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

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 supply from an EGS, the customer will be billed the Distribution Charges of the applicable rate based on energy consumption net of the water heating allowance.

(C)

(C) - Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS (Continued)

(C)

RIDER NO. 20 - ANNUAL MARKET PRICE ADJUSTMENT RATE MULTIPLIER

(Applicable to Rates GS/GM and GMH)

PURPOSE

The Annual Market Price Adjustment Rate Multiplier will adjust the supply rates of rates GS/GM and GMH to market prices in 2009 and 2010. The supply rates of rate GS/GM and GMH will be multiplied by Rate Multiplier calculated in accordance with this rider to determine the supply rates effective January 1, 2009 and January 1, 2010. The Rate Multiplier will be different for calendar year 2009 and 2010, and each Rate Multiplier will be calculated based on changes in wholesale electricity futures prices after January 2007.

MARKET INDEX PRICE

Market Index Price changes from the Base Index Prices will be measured as of the first day in October prior to the start of the applicable calendar year. On October 1, 2008, Duquesne will calculate a Rate Multiplier for calendar year 2009, based on 2009 futures prices visible in the marketplace.

The Index Price for calendar year 2009 will be calculated as follows:

1. The simple average of the 12 monthly financially-settled on-peak PJM Northern Illinois Hub ("NIHUB") electricity futures contract prices reported by the New York Mercantile Exchange ("NYMEX") for January through December 2009 will be calculated as of each of the 20 trading days immediately preceding October 1, 2008.
2. The simple average of the 20 calendar year 2009 average futures prices calculated in the first step will be calculated.
3. The same process described in Steps 1 and 2 will be repeated, but using the 12 monthly financially-settled off-peak NIHUB electricity futures contract prices reported by NYMEX for January through December 2009 as of each of the 20 trading days immediately preceding October 1, 2008.
4. The resulting on and off-peak futures prices at NIHUB for calendar year 2009 will then be adjusted by multiplying each price by the corresponding on-peak or off-peak basis differential factor as measured over the most recent 12 calendar months. For either the on-peak or off-peak period, the basis differential factor shall be calculated as the simple average of the day-ahead Duquesne Zone locational marginal energy prices divided by the simple average of the day-ahead NIHUB locational marginal energy prices. For the calculation of the on-peak basis differential factor, all day-ahead locational marginal energy prices during the on-peak period will be used. For the calculation of the off-peak basis differential factor, all day-ahead locational marginal energy prices during the off-peak period will be used.
5. The resulting on and off-peak futures prices will then be weighted by the number of on-peak and off-peak hours during calendar year 2009 to obtain a single Index Price for calendar year 2009.

The same methodology will be used to determine the 2010 Rate Multiplier, with applicable dates in 2009, using the applicable data for the year.

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 20 - ANNUAL MARKET PRICE ADJUSTMENT RATE MULTIPLIER – (Continued)

(Applicable to Rates GS/GM and GMH)

BASE INDEX PRICE

The wholesale electricity forward prices for calendar years 2009 and 2010 as of January 2007 ("Base Index Price") have been calculated. The Base Index Price for calendar years 2009 and 2010 was calculated using the same methodology as for the Market Index Price, except that futures prices as of the 20 trading days immediately preceding January 2007 were used, and locational marginal energy spot price data from the January 2006 – December 2006 period was used to calculate the basis differential factors.

The Base Index Price for 2009 is \$43.81/MWh and the Base Index Price for 2010 is \$44.49/MWh.

RATE MULTIPLIER

The Rate Multiplier for a given calendar year will be calculated as follows:

$$\text{Rate Multiplier} = (\text{Market Index Price} / \text{Base Index Price})$$

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

APPENDIX A

TRANSMISSION SERVICE CHARGES

(Applicable to All Rates)

The Company will provide and charge for transmission service consistent with the PJM Open Access Transmission Tariff approved or accepted by the Federal Energy Regulatory Commission (FERC) for customers who receive Default Service from the Company. Customers taking Default Service from the Company shall be charged in accordance with the charges of the applicable rate schedules stated below. These charges shall also apply to riders applicable to each rate schedule.

