



**Duquesne Light**

Our Energy...Your Power

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January 25, 2007

**Gary A. Jack**  
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VIA HAND DELIVERY

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2<sup>nd</sup> Floor  
400 North Street  
Harrisburg, PA 17120

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MAY - 3 2007

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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**Re: Petition Of Duquesne Light Company For  
Approval Of Default Service Plan For The Period  
January 1, 2008 Through December 31, 2010  
Docket No. \_\_\_\_\_**

Dear Secretary McNulty:

Enclosed for filing, on behalf of Duquesne Light Company ("Duquesne"), please find an original and three copies of the Petition Of Duquesne Light Company For Approval Of Default Service Plan For The Period January 1, 2008 through December 31, 2010 ("Default Service Plan"). Due to the risk that Duquesne Power, LLC is incurring in holding proposed rates open under the Default Service Plan during the regulatory review period and the need to provide customers notice of the precise changes in their Price To Compare in order to facilitate retail shopping, Duquesne requests expedited approval of the Default Service Plan by July 1, 2007. To facilitate approval by this date, Duquesne has filed its direct testimony herewith and respectfully requests that the Pennsylvania Public Utility Commission ("Commission") assign this matter to the Office of Administrative Law Judge for evidentiary hearings and the issuance of a Recommended Decision as soon as possible.

Pursuant to Section 5.41(b) of the Commission' regulations, 52 Pa. Code § 5.41(b), and as indicated on the certificate of service, Duquesne is serving this Petition on the Office of Trial Staff, the Office of Consumer Advocate, and the Office of Small Business Advocate. Duquesne is also serving all parties in Duquesne's POLR III proceeding, *Petition of Duquesne Light Company for Approval of Plan for Post-Transition Period Provider of Last Resort Service*, Docket No. P-00032071, and in Duquesne's recent distribution rate proceeding at Docket No. R-00061346. Moreover, Duquesne is providing notice of the Petition to customers through a press release, newspaper publication and a bill insert.

**DOCUMENT  
FOLDER**

**DOCKETED**  
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Page 2  
James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
January 25, 2007

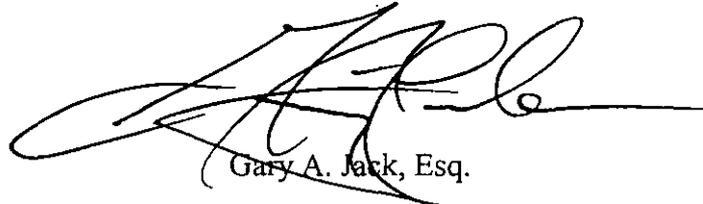
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In addition, please direct any questions regarding this matter to the undersigned.

Very truly yours,



Gary A. Jack, Esq.

Enclosure

c: Wendell F. Holland, Chairman  
James H. Cawley, Vice Chairman  
Terrance J. Fitzpatrick, Commissioner  
Kim Pizzingrilli, Commissioner

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the Application has been served upon the following persons by first class mail on or about January 25, 2007:

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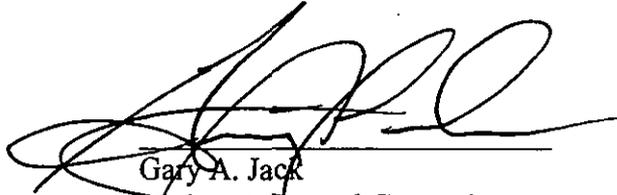
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Dated: January 25, 2007

**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 :

**PETITION OF DUQUESNE LIGHT COMPANY  
FOR APPROVAL OF DEFAULT SERVICE PLAN**

Pursuant to Chapter 28 of the Public Utility Code and 52 Pa. Code § 5.41, Duquesne Light Company (“Duquesne Light” or the “Company”) petitions the Pennsylvania Public Utility Commission (“Commission”) for approval of a default service plan for the period from January 1, 2008 through December 31, 2010 (“Default Service Plan” or “Plan”), and (ii) for the issuance of certain other related approvals, described in Section IV hereof, required for the implementation of the Plan. Duquesne Light’s current default service plan, commonly referred to as the POLR III Plan, expires on December 31, 2007. *Petition of Duquesne Light Company for Approval of Plan For Post-Transition Period Provider of Last Resort Service*, Docket No. P-00032071, Order entered August 23, 2004 (“*POLR III Order*”). Duquesne Light is filing this Petition well in advance of December 31, 2007, so that the Commission has adequate time to consider the proposals made herein. Duquesne Light respectfully requests expedited approval of the Default Service Plan on or before July 1, 2007, in order that upon approval, Duquesne Light may take the necessary actions to implement the Plan on January 1, 2008.

**I. EXECUTIVE SUMMARY**

**A. Background**

Since restructuring, Duquesne Light has implemented three very successful default service programs which have helped create the most competitive shopping environment in the Commonwealth and also have provided customers with substantial rate reductions. By this

filing, Duquesne Light seeks to build on these prior successes and proposes a three-year default service plan to serve as a transition to January 1, 2011, when the generation rate caps for most electric customers in the Commonwealth will expire. Approval of this Plan will assure that Duquesne Light's Residential customers receive default service under terms and conditions similar to that received by other Pennsylvanians. A three-year term also is consistent with the term approved by the Commission in other default service proceedings, including Duquesne Light's POLR II and POLR III proceedings.

Duquesne Light made a commitment, as part of the Settlement of its recent distribution rate proceeding, to provide stakeholders an opportunity to participate in the development of the Default Service Plan. Pursuant to that commitment, Duquesne Light solicited input from a number of interested parties. The opinions and proposals of these parties were carefully considered in the development of the Default Service Plan. As a result, Duquesne Light believes that there will be substantial support for a number of elements of the Plan from a broad cross-section of parties.

The details of Duquesne Light's Default Service Plan are set forth below and in the extensive testimony and exhibits accompanying this Petition. Before turning to these issues, however, one important matter should be addressed. The rates proposed in this filing for Residential, Small C&I and Lighting customers reflect an average increase of 10.2%, on a total bill basis, and a 17.6% increase as compared to current POLR III supply rates. These rates reflect prevailing market prices for the Default Service Plan service period and therefore should further promote retail competition in Duquesne Light's service territory. However, these increases are relatively modest, particularly when compared to the increases seen in other POLR filings which have employed an RFP or auction process. And, even with these proposed

increases, the supply rates for Residential, Small C&I and Lighting customers, on average, will still be below the regulated rate levels which were in effect under the POLR I Plan. At the same time, Duquesne continues to have, by far, the highest level of customer shopping in the Commonwealth and among the highest in the nation. These are truly remarkable results, which reflect both the extraordinary efforts of Duquesne Light and the fundamental success of electric competition, to date, in Duquesne Light's service territory. Duquesne Light's track record as a default service provider speaks for itself and fully supports approval of its proposed Default Service Plan.

**B. Proposed Default Service Rates**

The Default Service Plan consists of three plans tailored to meet the specific needs of major customer groups. For large commercial and industrial ("Large C&I") customers, Duquesne Light will offer a real time hourly market price service as the default service option. Duquesne Light does not propose to offer fixed price service to Large C&I customers. Competition for Large C&I customers in Duquesne Light's service territory is robust, with 98% of Large C&I load currently shopping. Real time hourly default service is appropriate for this mature market segment.

For small commercial and industrial ("Small C&I") customers, Duquesne Light proposes to increase rates on January 1, 2008 to reflect prevailing market prices. The average rate increase for Small C&I Rate GS/GM customers will be 9.3%, on a total bill basis. These rates will be adjusted annually, for 2009 and 2010, based upon changes in an annual forward market price index. In addition, rates will be redesigned to eliminate supply related demand charges and declining energy blocks over a three-year period. As of January 1, 2010, all Small C&I customers will pay a single energy charge for default service. These measures will promote competition by resetting rates to reflect prevailing market prices, adjusting these rates annually to

reflect changes in market conditions and by phasing out legacy rate design features. A flat usage charge also will encourage conservation.

For Residential and Lighting customers, Duquesne Light proposes to increase rates on January 1, 2008, to reflect prevailing market prices for the three-year term of the Plan (2008-2010). The average increase for Residential Rate RS customers is 9.2%, on a total bill basis; the average increase for Lighting customers is 7.4%, on a total bill basis. In addition, Duquesne Light proposes to eliminate, over a three-year period, declining energy blocks for residential heating customers. As of January 1, 2010, all Residential customers will pay a single energy charge for default service. These actions will promote retail competition by resetting rates to reflect prevailing market prices and by adopting a simplified rate structure. The Plan will also provide Residential customers rate stability, significant protection against potentially disruptive rate increases and a rate design that encourages conservation.

### **C. Power Procurement**

In order to procure power for Residential, Lighting and Small C&I customers, Duquesne Light will amend its fixed price, full requirements contract with its affiliate, Duquesne Power. Duquesne Power will rely on competitive wholesale market purchases in PJM to obtain power for Duquesne Light's customers. Duquesne Power also will assume regulatory approval, customer switching, load following and other regulatory and business related risks associated with default service supply.

Duquesne Light carefully considered obtaining default supply through a competitive procurement process, but has determined that such an approach is not appropriate at this time. There is considerable uncertainty in the outcome of a competitive procurement process, not only as to rates but as to the number of bidders. Many prior competitive procurement processes have had little or no success or have resulted in extremely high price increases. As a result, a

competitive procurement process would present considerable risks for Residential and Small C&I customers. Given that the majority of Pennsylvanians have stable generation rates through 2010, Duquesne Light believes that its Residential and Small C&I customers should not be subject to the risks associated with a competitive procurement process at this time.