(C)

MONTHLY RATES

(C)

Rate Class	Energy Charge \$/kWh	Demand Charge \$/kW	Monthly Charge Per Fixture
RS	\$0.006010		
RH	\$0.004162		
RA	\$0.005880		
GS	\$0.004912		
GM	\$0.003954	\$0.42	
GMH	\$0.003550	\$0.95	
GL	\$0.002583	\$0.89	
GLH	\$0.002583	\$0.89	
L	\$0.002583	\$0.89	
HVPS	\$0.002583	\$0.89	
AL	\$0.002583		
SE	\$0.002583		
UMS	\$0.002583	\$0.89	
SM, SH, PAL:			
(by lamp wattage)			
Mercury Vapor			
100			\$0.11
175			\$0.19
250			\$0.26
400			\$0.42
1000			\$1.00
High Pressure Sodium			
70			\$0.07
100			\$0.13
150			\$0.18
200			\$0.25
250			\$0.28
400			\$0.44
1000			\$1.00
Flood Lighting and Unmetered			
70			\$0.07
100			\$0.12
150			\$0.17
250			\$0.26
400			\$0.40

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

APPENDIX A – (Continued)

TRANSMISSION SERVICE CHARGES – (Continued)

(Applicable to All Rates)

BILLING DEMAND

(C)

Billing Demand subject to Transmission Service Charges for customers taking service under Rate Schedules GS/GM and GMH shall be the same as that determined for distribution and supply charges under the applicable rate schedules.

(C)

Billing Demand subject to Transmission Service Charges for Customers taking service under Rate Schedules GL, GLH, L, HVPS and UMS shall be the customer's daily network service coincident peak load contribution in MW. This quantity is determined based on the customer's load coincident with the annual peak of the Duquesne Zone (single coincident peak) as defined in the PJM Tariff Section 34.1.

ANNUAL UPDATE

The Transmission Service Charges (TSC) defined herein will be updated effective June 1st of each calendar year or more often upon determination that the rates then in effect would result in a significant over or under collection. On or about May 1st, the Company will file revised TSC rates with the PA Public Utility Commission (Commission) defining rates in effect from June 1 to May 31 of the following year, the computation year. These rates shall be determined based on the projected revenue requirement for the computation year and the over or under collection of expenses based on actual TSC revenue and expense incurred up to March 1 of each filing year. In addition, the projected expense for the computation year will include the costs for ancillary services and PJM administrative costs. The revenue requirement and over or under collection shall be allocated to each rate class based on the class contribution to the Company's coincident peak load (1CP) and Default Service share of the 1CP load from the previous calendar year. The costs for ancillary services and PJM administrative expenses will be charged using a flat charge per kWh and will be the same for each rate class except for rates GL, GLH, L and HVPS. The costs for ancillary services and PJM administrative expenses for rate classes GL, GLH, L and HVPS will be billed in accordance with Rider No. 9. The rates applicable to each rate schedule shall be determined in accordance with the following formulas.

(C)

For Rate Schedules RS, RH, RA and applicable Riders:

$$\text{TSC-kWh} = \{ (\text{RCRR} - "e") / \text{RCSales} + \text{AS} + \text{PJM}_{\text{AC}} \} * \{ 1/(1-T) \}$$

(C)

For Rate Schedules GS/GM and GMH:

Non-Demand Metered:

$$\text{TSC-kWh} = \{ (\text{RCRR} - "e") / \text{RCSales} + \text{AS} + \text{PJM}_{\text{AC}} \} * \{ 1/(1-T) \}$$

(C)

Demand Metered:

$$\text{TSC-kW} = \{ ((\text{RCRR} - "e") \times 50\%) / \text{RCDemand} \} * \{ 1/(1-T) \}$$

(C) – Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

APPENDIX A – (Continued)

TRANSMISSION SERVICE CHARGES – (Continued)

(Applicable to All Rates)

ANNUAL UPDATE - (Continued)

For Rate Schedules GS/GM and GMH: - (Continued)

(C)

Demand Metered: - (Continued)

$$\text{TSC-kWh} = \{ ((\text{RCRR} - "e") \times 50\%) / \text{RCSales} + \text{AS} + \text{PJM}_{\text{ac}} \} * \{ 1/(1-T) \}$$

(C)

For Rate Schedules GL, GLH, L, HVPS:

(C)

$$\text{TSC-kW} = \{ (\text{RCRR} - "e") / (\text{RC1CP} \times 12) \} * \{ 1/(1-T) \}$$