**D. Determination of Prevailing Market Prices**

The rates under the Default Service Plan are based on prevailing market prices for a three-year, fixed price full requirements contract for 2008 through 2010. In order to determine prevailing market prices, Duquesne Light reviewed the results of wholesale solicitations in several states, including Pennsylvania, New Jersey, Maryland and Illinois. All of these solicitations involved full requirement default service supply to residential and/or small C&I customers, and were completed primarily within the last twelve months.

In order to compare these solicitations on an “apples to apples” basis, Duquesne Light made several adjustments to reflect the particular facts and circumstances presented in Duquesne Light’s Plan. These adjustments included stating the prices on a comparable basis, adjusting for location and timing differences and adjusting for different risk factors assumed by the various suppliers. Based upon these adjusted solicitations, Duquesne Light believes that its rates proposed under the Default Service Plan appropriately reflect prevailing market prices for a three-year, fixed price full requirements contract for 2008 through 2010.

**E. Market Enhancements**

Duquesne Light currently has the highest level of customer shopping in the Commonwealth. As of December 2006, 18% of Residential load, 19% of Small C&I load and 98% of Large C&I load in Duquesne Light’s service territory was being served by an alternative supplier. As reported by the Office of Consumer Advocate in January 2007, with regard to total shopping in the Commonwealth, the vast majority of shopping load – 95% of residential load,

81% of commercial load and 90% of industrial load – is located in Duquesne Light’s service territory.

Duquesne Light’s Default Service Plan contains several important features designed to further promote retail competition. As noted above, Duquesne Light proposes to reset rates for Residential and Small C&I customers to reflect prevailing market prices and to simplify its rate design to reflect market conditions to provide greater transparency to customers and suppliers.

In addition, Duquesne Light has agreed to a purchase of receivables (“POR”) program whereby it will purchase the accounts receivable, without recourse, associated with EGS sales of retail electricity to Residential and Small C&I customers. The POR program provides substantial benefits to marketers by eliminating their risks associated with serving credit-troubled customers and by allowing marketers to serve these customers without incurring significant costs for upfront credit analysis, collection activities or uncollectible accounts.

Duquesne Light also will be implementing several process improvements that will promote retail competition. For example, Duquesne Light proposes to improve communications with employees concerning its Code of Conduct. In addition, as part of the settlement of its last rate case, Duquesne Light agreed to convene regular meetings with EGSs to discuss retail supplier issues and to conduct an analysis to determine whether its cost allocation procedures are appropriate. This cost analysis demonstrated that Duquesne Light is properly allocating its costs and led to the adoption of several minor changes to further improve its cost allocation procedures. Both the Commission and the Federal Energy Regulatory Commission (“FERC”) have recently reviewed Duquesne Light’s cost allocation procedures and have determined that they are appropriate.

## **F. Conservation and Economic Development**

In the rate case Settlement, Duquesne Light agreed to contribute a total of \$6 million to fund renewable energy projects and/or energy efficiency and energy education projects in its service territory. In addition, Duquesne Light promotes energy conservation through several different programs, including: (1) a Load Response Program that compensates customers for reducing demand when market prices increase; (2) a Direct Load Control Pilot Program for Residential and small commercial customers that reduces air conditioning usage during hot weather; (3) offering web based tools to assist customers in conserving energy; (4) issuing New Mover's Guide's to all consumers moving into Duquesne Light's service territory that include information on how to use energy wisely; (5) presenting conservation programs to school students; and (6) promoting conservation at the Pittsburgh Home and Garden Show.

In the rate case Settlement, Duquesne Light also agreed to evaluate the proposals of other parties regarding energy conservation and education, time of use metering and economic development and to submit proposals that it deemed to be appropriate in this default service filing. Duquesne Light has evaluated these proposals and has concluded that while they may have some merit, implementation of these proposals would be premature in this proceeding. In its discussions with parties, Duquesne Light determined that there was no consensus support for implementation of these proposals at this time. Certain parties expressed an interest in advanced metering options with time-of-use and/or seasonal rates, but only if they were optional and did not impose additional costs on customers. Others believed that such proposals should be provided by the market and not by the regulated default service provider. Duquesne Light supports coordinated statewide efforts as the most efficient and effective way to address these types of issues. For example, Duquesne Light supports and actively participates in the Commission's Demand Side Response ("DSR") working group.

With regard to economic development, in its current merger proceeding, Duquesne is proposing an economic development program under which eligible customers will receive a discount of \$3 per MWh below market prices if they create new load or expand existing load and create new jobs. The offer is available for three years per project and will be in effect until March 1, 2013. This proposal will provide important incentives for economic development in Duquesne Light's service territory.

**G. Schedule**

Duquesne requests expedited approval of this Petition, with a Commission decision on or before July 1, 2007. Under the Default Service Plan, Duquesne Power is assuming all risk of market price changes during the course of this proceeding. The longer the approval process, the greater the risk. Expedited approval also is necessary to ensure that Duquesne Power has adequate time to obtain power to provide default service to Duquesne Light customers commencing on January 1, 2008, and because of the need to inform customers of the precise changes in their Price To Compare in order to facilitate retail shopping.

To support an accelerated schedule, Duquesne Light has included its direct testimony with this Petition, and Duquesne Light will endeavor to work with parties to amicably resolve any contested issues. Indeed, as explained above, Duquesne Light already has undertaken extraordinary efforts to meet with interested parties and to reflect their input in this filing. As a result, Duquesne Light believes that there will be substantial support on a number of elements of the Plan from a broad cross-section of parties, and should permit accelerated review of this case.

For these reasons, and as explained more fully below, Duquesne Light believes that its Default Service Plan is in the public interest and should be approved.

## II. DESCRIPTION OF RELEVANT PRIOR REGULATORY PROCEEDINGS

1. Duquesne Light filed its restructuring plan under the Electricity Generation Customer Choice and Competition Act (“Competition Act”) on August 1, 1997. Under its restructuring plan, Duquesne Light conducted an auction and sold its generating assets to Orion Power Midwest LP, (“Orion”)<sup>1</sup>. As part of the auction process, Duquesne Light purchased its default service requirements for the transition period from Orion at a price equal to then-existing generation rate caps. This agreement protected Duquesne Light from volatile electric markets while Duquesne Light collected competitive transition charges (“CTCs”) and provided customers fixed rates for default service (the “POLR I Agreement”). In addition, the auction was very successful in mitigating stranded costs. As a result, Duquesne Light’s transition period was the shortest of any major utility in the Commonwealth, ending in 2002 for most customers.

2. In order to procure power to provide post-transition period default service to customers, Duquesne Light entered into a subsequent agreement (commonly referred to as the “POLR II Agreement”) with Orion, under which Orion would supply power to meet Duquesne Light’s default supply requirements through December 31, 2004. *Pa. PUC v. Duquesne Light Company, Petition for Approval of Plan for Post-Transition Period POLR Service*, Docket No. R-00974104 (Order entered November 30, 2000). The agreement allowed Duquesne Light to continue to provide fixed rates to all of its customers, and when combined with termination of the CTC resulted in Residential customers receiving a rate reduction on a total bill basis of 21% under POLR II. On a system-wide basis, the average rate reduction was 17%.

3. Prior to the expiration of the POLR II Plan, Duquesne Light filed a Petition with the Commission requesting approval of its POLR III Plan for the period of January 1, 2005

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<sup>1</sup> Orion was subsequently acquired by what is currently a subsidiary of Reliant Resources, Inc. (“Reliant”).

through December 31, 2010. *POLR III Order, supra*. In its POLR III Petition, Duquesne Light proposed to offer customers default service at fixed rates for a six-year period. Duquesne Light also proposed to enter into a contract with its affiliate, Duquesne Power, under which Duquesne Power would procure power necessary to provide default service to Duquesne Light's small customers. Duquesne Light chose a six-year period for the POLR III Plan in order to align its customers with the large majority of all other default service customers in the Commonwealth who remained subject to generation rate caps until December 31, 2010.

4. On August 23, 2004, the Commission approved Duquesne Light's POLR III Plan with certain modifications. *POLR III Order, supra*. Of importance here, the Commission limited the term of the POLR III Plan to three years. While not adopting a six-year term, the Commission did find that Duquesne Light's proposed rates for the first three years were consistent with prevailing market rates. In this regard, the Commission found that testimony regarding recent supply auctions in a neighboring jurisdiction in PJM and several market price analyses established that Duquesne Light's proposed rates reasonably reflected prevailing market prices.

5. As was the case with the prior two default service plans, the POLR III Plan provided important benefits to customers. Under the POLR III Plan, customers continued to receive service at fixed rates which reflected prevailing market prices, and these market-based prices continued to provide savings compared to regulated rates in effect prior to the adoption of the Competition Act. The POLR III Plan also encouraged a competitive shopping environment, and since restructuring, Duquesne Light's service territory has been, by far, the most competitive in the Commonwealth.

6. In accordance with the requirements of the Competition Act, Duquesne Light has implemented electric restructuring and three default service programs. These actions have provided important benefits to customers, such as rate reductions and rate stability and have helped create the most competitive shopping environment in the Commonwealth. In aggregate, Duquesne Light's electric restructuring and default service programs will have saved customers over \$950 million through 2010, and **at the same time**, produced the highest level of customer shopping in the Commonwealth and among the highest in the country. These are remarkable achievements.

### **III. DUQUESNE LIGHT'S DEFAULT SERVICE PLAN**

#### **A. Introduction**

7. In developing its Default Service Plan, Duquesne Light carefully balanced many considerations, including in particular the effect of the Plan on retail competition and customers' rates. During the development of the Plan, Duquesne Light went to unprecedented lengths to solicit input from interested parties, including EGSs, customer advocates and others. These efforts are discussed in detail in the direct testimony of Frederick J. Eichenmiller. While Duquesne Light did not reach a consensus on all issues, it carefully considered the proposals of other parties and has developed a balanced plan that, among other things, promotes competition, provides stable rates for Residential, Lighting and Small C&I customers and provides a bridge to 2011 when generation rate caps for most other electric customers in the Commonwealth will expire.