For Rate Schedule UMS:

(C)

$$\text{TSC-kW} = \{ (\text{RCRR} - "e") / (\text{RC1CP} \times 12) + \text{AS} + \text{PJM}_{\text{ac}} \} * \{ 1/(1-T) \}$$

(C)

For Rate Schedules SE, SM, SH and PAL:

(C)

Ancillary service and PJM administrative charges shall apply to these rate schedules. As defined below, ancillary service and PJM administrative charges are billed on a cents per kWh basis. For rate schedules SM, SH and PAL, the ancillary service and administrative rate defined in the following section shall be billed for each fixture based on the kWh usage defined for that fixture in each rate schedule. The rates in the preceding section are based on monthly usage per fixture.

Where:

TSC = Transmission service charge to be applied to all Transmission billing units (either kWh or kW, as indicated.)

RCRR = Projected total revenue requirement is established for the computation year of June 1st through May 31st, corresponding to the PJM planning year. The revenue requirement shall then be allocated to the specific rate classes by applying the ratio of the RC1CP to the Duquesne Zone 1CP for the prior year.

"e" = Total over or undercollection calculated by comparing total TSC revenues billed to the specific rate class during the reconciliation year of the twelve month period ending February 28th or 29th to the total charges billed by PJM under its OATT as approved or accepted by FERC and allocated to the specific rate class based upon its Default Service share of the Duquesne Zone 1CP for the prior year, including applicable interest. Interest shall be computed monthly at the statutory rate, from the month the over or under collection occurs to the effective month that the overcollection is refunded or the undercollection is recouped.

(C)

(C) Indicates Change

ISSUED: XXXXXXXX XX, XXXX

EFFECTIVE: JANUARY 1, 2008

APPENDIX A – (Continued)

(C)

TRANSMISSION SERVICE CHARGES – (Continued)

(Applicable to All Rates)

ANNUAL UPDATE - (Continued)

- RCSales = Projected kWh sales for the specific rate class for the computation year.
- RCDemand = Projected kW billing demand for the specific rate class for the computation year.
- RC1CP = Rate Class load coincident with the peak hour of the peak day of the Duquesne Zone during the calendar year prior to the computation year.
- AS = Ancillary service charge of 0.2046 cents per kWh. Ancillary services include, but are not limited to, spinning reserves, operating reserves, regulation, synchronous condensing charges, schedule 1 A and black start service, as well as other related charges defined in the PJM Open Access Transmission Tariff. (C)
- PJMAC = PJM administrative charge of 0.0384 cents per kWh. PJM administrative expenses include and are based on the stated rates in Schedules 9-1 to 9-5 and Schedule 9-FERC of the PJM Open Access Transmission Tariff ("OATT"). (C)
- T = The total Pennsylvania Gross Receipts Tax rate in effect during the billing month, expressed in decimal form.

MISCELLANEOUS

Minimum bills shall not be reduced by reason of the TSC, nor shall charges hereunder comprise any portion of a monthly rate schedule minimum. The TSC shall not be subject to any credits or discounts and shall not be affected by the State Tax Adjustment Surcharge (STAS).

The Company shall file a report of TSC collections within thirty days following the conclusion of each computation-year quarter. These reports will be in a form prescribed by the Commission.

Application of the TSC shall be subject to review and audit by the Commission at intervals it shall determine. The Commission shall review the level of charges produced by the TSC and the costs included therein.

(C) Indicates Change

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : Docket No. P- _____
For The Period January 1, 2008 :
Through December 31, 2010 :

RECEIVED

JAN 25 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DIRECT TESTIMONY OF
SUSAN S. BETTA

Dated: January 25, 2007

1 **I. Introduction**

2
3 **Q. Please state your name, business affiliation and address.**

4 A. My name is Susan S. Betta. I am Controller of Duquesne Light Company (“Duquesne
5 Light” or the “Company”). My business address is 411 Seventh Avenue, Pittsburgh, PA
6 15219.