8. Section III.B describes the elements of the Plan for the major customer classes and sets forth the proposed rates under the Plan. Section III.C explains Duquesne Light's proposal to acquire power to supply default service customers pursuant to a contract with Duquesne Power, and the reasons that a competitive solicitation process was not proposed. This

section also demonstrates that the rates proposed in this proceeding reflect prevailing market prices and therefore comply with the legal standard that Duquesne Light acquire default supply at prevailing market prices. Section III.D explains how the Plan will promote retail competition. Section III.E addresses energy conservation, time of use metering and economic development issues. Section III.F summarizes the many benefits of the Plan. Section IV explains the related approvals that Duquesne Light is requesting in conjunction with the Plan. Section V sets forth how Duquesne Light proposes to notify potential parties of this filing and inform customers as to the proposed rate changes. In Section VI, Duquesne Light requests expedited approval of this Petition.

## **B. Proposed Default Service Rates**

9. The Default Service Plan is not a “one size fits all” approach to default service. In developing the Plan, Duquesne Light recognized that each customer class has different characteristics, including: (1) *pre-existing rate structures*; (2) different abilities to accept or react to changing prices; and (3) different competitive opportunities. The Plan takes these differences into account and proposes a different solution for each of the major customer groups. A description of the principal elements of the Plan for each major customer group is provided below.

### **1. Large C&I Customers<sup>2</sup>**

10. Duquesne Light proposes to offer Large C&I customers a real-time hourly market price default service with no fixed price service option. Pursuant to the Commission’s Reconsideration Order in the POLR III proceeding, Duquesne Light’s fixed price option for Large C&I customers expires on May 31, 2007, and currently, very few customers have elected

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<sup>2</sup> Large C&I customers are those customers that have a demand greater than 300 kilowatts (“kW”) and include rate classes GL, GLH, L and HVPS.

this option.<sup>3</sup> See Docket No. P-00032071, Reconsideration Order entered October 5, 2004, p. 24. The competitive market for Large C&I customers is quite robust, with approximately 98% of Large C&I load receiving service from EGSs. Therefore, Duquesne Light proposes to rely on EGSs to offer these customers fixed price service.

11. Duquesne Light's current default service tariff contains several riders applicable to Large C&I customers. Rider No. 9 contains the terms and conditions under which Duquesne Light provides hourly price default service to Large C&I customers. This Rider also contains provisions for recovery of administrative costs. Rider No. 9 currently contains separate charges for each of the four Large C&I rate classes, and the charge for each class has both a risk component and an administrative component. The Default Service Plan proposes to replace this structure with a single charge for all Large C&I customers. The new charge will not contain a risk component. In addition, Duquesne Light is updating these charges to reflect current costs and current default service sales. This proposal is explained further in the testimony of Duquesne Light's witness William V. Pfrommer.

12. Duquesne Light also proposes to eliminate Rider 23, the Generation Rate Adjustment switching rider. This Rider applies only to Large C&I customers that take fixed price service. Since Duquesne Light is eliminating the fixed price option, Rider 23 is no longer necessary.

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<sup>3</sup> As of December 31, 2006, only 6 out of 871 eligible customers were receiving fixed price default service from Duquesne Light.

## 2. Small C&I Customers<sup>4</sup>

13. The Default Service Plan proposes to establish Small C&I customer generation rates based on prevailing market prices and to phase out legacy rate design features, such as declining blocks and demand charges which do not reflect competitive market conditions.

14. Energy rates for Small C&I customers will be based on prevailing market prices, at the time of the filing, for a three-year fixed price, full requirements contract for 2008-2010. These rates will be adjusted for 2009 and 2010 to reflect changes based on an annual forward market price index. For example, Duquesne Light will determine the change in the index from when rates were initially established near the time of this filing to October 1, 2008, and then adjust Small C&I rates on January 1, 2009, based on this change in the index. The same procedure will be employed to set rates for 2010.

15. The rates for the Small C&I customers are shown on Exhibit WVP-1 of Mr. Pfrommer's testimony. Small C&I Rate GS/GM customers, on average, will experience a generation supply rate increase of 13.6% over POLR III supply rates. On a total bill basis, this constitutes an increase of 9.3%. The proposed generation supply rates for Small C&I Rate GS/GM customers, on average, are 3.4% lower than the generation rates which were in effect under the POLR I Plan.<sup>5</sup> Individual customers will experience different percentage increases

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<sup>4</sup> The Small C&I customers classes include Rate GS, Rate GM and Rate GMH. Rate GS has approximately 19,000 customers. Rate GS customers are not demand metered and their average usage is less than 1000 kilowatt-hours ("kWh") per month. Rate GM customers are demand metered and have diverse usage and load profiles. These customers are billed for demand for load in excess of 5 kW and for energy at declining block rates. There are approximately 33,000 Rate GM customers. Rate GMH customers are electric space heating customers. These customers are billed for demand for load in excess of 5 kW in the non-heating months and for energy at declining block rates. There are approximately 3,400 Rate GMH customers.

<sup>5</sup> In order to provide comparable figures, the rate comparisons include ancillary service and PJM administrative costs in the supply rates. In addition, the referenced POLR I rates include all generation-related charges including energy, capacity and CTC charges.

depending upon the individual rate under which they receive service and their individual usage patterns.

16. Duquesne Light currently has a declining block rate structure for Small C&I customers. This structure is a carryover from rates that existed prior to restructuring. Under this rate structure, customers are billed lower energy rates for usage over 1300 kWh per month.<sup>6</sup> For Rate GS customers, Duquesne Light proposes to eliminate the declining block rate structure as of January 1, 2008. This will simplify the rate structure and provide customers and EGSs with a clearer price to compare for purposes of retail shopping. Because very few Rate GS customers use more than 1300 kWh per month, there is only modest tail block usage, and eliminating the declining block structure will not cause disparate rate impacts.

17. By contrast, immediately eliminating declining block rates would result in substantial rate increases for certain Rate GM and Rate GMH customers. Therefore, second block rates for Rate GM and Rate GMH customers will be phased out over three years, so that as of January 1, 2010, these rates will consist of a single energy charge for default service. This will move rates to a more competitive platform over time but will avoid rate distortions that would occur by immediately eliminating this rate structure for these customers.

18. Duquesne Light's existing rate structure also includes supply related demand charges for certain Small C&I customers. Duquesne Light proposes to eliminate supply related demand charges for Small C&I customers over a three-year period. This will simplify the rate structure and promote competition while at the same time mitigating disparate rate increases. In addition, Duquesne Light's tariff includes a Rider which provides time of day discounts for

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<sup>6</sup> For rate GMH customers, this rate feature changes in the October to May heating months such that GMH customers are billed lower rates for usage over 1250 kWh per month plus 150 kWh for each kW of demand over 6 kW.

demand charges ("Rider No. 5"). Because Duquesne Light is proposing to phase out demand charges, Duquesne Light also proposes to phase out Rider No. 5.

19. In providing default service to customers, Duquesne Light incurs certain ancillary service and PJM Interconnection, LLC ("PJM") administrative costs. These costs are currently recovered as part of generation supply rates for Small C&I customers. Both PJM administrative costs and ancillary service costs are transmission-related costs imposed under the PJM Open Access Transmission Tariff ("OATT") and are properly recovered through retail transmission rates. Duquesne Light proposes to unbundle these costs from Small C&I customer supply rates and recover them through Duquesne Light's Transmission Service Charge ("TSC"). The TSC is a reconcilable charge designed to recover Duquesne Light's retail transmission costs and was approved in Duquesne Light's last distribution rate proceeding, at Docket No. R-00061346.

### **3. Residential Customers<sup>7</sup>**

20. Duquesne Light proposes to establish Residential customer generation rates based on prevailing market energy prices and to phase out, over three years, declining block energy rates for residential heating customers. As of January 1, 2010, Duquesne Light's rate structure for all Residential customers will consist of a single energy rate.

21. Default service rates for Residential customers will be established based on prevailing market prices, at the time of the filing, for a three-year, fixed price full requirements contract. These rates will be fixed for a three-year period.

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<sup>7</sup> The Residential Customer group includes Rate RS – Residential Service ("Rate RS"), Rate RH – Residential Service Heating ("Rate RH") and Rate RA – Residential Service Add-on Heat Pump ("Rate RA"). Rate RS is the Company's standard residential service rate, and the rate structure consists of a single flat energy charge per kWh. Rate RH and Rate RA are the Company's residential space heating rates. Both have the same rate structure as Rate RS during the non-heating season. During the heating season, Rate RH and Rate RA have a declining block rate structure and a reduced rate for usage greater than 500 kWh.

22. The rates for residential customers are shown on Exhibit WVP-1 of Mr. Pfrommer's testimony. Residential Rate RS customers, on average, will experience a generation supply rate increase of 17.6% over POLR III supply rates. On a total bill basis, this constitutes an increase of 9.2%. The proposed generation supply rates for Residential Rate RS customers, on average, are 9.1% lower than the generation rates which were in effect under the POLR I Plan.<sup>8</sup> Individual Residential customers will experience different percentage increases in rates depending upon the individual rate under which they receive service and their individual usage patterns.

23. Duquesne Light currently has a declining block rate structure for Residential heating customers. This structure is a carryover from rates that existed prior to restructuring. Under this rate structure, Residential heating customers are billed lower energy rates during the November through April heating season for usage over 500 kWh per month. Under the Default Service Plan, declining second block energy rates for Residential heating customers are being phased out over three years, to avoid rate distortions that would occur by immediately eliminating this rate structure. As of January 1, 2010, all residential customers will receive default service at a single energy charge, which will facilitate shopping for both customers and EGSs.

24. As with Small C&I customers, ancillary service and PJM administrative costs currently are bundled in supply rates for Residential customers. As explained above, Duquesne Light proposes to unbundle these costs from supply rates and recover them through the TSC.

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<sup>8</sup> In order to provide comparable figures, the rate comparisons include ancillary service and PJM administrative costs in the supply rates. In addition, the referenced POLR I rates include all generation-related charges including energy, capacity and CTC charges.

#### 4. **Lighting Customers**<sup>9</sup>

25. Duquesne Light is setting rates for Lighting customers based on an estimate of prevailing market prices, at the time of the filing, for a three-year fixed price, full requirements contract. These rates will be fixed for a three-year period.

26. The rates for Lighting customers are shown on Exhibit WVP-1 of Mr. Pfrommer's testimony. Lighting customers, on average, will experience a generation supply rate increase of 29.5% over POLR III supply rates. On a total bill basis, the average increase will be 7.4% over POLR III rates. The proposed supply rates for Lighting customers, on average, are 23.6% lower than generation rates which were in effect under the POLR I Plan.<sup>10</sup> Individual Lighting customers will experience different percentage increases in rates depending upon the rate under which they receive service.

27. As a result of the legacy effects of unbundling and the POLR III rate design, resetting rates for lighting customers will result in decreases for some customers and increases for others. Implementing these proposed changes to the lighting class rates will simplify the rates, eliminate inconsistencies between rate classes, and promote retail competition.

#### C. **Power Procurement**

##### 1. **Duquesne Light Proposes To Acquire Default Supply From Duquesne Power At Prevailing Market Prices**

28. Consistent with its POLR III plan, Duquesne Light proposes to amend its existing fixed price full requirements contract with its affiliate, Duquesne Power, to procure supply for Small C&I, Residential and Lighting customers. Duquesne Power will acquire the power needed

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<sup>9</sup> The classes defined as Lighting include Rate AL – Architectural Lighting Service, Rate SE – Street Lighting Energy, Rate SM – Street Lighting Municipal, Rate SH – Street Lighting Highway, Rate UMS – Unmetered Service and Rate PAL – Private Area Lighting.

<sup>10</sup> In order to provide comparable figures, the rate comparisons include ancillary service and PJM administrative costs in the supply rates. In addition, the referenced POLR I rates include all generation-related charges including energy, capacity and CTC charges.

to serve this load through purchases in the wholesale market. Duquesne Power also will procure alternative energy credits in order to comply with the Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.1 *et seq.*

29. In order to provide increased rate certainty to customers and to provide the Commission with a concrete proposal for review, Duquesne Power has agreed to hold the proposed rates open during the regulatory review period. Duquesne Power also is assuming the risks associated with: (1) changes in sales, (2) changes in load shape during peak and off-peak periods, (3) changes in regulatory requirements, (4) supplier default, (5) shopping risks, and (6) other risks associated with providing default service supply for Duquesne Light. This commitment by Duquesne Power provides substantial benefits to customers and the Commission.

30. Duquesne Light considered obtaining default supply through a competitive procurement process, but believes that such a process should not be implemented at this time. Under a wholesale competitive solicitation process, default service customers would bear the risks that electricity prices will increase. Duquesne Light does not believe that it is appropriate to place this substantial risk on default service customers.

31. Duquesne Light's position is not mere speculation, but is supported by real life examples. For example, Pike County Light & Power conducted a single auction to set default service rates for customers, and this auction resulted in a 129% increase in generation rates. *Pa. PUC v. Pike County Light & Power Company*, Docket No. P-00052168, Order entered December 21, 2005. Also, as mentioned by the Commission in its Investigation Order entered on May 24, 2006, in *Policies to Mitigate Potential Electricity Price Increases*, Docket No. M-00061957, in Delaware, Delmarva Power Company residential customers faced a 59% rate

increase on May 1, 2006, as a result a competitive procurement process to obtain default supply. Likewise, in Maryland, residential customers of Baltimore Gas & Electric Company faced a 72% increase in electric bills on July 1, 2006, subject to deferral through a rate stabilization plan, as a result of a competitive procurement process to obtain default supply. These examples illustrate that customers bear substantial risks if default supply is obtained through a competitive procurement process. By contrast, Duquesne Light proposed Residential Rate RS supply rate increase for the period 2008 – 2010 is 17.6%.

32. In addition to the problems identified above, a competitive solicitation process may not generate many bidders. Duquesne Light conducted several competitive RFP processes – in October 2004, March 2006, and May 2006, to procure power for Large C&I customers. The first RFP process received six bids, most of which offered to supply only a limited number of tranches. The second RFP conducted in March 2006 resulted in no bids from any suppliers at any price. The Commission then made several changes to the RFP process in order to make the product more attractive to potential bidders and encourage supplier participation. Docket No. P-00032071, Order entered May 4, 2006. Even after these changes, Duquesne Light only received one bid. As this demonstrates, a competitive solicitation process may not generate many bidders.

33. Competitive solicitations also have not proven to result in higher levels of shopping. In fact, Duquesne Light has significantly higher shopping levels than other jurisdictions that have relied on competitive solicitations to establish default service.

34. The rates under the Default Service Plan are based on prevailing market prices for a three-year, fixed price full requirements contract for 2008 through 2010. A detailed analysis of how the rates were determined is included in the testimony of Neil S. Fisher. In determining prevailing market prices, Duquesne Light reviewed recent competitive solicitations in

Pennsylvania, New Jersey, Maryland and Illinois. All of the solicitations that were reviewed involve full-requirements default service supply to Residential and/or Small C&I customers and were conducted primarily in the last twelve months.

35. After reviewing the competitive solicitations, Duquesne Light adjusted the results in order to evaluate them on a comparable basis. Major adjustments included: (1) major definitional differences in the product being provided; (2) locational and timing differences; and (3) differences in risk assumption by the supplier. This analysis demonstrates that Duquesne Light's proposed default service rates appropriately reflect prevailing market prices.

**2. The Default Service Plan Satisfies The Statutory Standard Of "Acquiring Energy At Prevailing Market Prices"**

36. Duquesne Light's basic statutory obligation to provide default service is set forth in Section 2807(e)(3) of the Code, which provides as follows:

If a customer contracts for electric energy and it is not delivered or if a customer does not choose an alternative electric generation supplier, the electric distribution company or commission-approved alternative supplier *shall acquire electric energy at prevailing market prices* to serve that customer and shall recover fully all reasonable costs. (Emphasis added)

37. There has been some controversy regarding the meaning of this statutory provision, and in particular, the meaning of the phrase "prevailing market prices." The term is not defined by the legislature. However, in the Competition Act, the legislature has directed the Commission to "promulgate regulations to define the electric distribution company's obligation to connect and deliver and acquire electricity" under Section 2807(e)(3). At this time, the Commission has not issued final default service regulations.

38. Based upon the plain language of Section 2807(e)(3), Duquesne Light's proposed strategy for procuring power for default service customers fully complies with the statutory requirement that electric energy shall be purchased at prevailing market prices. As stated above,

under the Default Service Plan, Duquesne Light is purchasing electricity from Duquesne Power based on prevailing market prices, at the time of the filing, for a three-year, fixed price full requirements contract. The prices were developed by reviewing recent competitive auctions for full-requirements default service supply in New Jersey, Maryland, Illinois and Pennsylvania and adjusting the results of these auctions to reflect Duquesne Light's particular circumstances.

39. In other default service proceedings, some parties and commentators have argued that the term "prevailing market prices" requires the default service provider to acquire power only in the short-term, spot market. Duquesne Light does not believe that this is a correct interpretation.

40. As noted above, the term "prevailing market prices," was not defined by the legislature, and in fact, the legislature directed the Commission to issue regulations defining how EDCs acquire electricity for default customers. Under well-established case law, the Commission has very broad discretion in issuing regulations, and its exercise of discretion will be upheld unless the regulations bear no reasonable relationship to the underlying statutory provision on which they are based. *Rohrbaugh v. Pa. PUC*, 556 Pa. 199, 727 A.2d 1080 (1999). Therefore, there is no basis to argue that the legislature intended to restrict the term "prevailing market prices" to short-term, spot market prices.

41. This is also evident by the use of the term "prevailing market prices" in the plural, rather than the singular. There are many prevailing market prices for electricity over different terms, including short-term, medium-term and long-term prices. There also are a wide variety of electricity products, including capacity, load following energy, around-the-clock energy, full-requirements service, derivatives and hedges. These products are available for different lengths of time and, in fact, the prevailing market price for the product often directly depends on the

length of time. Clearly, the existence of these products demonstrates that the prevailing market is not simply a short-term market.

42. Further, these products, including the long-term products, are available to all market participants, including EDC default providers and marketers. As such, all market participants, including default service providers, should be able to take advantage of the full range of market products.

43. In prior proceedings, the Commission has found that “prevailing market prices” are not limited to short-term prices. In Duquesne Light’s POLR III proceeding, the Commission approved a three-year term for the Plan and found that Duquesne Light’s proposed rates for this three-year period reflected prevailing market prices over this term. *POLR III Order*, entered August 23, 2004. In addition, the Commission indicated that a second three-year term may be appropriate after the POLR III term expired. *POLR III Order*, p. 17. Likewise, the Commission approved a three-year term for Duquesne Light’s POLR II Plan and also for UGI’s recent default service plan. *Petition of UGI Utilities, Inc. – Electric Division For Approval To Implement 2007-2009 Default Service Tariff Provisions On One Day’s Advance Notice*, Docket No. P-00062212 (Order entered June 23, 2006).

#### **D. Market Enhancements**

44. Duquesne Light already has implemented three very successful default service programs, and Duquesne Light’s service territory is the most competitive in the Commonwealth. By this filing, Duquesne Light seeks to build on that success and further promote retail competition in its service territory.