7
8 **Q. Please describe your educational and professional experience.**

9 A. I graduated from Franklin & Marshall College with a Bachelor of Arts degree in
10 Accounting in 1991. I was employed with KPMG Peat Marwick as an auditor for seven
11 years, and I was a Senior Manager when I left the firm. I have been employed with
12 Duquesne Light or an affiliate of Duquesne Light since 1999. I spent the first year at an
13 affiliate, DQE Financial, and have spent the past seven years at Duquesne Light. I have
14 been Controller at both Duquesne Light Holdings (“DLH”) and Duquesne Light since
15 August 2003. My current responsibilities include overseeing the accounting, reporting
16 and budgeting functions for Duquesne Light and DLH. Prior to August 2003, I served in
17 various positions at the company, including Assistant Controller of both DLH and
18 Duquesne Light. I am a Certified Public Accountant, and a member of both the
19 Pennsylvania and American Institutes of Certified Public Accountants. In the course of
20 my employment with Duquesne Light, I have provided written testimony before the
21 Pennsylvania Public Utility Commission (“PUC” or “Commission”) at Docket No. R-
22 00061346 – Duquesne Light’s most recent distribution base rate proceeding, and at
23 Dockets No. A-110150F0035 and A-311233F0002 – Duquesne Light’s pending merger
24 application.

1

2 **Q. What is the purpose of your testimony?**

3 A. Pursuant to the terms of Duquesne Light Company's Distribution Rate Case Settlement,
4 my testimony primarily will address whether any portion of Duquesne Light's operations
5 is subsidizing its affiliates, including its affiliate Electric Generation Supplier ("EGS"),
6 Duquesne Light Energy ("DLE"). I also would note these same cost allocation issues
7 have been raised by certain parties in the proceeding related to the acquisition of DLH by
8 the Macquarie Consortium. In response, I have recently submitted rebuttal testimony in
9 that proceeding which is essentially the same as this testimony, as it relates to cost
10 allocation issues.

11

12 **Q. Please summarize your conclusions.**

13 A. My main conclusions are summarized below:

- 14 1. Duquesne Light's cost assignment and allocation practices properly allocates
15 costs between its regulated business, Duquesne Light, and its unregulated
16 businesses and has protections in place to separate regulated and unregulated
17 business activities.
- 18 2. While Duquesne Light has a full requirements supply agreement with Duquesne
19 Power ("DP") to supply default service for residential and small commercial and
20 industrial customers, that supply agreement does not subsidize or pay for the
21 activities of Duquesne Light's retail affiliate, DLE.
- 22 3. Duquesne Light provides services to all EGSs in a fair and non-discriminatory
23 manner, whether or not the EGS is an affiliate of Duquesne Light.

1 Each of these conclusions is described in more detail below.

2
3 **II. Cost Allocation Procedures**

4
5 **Q. Describe how the Company identifies work performed by Duquesne Light**
6 **employees for its affiliates, including both DLE and DP?**

7 A. Duquesne Light uses a two-step process to ensure costs are assigned and allocated to the
8 proper corporate entity. First, where appropriate, costs are directly assigned to affiliates
9 to ensure that the relevant cost is accurately reflected at the proper company. For
10 example, affiliate employees, rent and office supplies are directly accounted for and
11 incurred by the affiliates to ensure that these costs are separated from the regulated utility
12 or DLH. Second, Duquesne Light's and DLH's general administrative costs are carefully
13 reviewed to determine those functions that provide services to affiliates, so that an
14 appropriate allocation of these costs can be made.

15
16 **Q. Do Duquesne Light's affiliates have employees of their own, and do they have their**
17 **own directly incurred costs?**

18 A. Yes, there are employees at essentially all of Duquesne Light's affiliates, and there is a
19 separate payroll processed for each of these companies, such that the salaries and related
20 incentive compensation for these employees are captured directly at the affiliates. In
21 addition, the affiliates incur their own direct charges for items such as consultants,
22 computers, copiers, office supplies, and other items.

1 Q. Are there certain Duquesne Light costs that are directly assigned to affiliates, and if
2 so, please provide an example of the types of costs, and describe how the assignment
3 is determined?