45. The rate and rate structure changes under the Default Service Plan will promote competition. By raising generation rates to prevailing market prices, EGSs will have a better opportunity to serve Residential, Small C&I and Lighting customers. Phasing out declining

energy blocks and supply related demand charges also will promote competition by simplifying the rate structure and making it easier for customers and EGSs to compare offers.

46. In addition to these measures, Duquesne Light proposes to implement several additional measures that are designed to promote retail competition. Duquesne Light has agreed to implement a purchase of receivables program that all of the parties involved in Duquesne Light's prior distribution rate proceeding either support or do not oppose. In addition, Duquesne Light has conducted an analysis addressing whether any portion of Duquesne Light's operations is inappropriately subsidizing its affiliate, Duquesne Light Energy ("Duquesne Energy") to ensure that Duquesne Energy is operating on a level playing field with other EGSs. Duquesne Light also is taking or has already taken substantial additional measures to enhance competition in its service territory, including improving enforcement of its Code of Conduct, committing to utilize a marketer friendly consolidated billing program, and convening regular meetings with EGSs to discuss market development issues. These issues are discussed below.

**1. Purchase of Receivables Program**

47. In the Settlement of its last distribution rate proceeding at Docket No. R-00061346, Duquesne Light agreed to meet with parties to consider the development of a Purchase of Receivables Program ("POR") for suppliers serving Residential and Small C&I customers in Duquesne Light's service territory as an alternative to full unbundling of any default service costs in distribution rates. Shortly after the Settlement was signed, Duquesne Light developed a POR proposal and presented it to the parties for review. Over the next two months, the parties developed the POR agreement that is attached to the testimony of Nancy J. D. Krajovic.

48. Under the POR program, Duquesne Light has agreed to purchase the accounts receivable, without recourse, associated with EGS sales of retail electricity to Residential and

Small C&I customers in Duquesne Light's service territory. Duquesne Light will purchase the accounts receivable at a small discount and then seek to recover EGS receivables from customers consistent with Duquesne Light's existing collection procedures. In this Petition, Duquesne Light requests a waiver of Commission regulations and guidelines that prohibit collection procedures, including termination of service, for unpaid receivables purchased from EGSs.<sup>11</sup>

49. The POR program provides considerable benefits to both customers and EGSs. The POR program will benefit customers because EGSs that participate in the program cannot reject customers based on credit-related issues. This should create increased access to competitive options for customers that might otherwise be overlooked by EGSs due to poor credit scores or past financial troubles.

50. The POR program also provides considerable benefits to EGSs. The primary benefit is that the POR program eliminates EGSs' risks of serving payment troubled customers. This will allow EGSs to expand their markets without incurring costs associated with upfront credit analysis of customers, collection activities or uncollectible accounts in the event of non-payment.

51. Given the protections provided to EGSs under the POR program, the POR program should promote competition for Residential and Small C&I customers. Additional details regarding the POR program are provided in the testimony of Ms. Krajovic.

## **2. Enhancement of Duquesne Light/EGS Communications**

52. Another market enhancement measure involves enhancing communications between Duquesne Light and EGSs. In Duquesne Light's last rate case, certain EGSs expressed concerns about the level and quality of communications between themselves and Duquesne

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<sup>11</sup> Duquesne Light will not terminate customers for failure to pay amounts in excess of what the customer would have paid under default service rates during the non-payment period.

Light. In response to these concerns, Duquesne Light agreed to conduct several meetings each year to enhance communication between Duquesne Light and EGSs. Duquesne Light will convene two meetings per year with interested EGSs to discuss current and emerging issues associated with market development and competition. Participants will include a representative from Duquesne Light's Supplier Service Center and the operational personnel of EGSs that serve in Duquesne Light's service territory. In addition, Duquesne Light will conduct an annual meeting with interested EGSs and interested C&I customers to discuss customer choice issues. This meeting is intended to enhance customer education regarding competitive issues.

53. These annual meetings will provide a specific venue for participants to present ideas or concerns about competitive market issues and should promote competition. The meetings will allow both Duquesne Light and EGSs to hear issues of concern and to present proposals to solve market problems or promote competition.

### **3. Cost Allocation Analysis**

54. In its last distribution rate case, Duquesne Light agreed to submit an analysis in this proceeding addressing whether any portion of Duquesne Light's operations is subsidizing its affiliates, including Duquesne Energy. See Paragraph 17(b) of the Rate Case Settlement filed at Docket No. R-00061346 and approved by the Commission by Order entered on December 1, 2006. Pursuant to the Settlement, Duquesne Light has carefully reviewed its cost allocations and has presented the results of that analysis in this proceeding in the Direct Testimony of Susan S. Betta. In her analysis, Ms. Betta reviewed Duquesne Light's cost allocation procedures and determined that Duquesne Light properly allocates costs out of its regulated business and has protections in place to separate regulated and unregulated business activities. Based on the analysis, the Company implemented several minor changes to its cost allocation procedures to better reflect actual costs incurred.

55. In addition to the cost allocation analysis performed by Ms. Betta, both the Federal Energy Regulatory Commission (“FERC”) and the Commission recently audited Duquesne Light’s cost allocation procedures, and both found no cross-subsidization. FERC also reviewed these issues in the Duquesne Light merger proceeding and found that there was no cross-subsidization.

56. In addition to considering cost allocation issues, Ms. Betta also reviewed Duquesne Light’s supply agreement with Duquesne Power under which Duquesne Power supplies energy to Duquesne Light for default service customers. Upon review of the supply agreement, Ms. Betta concluded that Duquesne Light is not subsidizing Duquesne Energy under the supply agreement. Moreover, in its recent audit, FERC also reviewed the supply agreement and did not find any cross-subsidization.

#### **4. Code of Conduct Review**

57. Duquesne Light is subject to a Code of Conduct set forth in the Commission’s regulations. 52 Pa. Code § 54.122. The Code of Conduct is designed, in part, to ensure that EDCs do not give undue preference to EGSs, including affiliate EGSs. The Code of Conduct also contains provisions relating to EDC and EGS advertising, dispute resolution procedures, customer information requests and independent functioning of employees.

58. In order to assure continued compliance with the Code of Conduct requirements, Duquesne Light will require employees in the Supplier Service Center and its Major Account Representatives who have relationships with larger customers to review the Code of Conduct on a yearly basis and commit in writing to its terms. This will further ensure that key employees remember and follow the Code of Conduct’s provisions, thereby ensuring that Duquesne Light does not give preferential treatment to EGSs, including its affiliate Duquesne Energy.

## **E. Energy Conservation And Economic Development**

59. Duquesne Light promotes energy conservation through several different programs. In the Settlement of its last distribution rate proceeding, Duquesne Light agreed to contribute \$6.0 million to fund renewable energy projects and/or energy efficiency and energy education projects in its service territory. Through this Settlement provision, Duquesne Light provides substantial funding for energy conservation programs in its service territory. Duquesne Light also has several other programs that are designed to promote energy conservation including a Load Response Program that compensates customers for reducing demand when market prices increase and a Direct Load Control Pilot Program for Residential and small commercial customers that reduces air conditioning usage during hot weather. In addition, on its website, Duquesne Light has tools that provide valuable information for customers regarding measures they can take to improve their energy efficiency. Duquesne Light also: (1) issues New Movers Guide's to customers moving in its service territory which include information on how to use energy wisely; (2) presents energy conservation programs to school students under the "Watt Do You Know?" program; and (3) provides energy conservation materials at the Pittsburgh Home and Garden Show. Through these programs, Duquesne Light actively educates consumers about important conservation measures they can implement to reduce energy usage.

60. In the Settlement of its last distribution rate proceeding, Duquesne Light also agreed to evaluate the proposals of other parties relating to energy conservation and education, time of use metering and economic development and to make proposals deemed by Duquesne Light to be appropriate as to such matters in this filing. Duquesne Light has considered these issues and does not believe that additional proposals on these matters are appropriate for this proceeding. In discussions with parties, Duquesne Light determined that there is a lack of consensus among the parties on these issues. There was some interest in advanced metering

options with time-of-use and/or seasonal rates, but certain parties indicated that they should only be implemented if they were optional and did not impose additional costs on customers. Others believed that these types of proposals should not be provided by the default service provider, but by other market participants. In addition, the Default Service Plan is a short term, three-year plan. Given the lack of consensus and the short term of the Plan, Duquesne Light believes that these types of issues may be more appropriately considered on a statewide basis after rate caps for all EDCs have expired. In this regard, the Commission has established a Demand Side Response (“DSR”) working group to investigate reasonable, cost-effective programs that EDCs, EGSs and other stakeholders can implement to help customers conserve energy or use it more efficiently. *Investigation of Conservation, Energy Efficiency Activities, and Demand Side Response by Energy Utilities and Ratemaking Mechanisms to Promote Such Efforts*, Docket No. M-00061984, Order entered October 11, 2006. Duquesne Light is an active party in the DSR working group and supports the Commission’s efforts in this regard.

**F. Benefits of the Default Service Plan**

61. The Default Service Plan is designed to provide many benefits for customers and marketers. These benefits include promoting competition, providing stable rates for Residential, Lighting and Small C&I customers, providing a bridge to 2011 when generation rate caps for most other remaining utility customers will expire, and promoting conservation.

62. A primary benefit of the Default Service Plan is that it promotes competition for all customer classes in Duquesne Light’s service territory. The Plan promotes competition by:

- Providing POLR service to Large C&I customers at real time hourly prices.
- Completely eliminating switching restrictions other than the switching rules required by regulation.
- Setting Small C&I customers’ rates to prevailing market levels with annual adjustments to reflect changes in market conditions.

- Setting Residential customers' rates to prevailing market levels.
- Eliminating supply related demand charges and declining energy blocks for Small C&I customers.
- Eliminating declining energy blocks for Residential customers.
- Adopting the Purchase of Receivables program.
- Scheduling annual meetings with EGSs to discuss market issues.
- Reviewing cost allocation and Code of Conduct procedures to assure that services are provided on a non-discriminatory basis.

63. In addition to promoting competition, the Default Service Plan provides other substantial benefits. These benefits include:

- Providing rate stability for Residential and Small C&I customers at rates which are only modestly above current rates and are below rates in effect under the POLR I Plan.
- Ensuring Residential and Small C&I customers do not experience rate shock after the POLR III plan expires.
- Holding proposed rates open during the regulatory review period.
- Providing a bridge to 2011 when generation rate caps for most other utility customers expire.
- Promoting conservation through changes in rate design.

64. For these reasons, and as further explained in this Petition, Duquesne Light believes that its Default Service Plan is in the public interest and should be approved.

#### **IV. RELATED APPROVALS**

65. In addition to approving the Default Service Plan, Duquesne also requests several additional approvals by the Commission.

66. First, Duquesne Light requests that the Commission issue an order in this proceeding stating that if the Commission's default service regulations become effective prior to January 1, 2011, Duquesne Light will be granted a waiver of those regulations to the extent that

they conflict with the provisions of the Default Service Plan. This waiver is necessary in order for Duquesne Power to procure supply for Duquesne Light's default service customers. As indicated above, Duquesne Power is assuming considerable risks under the Default Service Plan, and Duquesne Light respectfully requests that the Commission eliminate the risk that the final default service regulations could override the terms and conditions of this Plan.

67. Second, as set forth in this Petition, Duquesne Light has agreed to purchase the receivables associated with EGS sales of electricity to Residential and Small C&I customers in Duquesne Light's service territory. The Agreement to establish the POR program permits Duquesne Light to terminate delivery and EGS commodity service to customers whose accounts receivable were purchased and who fail to make payments of amounts due on their bill. Any termination shall be consistent with the provisions of Chapter 14 of the Public Utility Code and Chapter 56 (or a successor chapter) of the Commission's regulations. However, Duquesne Light will not terminate EGS' customers for failure to pay EGS supply rates that are higher than Duquesne Light's default service rates during the non-payment period. Duquesne Light requests that the Commission approve the POR program and grant any waivers that may be necessary for Duquesne Light to terminate customers under the program including waiver of: (1) the Commission's guidelines in *Final Order Re: Guideline for Maintaining Customer Services at the Same Level of Quality pursuant to 66 Pa.C.S. § 2807(D) and Assuring Conformance with 52 Pa. Code Chapter 56 pursuant to 66 Pa.C.S. § 2809 (E) and (F)*, Docket No. M-00960890F0011, Order entered July 11, 1997; (2) any provision of Chapter 56 that would prevent Duquesne Light from terminating customers for failure to pay receivables purchased from EGSs; and (3) any other regulation, policy or guideline, to the extent necessary, for Duquesne Light to implement all of the terms and conditions of its POR program.

68. Finally, in the POLR III proceeding, the Commission approved the Duquesne – Duquesne Power supply arrangements as an affiliated interest agreement pursuant to Section 2102(b) of the Code for a six-year term, or until December 31, 2010. Under the Default Service Plan, Duquesne Light is updating its power supply contract with Duquesne Power to purchase power to supply default service to Small C&I, Residential and Lighting customers. When this agreement is finalized, Duquesne Light will submit it to the Commission for review and approval in this proceeding. Because Duquesne Light is only making minor modifications to this agreement and to update the prices, Duquesne Light does not anticipate that the modifications will be controversial.

#### **V. CUSTOMER NOTIFICATION**

69. As indicated by the enclosed certificate of service, Duquesne Light has served a copy of this Petition upon all of the parties to Duquesne Light's most recent rate proceeding at Docket No. R-00061346 and to its POLR III proceeding, at Docket No. P-00032071. In addition, Duquesne Light is providing notice of the Default Service Plan to customers through a bill insert.

#### **VI. REQUEST FOR EXPEDITED APPROVAL**

70. Duquesne Light respectfully requests expedited approval of this Petition such that the Default Service Plan is approved by July 1, 2007. To facilitate approval by this date, Duquesne Light has filed its direct testimony along with this Petition, and respectfully requests the Commission to assign this matter to the Office of ALJ for evidentiary hearings and the issuance of a Recommended Decision as soon as possible.

71. Approval by July 1, 2007 is necessary so that Duquesne Power will be able to complete, in a timely manner, the wholesale purchase of baseload energy, capacity, peaking power and other services to provide default service to Duquesne Light's Residential, Small C&I

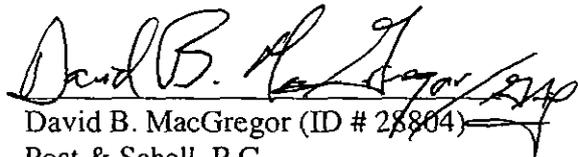
and Lighting customers and the need to provide customers notice of the precise changes in their Price To Compare in order to facilitate retail shopping.

72. In addition, as explained above, Duquesne Power has assumed considerable risk in holding proposed rates open through the regulatory review period. Expedited review by the Commission will help minimize this risk.

73. As indicated above, Duquesne Light went to unprecedented lengths to meet with parties prior to filing this Plan in order to receive their input. Duquesne Light anticipates that there will be substantial support for many elements of its Plan, which will support an expedited schedule in this proceeding.

74. WHEREFORE, for all of the foregoing reasons, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission approve the Default Service Plan as proposed in this Petition by July 1, 2007, approve the tariff sheets that are provided as Exhibits to the testimony of Nancy J. D. Krajovic, issue all approvals required under the Public Utility Code, and grant any additional relief that is just and reasonable under the circumstances.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Date: January 25, 2007

Attorneys for Duquesne Light Company

**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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**AFFIDAVIT**

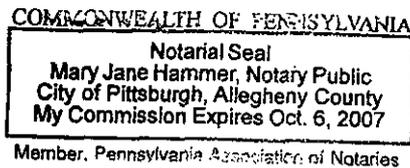
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I, Frederick J. Eichenmiller, being duly sworn according to law, depose and say that I am Director, Rates & Regulatory Affairs of Duquesne Light Company; that I am authorized to and do make this affidavit for it; and that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information, and belief, and I expect the said Duquesne Light Company to be able to prove the same at any hearing hereof.

*Frederick J. Eichenmiller*  
Frederick J. Eichenmiller  
Director, Rates & Regulatory Affairs

Sworn and subscribed before me  
this 23rd day of January, 2007.

*Mary Jane Hammer*  
\_\_\_\_\_  
Notary Public



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :  
For Approval of Default Service Plan : Docket No. P-00072247  
For The Period January 1, 2008 :  
Through December 31, 2010 :

**RECEIVED**

MAY - 3 2007

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**STIPULATION**

Duquesne Light Company ("Duquesne Light"), the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Dominion Retail, Inc. ("Dominion"), Reliant Energy, Inc. ("Reliant"), Conservation Consultants, Inc. ("CCI"), Constellation New Energy, Inc. and Constellation Energy Commodities Group, Inc. (collectively "Constellation"), Citizen Power, Inc. ("Citizen Power"), Exelon Corporation and Exelon Generation Company, LLC (collectively "Exelon"), Citizens For Pennsylvania's Future ("PennFuture"), FirstEnergy Solutions Corp. ("FES"), the Pennsylvania Large Energy Users Coalition ("PALEUC"), Strategic Energy, LLC, Direct Energy, LLC and Retail Energy Supply Association (collectively, the "Parties") either support, support in part and do not oppose the remainder, or do not oppose (as explained in footnote 1)<sup>1</sup> this Stipulation to resolve all issues among them regarding Duquesne Light's default service plan for the period January 1, 2008 through December 31, 2010.

1. **RESIDENTIAL CUSTOMERS.**

A. Duquesne Light shall offer residential customers (Rate Schedules RS, RA and RH) default service at the rates set forth in Attachment A for the period January 1, 2008,

<sup>1</sup> Duquesne Light, OTS, OSBA, and Dominion join in the entire stipulation. The OCA joins in paragraphs 1 and 5 through 9 of the Stipulation and does not oppose the remaining paragraphs. Reliant supports Paragraphs 3A and 3B and does not oppose the remaining paragraphs. Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission. CCI, Citizen Power, Exelon, PennFuture, FES, and PALEUC do not oppose this Stipulation and so indicate by their signatory representation at the end of this Stipulation.

through December 31, 2010. The supply rate for Rate RS customers over the three year period will be 7.1560 cents per kWh. In 2008 and 2009, the tail block supply rates for Rate RH customers will be increased by 0.3083 cents per kWh as compared to the tail block supply rates originally filed by the Company. In 2010, the supply rate for Rate RH customers will be a flat rate of 6.8950 cents per kWh. This rate is 0.2610 cents per kWh lower than the rate originally proposed by the Company for Rate RH customers in 2010.

- B. Duquesne Light will eliminate declining energy blocks for Rate RH and RA customers so that all residential default service customers are charged flat energy supply rates as of January 1, 2010.
- C. Ancillary service and PJM administrative costs for Residential customers will be recovered through the Transmission Service Charge ("TSC") as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.