4 A. Duquesne Light directly assigns certain costs to the affiliates, such as rent, insurance,
5 healthcare benefits for employees of the affiliates, as well as other general expense items,
6 such as cell phones, for example. In order to determine the amount of rent charged to
7 each affiliate for the amount of space affiliate employees occupy in our headquarters
8 building, the budgeting department receives an annually updated drawing of the building
9 identifying the space occupied by each cost center or affiliate. Based on the amount of
10 square footage each affiliate occupies, along with an allocation of the common space in
11 the building, the amount of rent to be assigned to the affiliate is determined. In fact, both
12 DP and DLE, along with other affiliates, are parties to sublease agreements with
13 Duquesne Light that have been filed with and approved by the Commission. These
14 subleases pass on Duquesne Light's costs under the master lease agreement.

15 The process followed for insurance is similar. If there is a specific insurance
16 policy that relates solely to the affiliate, it is directly assigned, with this determination
17 made annually by our insurance department. In addition, Duquesne Light has contracts
18 with healthcare providers to provide benefits to all of its and its affiliates' employees.
19 The affiliate employees are separately identified so that we can accumulate the healthcare
20 and dental benefits used by the affiliates' employees and charge them for the costs
21 incurred. For affiliate employees who have cell phones or other electronic devices for
22 which there is a separate monthly charge, our information technology department has
23 each device separately identified such that the affiliate is charged directly for the actual
24 amount incurred by its employees.

1

2 **Q. Are the affiliates directly charged costs associated with any letters of credit or**
3 **surety bonds issued on their behalf?**

4 A. Yes, letter of credit and surety bond fees are charged directly to the affiliate that requires
5 these items.

6

7 **Q. Please explain your administrative allocation process.**

8 A. The administrative allocation process begins when cost center managers submit their
9 budgets for the following fiscal year. The budgets are prepared on an annual basis,
10 including detail by month. The budget templates compiled by cost center managers
11 include a page for affiliate charges. On this page, cost center managers list each
12 employee who provides services to an affiliate. If a cost center manager's budget
13 includes specific expenses pertaining to an affiliate, that cost is also identified, so it can
14 be properly allocated to the affiliate.

15

16 **Q. How is the information from each of the cost center managers compiled?**

17 A. Once all of the cost center templates have been completed and returned to the Budgeting
18 Manager of Duquesne Light, the affiliate charges from each cost center are assembled on
19 one report called the "Monthly Administrative Costs Allocation." This report identifies
20 the costs allocated to affiliates on a monthly basis. In calculating the monthly charge for
21 employees who provide services to affiliates, the employee's salary, incentive
22 compensation and fringe benefits are included. This process ensures that fully loaded
23 employee costs are allocated to affiliates.

24

1 **Q. Is the information updated during the year, or are the initial allocations used for the**
2 **entire year, regardless of changes that may occur?**

3 A. Each cost center manager receives notification at the beginning of each quarter of the
4 current cost allocations, including the percentage of the time being allocated as well as a
5 detailed listing of other costs that are being allocated. The cost center managers are
6 asked to verify that both the percentage of time and total cost allocations for the most
7 recent quarter are appropriate, or to indicate how the amounts should be updated. In
8 addition, the cost center managers are asked to provide revised estimates of the
9 percentage of time and other cost allocations that should be utilized for the quarter that
10 has just begun. Once this information has been collected by the Budgeting Manager, a
11 true-up entry is made for any revisions required for the quarter that has just ended, and
12 the new allocation amounts are entered into the Monthly Administrative Costs Allocation
13 report. These amounts then become the allocation for the quarter until the beginning of
14 the following quarter, at which time the verification and revision process is repeated. In
15 mid-December, the fourth quarter's allocations are verified with the cost center managers
16 such that any final adjustments required for the year can be made in the month of
17 December in order to properly reflect the costs for the year.

18
19 **Q. Do you believe that cost center managers are aware of the importance of these cost**
20 **allocations to affiliates?**

21 A. Yes, I do for two reasons. First, effectively managing budgets is a priority at Duquesne
22 Light. Cost center managers are held accountable to ensure that they are properly
23 managing costs and resources. Second, either the Budgeting Manager or I, as part of our
24 annual budgeting process, spoke directly with almost every single cost center manager

1 who allocates costs to affiliates. During these conversations, we discussed the process
2 that they and their employees use to determine the allocations to affiliates.
3

4 **Q. Do you allocate costs to affiliates for either the revolving credit arrangement**
5 **maintained by DLH or any guarantees provided by DLH on behalf of affiliates?**