2. SMALL C&I CUSTOMERS.

- A. Duquesne Light shall offer small commercial and industrial ("Small C&I") customers with maximum registered peak metered demands of less than 25 kW served under rate schedules GS/GM and GMH fixed rates for the 2008-2010 period at levels set forth in Attachment B. As filed and proposed class average default service supply rates for all small customer classes are provided as Attachment C.
- B. Duquesne Light shall offer Small C&I customers with maximum registered peak metered demands of 25 kW or greater served under rate schedules GM and GMH fixed rates for 2008, but subject to two market price rate adjustments (every six months) for supply delivered in calendar year 2009 and two market price rate adjustments (every six months) for supply delivered in calendar year 2010.
- C. The market price rate adjustment shall be calculated using the methodology described in Statement No. 3 of Duquesne Light's testimony, except that rates shall be adjusted two times in 2009, on January 1, 2009 and July 1, 2009 and two times in 2010, on January 1, 2010 and July 1, 2010. Rather than calculate market price movements based on calendar year forward prices, Duquesne Light shall calculate market price movements based on six months of forward prices in 2009 and 2010 for the applicable six month rate period. The index shall be calculated according to the following schedule:
  - i. **On December 1, 2008** (for the six month rate period of January 1, 2009 ending June 30, 2009, based on the twenty trading days immediately preceding December 1, 2008),
  - ii. **On June 1, 2009** (for the six month rate period of July 1, 2009 ending December 31, 2009, based on the twenty trading days immediately preceding June 1, 2009),
  - iii. **On December 1, 2009** (for the six month rate period of January 1, 2010 ending June 30, 2010, based on the twenty trading days immediately preceding December 1, 2009), and

- iv. **On June 1, 2010** (for the six month rate period of July 1, 2010 ending December 31, 2010, based on the twenty trading days immediately preceding June 1, 2010).
- D. For purposes of determining a particular customer's eligibility for either the fixed rate or the indexed Small C&I customer rate during the next calendar year, Duquesne Light shall evaluate the customer's 12 most recent months of monthly metered demand for that customer available in October of the preceding year. If the customer's monthly metered demand is less than 25 kW in each of the 12 months, then that customer shall be eligible for the fixed default service rate for the next calendar year and automatically assigned to that rate as their default service rate effective with their January billing. However, if the customer's monthly metered demand is 25 kW or greater for any single month of the 12 month period, then that customer shall be eligible for the indexed default service rate for the next calendar year and automatically assigned to that rate as their default service rate effective with their January billing. In no instance, shall a customer be eligible for more than one default service offering at a time. A new GS/GM or GMH customer or GS/GM and GMH customers with limited or no historical data shall be eligible for and assigned to the applicable default service based on Duquesne Light's estimate of the customer's peak monthly metered demand for the next 12 month period.
- E. As set forth in Duquesne Light's Petition, declining block energy rates for Rate GS customers will be eliminated as of January 1, 2008. Declining block energy rates for Rate GM and GMH customers with a monthly metered demand less than 25 kW will be phased out by January 1, 2010. Declining block energy rates for Rate GM and GMH customers with a monthly metered demand that is 25 kW or greater will be eliminated on January 1, 2008. For 2008 and 2009, the declining block energy rates will be combined into a single rate. These rates are shown on Attachment B.
- F. Supply related demand charges for Small C&I customers will be phased out by January 1, 2010, as set forth in Duquesne Light's Petition.
- G. Rider No. 5, Time of Day Discounts, will terminate on December 31, 2010.
- H. Ancillary service and PJM administrative costs for Small C&I customers will be recovered through the TSC as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.
3. LARGE C&I CUSTOMERS.
- A. Duquesne Light shall offer large commercial and industrial ("Large C&I") customers default service at real-time hourly rates. Large C&I rate schedules include Rates GL, GLH, L and HVPS.
- B. Fixed Price Service Rider No. 8 is eliminated. Rule 45.2 regarding switching rules will be revised to eliminate its applicability to Large C&I rate schedules. In addition, Rider No. 23 (Generation Rate Adjustment) will be eliminated as it is only applicable to customers electing Rider No. 8.
- C. Rider No. 9 is revised to reflect a fixed administrative cost adder of \$3.97 per MWh as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.

4. LIGHTING CUSTOMERS.

- A. Duquesne Light shall offer lighting customers (Rate Schedules AL, SE, SM, SH, UMS and PAL) default service at the rates set forth in Exhibit WVP-1 of Duquesne Statement No. 4 for the period January 1, 2008, through December 31, 2010.
- B. Ancillary service and PJM administrative costs for Lighting customers will be recovered through the TSC as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.

5. PURCHASE OF RECEIVABLES PROGRAM.

Duquesne Light's Purchase of Receivables ("POR") Program, as explained in the testimony of Nancy J. D. Krajovic and set forth as Exhibit NJDK-1 of Duquesne St. No. 5, is approved.

6. POWER PROCUREMENT.

Duquesne Light is authorized to procure power for its Residential, Small C&I and Lighting default service customers through an amendment to its full requirements contract with its affiliate, Duquesne Power. The amendment to the contract is approved as an affiliated interest agreement. Duquesne Power will rely on competitive wholesale market purchases in PJM to obtain power for Duquesne Light's default service customers.

7. TARIFF MODIFICATIONS.

Duquesne Light is authorized to implement the changes to its Tariff Electric Pa. P.U.C. No. 24 that are reflected in Exhibit NJDK-3 of Duquesne St. No. 5 except that the tariff will be further modified to reflect the changes that are required by this Stipulation.

8. RATE INCREASES.

Duquesne Light agrees not to seek a rate increase in default service rates (other than the adjustments specifically provided for herein with regard to Small C&I customers and as set forth in Duquesne Light's Petition and supporting testimony) unless (i) Duquesne Power defaults on its power contract with Duquesne Light, and (ii) Duquesne Light Holdings defaults on its parent guarantee, and (iii) these defaults threaten the financial ability of Duquesne Light to continue providing reliable service to its customers. Duquesne Light also may seek a rate increase in default service rates in the event necessary regulatory approvals to carry out the default service plan as proposed by Duquesne Light and modified by the Stipulation are not obtained or maintained or if substantial modifications are required as a result of regulatory requirements.

9. MISCELLANEOUS PROVISIONS.

- A. Except as modified herein, the Petition of Duquesne Light Company For Approval Of Default Service Plan For The Period January 1, 2008 Through December 31, 2010 is approved.

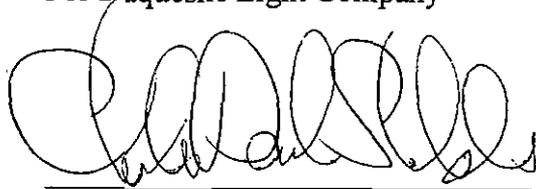
- B. Given the recent approval of the merger settlement at Docket Nos. A-110150F0035 and A-311233F0002 by the Pennsylvania Public Utility Commission, the cost allocation/cross subsidy issues raised by Strategic Energy, LLC and the Retail Energy Supply Association have become moot in this proceeding.
- C. In the event the Commission adopts final default service regulations that become effective prior to January 1, 2011, and they apply to plans filed prior to the effective date, Duquesne Light will be granted a waiver of those regulations to the extent that they conflict with the provisions of this Stipulation.
- D. This Stipulation may not be cited as precedent in any future proceedings, except to the extent required to implement or enforce the Stipulation.
- E. It is understood and agreed among the Parties that the Stipulation is the result of compromise, and does not necessarily represent the positions that would be advanced by any party in this proceeding absent the Stipulation.
- F. The Parties will support or not oppose this Stipulation at hearing and in any briefs that are filed in this proceeding and at all stages of this proceeding going forward from the date hereof.
- G. The Stipulation may only be amended by a written document duly agreed to and executed by the Parties.
- H. The Parties stipulate that all of the pre-filed written testimony of the Parties' witnesses will be admitted into the record without objection and to waive cross examination of such testimony.

AGREED TO BY:



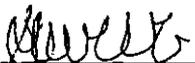
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: 4/25/07



Charles Daniel Shields  
For Office of Trial Staff

Date: 3/25/07

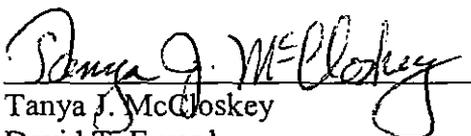
  
\_\_\_\_\_  
William R. Lloyd, Jr.  
Sharon E. Webb  
For Office of Small Business Advocate

Date: 4/25/07

\_\_\_\_\_  
Todd S. Stewart  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

The following parties join in the parts of the Stipulation identified below and represent to the Pennsylvania Public Utility Commission that they do not and will not oppose the remaining provisions of this Stipulation, or its terms contained herein, as resolution of this proceeding or adoption by the Commission.

  
\_\_\_\_\_  
Tanya J. McCloskey  
David T. Evrard  
For Office of Consumer Advocate<sup>2</sup>

Date: 4/25/07

\_\_\_\_\_  
Jerry Langdon  
Ramona C. Cataldi  
Brian J. Knipe  
For Reliant Energy, Inc.<sup>3</sup>

Date: \_\_\_\_\_

<sup>2</sup> The Office of Consumer Advocate joins in paragraphs 1 and 5 through 9 of the Stipulation and does not oppose the remaining paragraphs.

<sup>3</sup> Reliant Energy, Inc. supports Paragraphs 3A and 3B and does not oppose the remaining paragraphs.

\_\_\_\_\_  
William R. Lloyd, Jr.  
Sharon E. Webb  
For Office of Small Business Advocate

Date: \_\_\_\_\_

  
\_\_\_\_\_  
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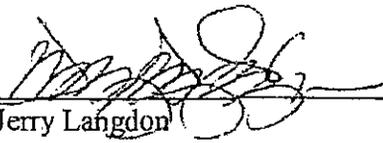
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\_\_\_\_\_  
Sharon E. Webb  
For Office of Small Business Advocate

Date: \_\_\_\_\_

\_\_\_\_\_  
Todd S. Stewart  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

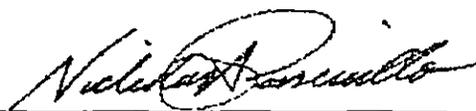
\_\_\_\_\_  
Brian J. Knipe  
For Reliant Energy, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: \_\_\_\_\_

The following parties do not join in this Stipulation but represent to the Pennsylvania Public Utility Commission that they do not and will not oppose this Stipulation, or its term contained herein, as resolution of this proceeding or adoption by the Commission.