6 A. A portion of the fees associated with DLH's revolving credit arrangement is allocated to
7 the affiliates who benefit from its availability. DLH also has provided some parent
8 guarantees on behalf of affiliates, but since there is no specifically incurred cost related to
9 the issuance of this guarantee, no allocation of costs is appropriate.
10

11 **Q. Has the Company recently conducted a more detailed review of its cost allocation**
12 **procedures?**

13 A. Yes, as I noted above, Duquesne Light agreed, as part of the settlement of its most recent
14 distribution rate case, to submit an analysis addressing whether any portion of Duquesne
15 Light's operations is subsidizing its affiliates, including its affiliate, DLE.
16

17 **Q. Has the Company completed this analysis, and have you implemented any changes**
18 **to your cost allocations as a result of this analysis?**

19 A. We have completed this analysis, and have implemented some changes to our cost
20 allocations. For example, in preparing that analysis we discovered that we had not
21 historically charged affiliates a general corporate overhead allocation to cover items such
22 as a rent charge for the percentage of space occupied by employees who are not
23 employees of the unregulated affiliate but nonetheless sometimes provide services to an
24 affiliate, and a supplies charge for supplies the employee may use in providing services to

1 affiliates. As a result, we revised our allocations, and as of December 31, 2006, a general
2 corporate overhead allocation was calculated in order to charge affiliates for these costs
3 in 2006. The amount of this general corporate overhead allocation, however, was not
4 material. This allocation will be used in the future as well to ensure that affiliates are
5 charged appropriately for this overhead cost.

6
7 **Q. Were there other changes resulting from the analysis?**

8 A. Yes, our analysis showed that the historical focus of the cost center managers has been on
9 allocating costs out of the regulated utility, Duquesne Light, to ensure that ratepayers are
10 not paying for costs properly allocated to unregulated affiliates. However, in certain
11 instances these costs were simply allocated out to DLH and were not reallocated to an
12 affiliate.

13
14 **Q. Can you provide an example?**

15 A. There are employees, such as myself, as an example, who do not perform a day-to-day
16 function that is directly related to one affiliate, but rather provide general oversight to all
17 affiliate companies. In instances such as this, there was an allocation of the employee's
18 time out of Duquesne Light, but this allocation may have been made to the parent
19 company, DLH, instead of to one or more affiliates, such as DP or DLE.

20
21 **Q. Have you taken any action to augment this allocation process?**

22 A. Yes we have. We believe that our affiliates should be allocated their appropriate share of
23 costs based on the scope and nature of the work and services provided, and thus as of
24 December 31, 2006, we have allocated a portion of the costs that would have otherwise

1 resided at DLH to Duquesne Light's affiliates, including DP and DLE. We will continue
2 these allocations in the future as well to ensure that Duquesne Light's affiliates are
3 charged appropriately.

4
5 **Q. Are any costs incurred at DLH allocated to Duquesne Light and other affiliates?**

6 A. Yes, as an example, the cost associated with the Chief Executive Officer's (CEO) office
7 is incurred at DLH, and a portion of this cost is allocated to Duquesne Light. As of
8 December 31, 2006, we have also allocated a portion of the CEO office costs to
9 Duquesne Light's affiliates, including DP and DLE. We will continue these allocations
10 in the future as well to ensure that Duquesne Light's affiliates are charged appropriately.

11
12 **Q. Has the Federal Energy Regulatory Commission ("FERC") recently conducted an**
13 **audit of DLH or its subsidiaries?**

14 A. Yes, the Division of Audits within the Office of Enforcement of FERC has recently
15 completed an audit of Duquesne Light to determine whether: (1) Duquesne Light is in
16 compliance with Standards of Conduct and OASIS (open access same time information
17 system) requirements; (2) Duquesne Light's transmission practices are in compliance
18 with applicable FERC rules and regulations as well as applicable open access
19 transmission tariffs; and (3) DLH's wholesale electricity marketing unit is in compliance
20 with its market-based rate authority.

21
22 **Q. What period did the FERC audit cover, and could you please provide a few details?**

23 A. The audit covered the period from January 1, 2004 through February 28, 2006. The audit
24 was conducted by approximately six FERC employees with assistance on a more limited

1 basis from others. It has lasted for over a year and is nearing the issuance of a final
2 report.

3
4 **Q. Did the FERC audit review cost allocations?**

5 A. Yes, there was a thorough analysis of cost allocations, and it was determined by FERC
6 that our cost allocation procedure is proper and accurate. FERC, in its draft report,
7 recommended that we perform a further check of actual cost allocations by confirming,
8 after the fact, employees' actual allocation of time. We have already implemented this
9 recommendation through the procedures we described above, whereby final adjustments
10 are made in the month of December in order to properly reflect the costs for the year.

11
12 **Q. Did the PUC recently conduct a management audit of Duquesne Light?**

13 A. Yes, in 2005 we had a thorough audit by the PUC staff. Cost allocation was reviewed in
14 detail by the PUC and found to be appropriate and accurate.

15
16 **Q. Is it correct that the issue of whether Duquesne Light's operations is subsidizing its
17 affiliates, including its affiliate EGS, DLE, has been covered during two recent
18 audits, and the results of the audits have found your procedures to be fair and
19 proper?**

20 A. Yes. Both the PUC and FERC have found no cross-subsidization. Also, in the FERC
21 order approving the proposed merger, issued on December 22, 2006, FERC specifically
22 examined whether the merger could cause cross-subsidization between the utility and
23 other energy affiliates. FERC found no concerns in the merger order and found that there
24 was no cross-subsidization.

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III. Duquesne Light's Full-Requirements Supply Agreement with Duquesne Power

Q. Duquesne Light has a full-requirements supply agreement with DP. Does DP have a full-requirements supply obligation with any other company?

A. Yes, in addition to being the full-requirements supplier to Duquesne Light, DP also has a separate full-requirements supply obligation to another affiliate, DLE.

Q. What is DP required to provide under the full-requirements contract it has with Duquesne Light?

A. Duquesne Light's full-requirements POLR III supply agreement with DP covers the costs (including energy, capacity, related ancillary services and other costs and risks) associated with default service. The supply agreement was filed with the Commission in Duquesne Light's POLR III proceeding and clearly delineates DP's supply obligations related to default service supply and the total price for those services. DP is responsible for planning, procuring, and scheduling electricity supply to serve Duquesne Light's default service load. These costs are incurred at DP and are recovered in the rates charged to Duquesne Light.

Since this arrangement deals with wholesale power costs, FERC regulates this matter. FERC approved DP selling power to DLC at market-based rates in 2004. After review, FERC explicitly granted a waiver from the affiliate standard. Additionally, as noted above, FERC's recent audit found no subsidization as well, nor anything improper or inappropriate with this wholesale power agreement.

1 **Q. How is DP compensated under this arrangement?**

2 A. The compensation paid to DP is based on the rates charged to POLR customers supplied
3 by Duquesne Light. Those rates were subject to hearings and Commission review and
4 ultimately approved by the Commission. The Commission determined that Duquesne
5 Light demonstrated that these rates represented prevailing market prices over the POLR
6 III period. Furthermore, PJM costs related to administration, market expansion, and other
7 management services were explicitly recovered in Duquesne Light's generation rates
8 charged to retail customers as specified in Duquesne Light's Retail Tariff, Rider 1. These
9 PJM costs are not included in the distribution rates charged by Duquesne Light.
10 Duquesne Light charges its POLR customers a generation rate based on the number of
11 kW and/or kWh consumed. From this amount, Duquesne Light remits a payment to DP
12 net of Pennsylvania gross receipts tax. This is the total compensation that DP receives
13 from Duquesne Light under its full-requirements supply arrangement.

14
15 **Q. Is Duquesne Light paying DP for services such as scheduling, load balancing, or
16 ancillary services for both Duquesne Light and DLE?**

17 A. No, DP only receives compensation under the full-requirements contract with Duquesne
18 Light for the costs associated with providing default service. Duquesne Light does not
19 pay DP for such costs related to unregulated supply to DLE. The supply agreement was
20 developed and the POLR III rates were proposed in 2003. DLE did not begin actively
21 marketing to retail customers until late 2004.

22

1 Q. Is Duquesne Light proposing to continue to have DP provide it with a full-
2 requirements contract, and do the proposed rates represent prevailing market
3 prices?

4 A. As Duquesne Light witness Mr. O'Brien testifies, Duquesne Light is proposing to
5 continue to obtain default service supply for residential and small commercial and
6 industrial customers from DP. As Duquesne Light witness Mr. Fisher demonstrates, the
7 proposed rates represent prevailing market prices.

8

9 **IV. Services Provided By Duquesne Light To EGSs**

10

11 Q. Does Duquesne Light provide services to all EGSs that allow them to operate
12 effectively within the PJM Interconnection?

13 A. Yes, Duquesne Light provides to all EGSs, free of charge, the following services that
14 allow them to operate effectively within the PJM Interconnection: day ahead, hourly
15 forecasting for the EGSs' expected load (including expected hourly load based on
16 weather in the event that is either three degrees warmer or three degrees cooler), the
17 EGSs' load contribution to both the peak load (1CP), and the five peak loads (5CP),
18 which allows the EGSs to determine their transmission requirements and capacity needs,
19 the day after estimate of the EGSs' actual hourly load, as well as assisting PJM in
20 determining the reconciliation quantities for each EGS, which determines the final
21 amounts that the EGSs pay to or receive from PJM.

22

23 Q. Does Duquesne Light provide these services to both its affiliate EGS, DLE, as well as
24 all other EGSs?

1 A. Yes, Duquesne Light provides all of the above services in a fair and non-discriminatory
2 manner to all EGSs, irrespective of whether the EGS is an affiliate of Duquesne Light, or
3 not.

4

5 **Q. Does this conclude your testimony?**

6 A. Yes, it does.

DATE: January 31, 2007

SUBJECT: P-00072247

TO: Office of Administrative Law Judge

FROM: James J. McNulty, Secretary

**RE: Petition of Duquesne Light Company for approval of
Default Service Plan for the Period January 1, 2008
through December 31, 2010**

We attach hereto a copy of the Petition of Duquesne Light Company for approval of Default Service Plan for the Period January 1, 2008 through December 31, 2010, which has been captioned and docketed to the above number.

Notice will be published in the Saturday, February 10, 2007 issue of the Pennsylvania Bulletin. A copy is attached for your information.

This matter is assigned to your Office for hearing.

Attachment

cc: Bureau of Fixed Utility Services
Law Bureau

ddt

DOCUMENT
FOLDER

DOCKETED
JAN 31 2007

PENNSYLVANIA PUBLIC UTILITY COMMISSION

NOTICE TO BE PUBLISHED

Petition of Duquesne Light Company for approval of Default Service Plan for the Period January 1, 2008 through December 31, 2010. Docket Number P-00072247.

Formal protests, petitions to intervene and answers must be filed in accordance with Title 52 of the Pennsylvania Code. All filings must be made with the Secretary of the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on the Petitioner and a copy provided to the Administrative Law Judge, on or before February 26, 2007. The documents filed in support of the Petition are available for inspection and copying at the Office of the Secretary between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, and at the Petitioner's business address.

Applicant:

Duquesne Light Company

Through and By Counsel:

Michael W. Gang, Esquire
Anthony Kanagy, Esquire
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NOTICE

A Pre-Hearing Conference on the above-captioned case will be held as follows:

Date: Wednesday, February 28, 2007

Time: 10:00 a.m.

Location: 11th Floor Hearing Room
Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

and

Hearing Room 1 – Harrisburg Parties
Plaza Level
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Presiding: Administrative Law Judge Larry Gesoff
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

BY THE COMMISSION



James J. McNulty
Secretary



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
January 31, 2007

IN REPLY PLEASE
REFER TO OUR FILE

In Re: P-00072247

(SEE ATTACHED LIST)

Petition of Duquesne Light Company for Approval of Default
Service Plan for the Period January 1, 2008 through December 31,
2010

N O T I C E

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Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCUMENT
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DOCKETED
FEB 9 2007

Presiding: **Administrative Law Judge Larry Gesoff**
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222
Telephone: 412-565-3550
Fax: 412-565-5692

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to your hearing:

- Scheduling Office: 717-787-1399
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1-800-654-5988

pc: Judge Gesoff
Stacy Nolan, Scheduling Officer
Beth Plantz
Docket Section
Calendar File

P-00072247 PETITION OF DUQUESNE LIGHT COMPANY FOR APPROVAL OF
DEFAULT SERVICE PLAN FOR THE PERIOD JANUARY 1, 2008 THROUGH
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