  
\_\_\_\_\_  
Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: 24 April, 2007

\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: \_\_\_\_\_

The following parties join in the parts of the Stipulation identified below.

  
\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.<sup>4</sup>

Date: 4/25/07

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For Conservation Consultants, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Kent D. Murphy  
Adrian D. Newall  
For Exelon Corporation and  
Exelon Generation Company, LLC

Date: \_\_\_\_\_

<sup>4</sup> Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission..

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\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.<sup>4</sup>

Date: \_\_\_\_\_

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Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: 4/25/2007

\_\_\_\_\_  
Kent D. Murphy  
Adrian D. Newall  
For Exelon Corporation and  
Exelon Generation Company, LLC

Date: \_\_\_\_\_

<sup>4</sup> Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission..

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For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.<sup>4</sup>

Date: \_\_\_\_\_

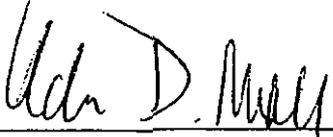
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Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: \_\_\_\_\_

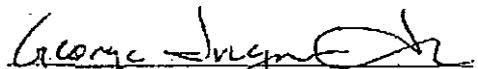
\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Kent D. Murphy  
Adrian D. Newall  
For Exelon Corporation and  
Exelon Generation Company, LLC

Date: 4/26/07

<sup>4</sup> Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission..

  
George Lugovic, Jr.

For Citizens For Pennsylvania's Future

Date: 4/25/07

---

Kathy J. Kolich  
For FirstEnergy Solutions Corp.

Date: \_\_\_\_\_

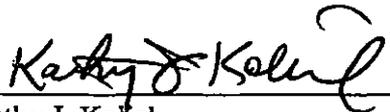
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Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: \_\_\_\_\_

\_\_\_\_\_  
George Jugovic, Jr.  
For Citizens For Pennsylvania's Future

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Kathy J. Kolich  
For FirstEnergy Solutions Corp.

Date: April 26, 2007

\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

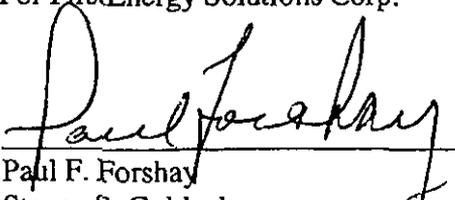
Date: \_\_\_\_\_

\_\_\_\_\_  
George Jugovic, Jr.  
For Citizens For Pennsylvania's Future

Date: \_\_\_\_\_

\_\_\_\_\_  
Kathy J. Kolich  
For FirstEnergy Solutions Corp.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: 4/25/07

The following parties join in the parts of the Stipulation identified below and represent to the Pennsylvania Public Utility Commission that they do not and will not oppose the remaining provisions of this Stipulation, or its terms contained herein, as resolution of this proceeding or adoption by the Commission.

Kevin J. Moody

Date: 4/26/07

Daniel Clearfield

Kevin J. Moody

For Strategic Energy, LLC; Direct Energy, LLC and the Retail Energy Supply Association<sup>5</sup>

---

<sup>5</sup> Strategic, Direct and RESA support Paragraphs 3 and 5 of the Stipulation and do not oppose the remaining paragraphs.

**Attachment A**  
**Duquesne Light Company**  
**Revisions to Exhibit WVP-1**  
**Supply Rates by Residential Rate Class**

<b>Rate Class</b>	<b>Billing Unit</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>RS</b> All kWh	\$/kWh	\$0.071560	\$0.071560	\$0.071560
<b>RH</b> May-October All kWh	\$/kWh	\$0.071560	\$0.071560	\$0.068950
November-April First 500 kWh	\$/kWh	\$0.071560	\$0.071560	\$0.068950
November-April Additional kWh	\$/kWh	\$0.044358	\$0.059501	\$0.068950
<b>RA</b> May-October All kWh	\$/kWh	\$0.071560	\$0.071560	\$0.071560
November-April First 500 kWh	\$/kWh	\$0.071560	\$0.071560	\$0.071560
November-April Additional kWh	\$/kWh	\$0.041867	\$0.056713	\$0.071560

**Attachment B**

**Table No. 1 Revisions to Exhibit NSF-13**

<b>\$/MWH</b>	<b>Small C&amp;I (&lt; 25 kW)</b>	<b>Small C&amp;I (= or &gt;25 kW)</b>	<b>Small C&amp;I (As filed)</b>
Average of Recent Solicitations	61.48_a/	61.26_a/	61.30
Regulatory Review Period Risk	3.00	1.50	1.50
Line Losses	3.95	3.84	3.85
GRT	4.29	4.18	4.18
<b>Total Average Supply Rate</b>	<b>72.72</b>	<b>70.78</b>	<b>70.83</b>

\_a/ Adjusted for quantifiable differences in energy and capacity costs.

**Revisions to Exhibit WVP-1**

**TABLE NO. 2 SUPPLY RATES BY RATE SCHEDULE (Small C&I Customers <25 kW)**

<b>Rate Class</b>	<b>Billing Unit</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
GS First 1300 kWh	¢/kWh	7.2720	7.2720	7.2720
Additional kWh	¢/kWh	7.2720	7.2720	7.2720
GM Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
First 1300 kWh	¢/kWh	7.2720	7.2720	7.2720
Additional kWh	¢/kWh	4.2497	5.7608	7.2720
GMH Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
First 1300 kWh - June thru September	¢/kWh	7.2720	7.2720	7.2720
Additional kWh - June thru September	¢/kWh	4.2497	5.7608	7.2720
First block kWh - October thru May	¢/kWh	7.2720	7.2720	7.2720
Additional kWh - October thru May	¢/kWh	4.4535	5.8627	7.2720

**TABLE NO. 3 SUPPLY RATES BY RATE SCHEDULE  
(Small C&I Customers = or >25 Kw; eliminate declining block energy rates in 2008 and 2009)**

<b>Rate Class</b>	<b>Billing Unit</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
GM Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
First 1300 kWh	¢/kWh	5.5349	6.3065	7.0780
Additional kWh	¢/kWh	5.5349	6.3065	7.0780
GMH Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
First 1300 kWh - June thru September	¢/kWh	5.5349	6.3065	7.0780
Additional kWh - June thru September	¢/kWh	5.5349	6.3065	7.0780
First block kWh - October thru May	¢/kWh	5.7240	6.4010	7.0780
Additional kWh - October thru May	¢/kWh	5.7240	6.4010	7.0780

**Attachment C**  
**Duquesne Light Company**  
**Class Average Default Service Supply Rates**  
**Current Versus Proposed for Settlement**

**As-Filed**

	<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
RS	6.30	7.16	7.16	7.16
RH	5.52	5.87	6.51	7.16
RA	6.35	6.32	6.74	7.16
Residential	6.23	7.02	7.09	7.16
GSGM	6.46	7.08	7.08	7.08
GMH	5.46	6.18	6.62	7.08
Small C&I	6.35	6.99	7.03	7.08
Unmetered	7.03	6.72	6.72	6.72
Lighting	4.20	5.92	5.92	5.92
<b>System Average</b>	<b>6.26</b>	<b>6.99</b>	<b>7.05</b>	<b>7.11</b>

**Proposed for Settlement**

	<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
RS	6.30	7.16	7.16	7.16
RH	5.52	6.00	6.65	6.90
RA	6.35	6.32	6.74	7.16
Residential	6.23	7.03	7.10	7.13
GSGM <25KW	7.82	7.27	7.27	7.27
GSGM >25KW	6.07	7.08	7.08	7.08
Small C&I	6.46	7.12	7.12	7.12
GMH <25KW	6.28	6.44	6.86	7.27
GMH >25KW	5.32	6.14	6.61	7.08
Small C&I (heating)	5.46	6.18	6.64	7.11
Unmetered	7.03	6.72	6.72	6.72
Lighting	4.20	5.92	5.92	5.92
<b>System Average</b>	<b>6.26</b>	<b>7.02</b>	<b>7.07</b>	<b>7.11</b>

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :  
For Approval of Default Service Plan : Docket No. P-00072247  
For The Period January 1, 2008 :  
Through December 31, 2010 :

**RECEIVED**

MAY - 3 2007

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**STIPULATION**

Duquesne Light Company ("Duquesne Light"), the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Dominion Retail, Inc. ("Dominion"), Reliant Energy, Inc. ("Reliant"), Conservation Consultants, Inc. ("CCI"), Constellation New Energy, Inc. and Constellation Energy Commodities Group, Inc. (collectively "Constellation"), Citizen Power, Inc. ("Citizen Power"), Exelon Corporation and Exelon Generation Company, LLC (collectively "Exelon"), Citizens For Pennsylvania's Future ("PennFuture"), FirstEnergy Solutions Corp. ("FES"), the Pennsylvania Large Energy Users Coalition ("PALEUC"), Strategic Energy, LLC, Direct Energy, LLC and Retail Energy Supply Association (collectively, the "Parties") either support, support in part and do not oppose the remainder, or do not oppose (as explained in footnote 1)<sup>1</sup> this Stipulation to resolve all issues among them regarding Duquesne Light's default service plan for the period January 1, 2008 through December 31, 2010.

1. RESIDENTIAL CUSTOMERS.

A. Duquesne Light shall offer residential customers (Rate Schedules RS, RA and RH) default service at the rates set forth in Attachment A for the period January 1, 2008,

<sup>1</sup> Duquesne Light, OTS, OSBA, and Dominion join in the entire stipulation. The OCA joins in paragraphs 1 and 5 through 9 of the Stipulation and does not oppose the remaining paragraphs. Reliant supports Paragraphs 3A and 3B and does not oppose the remaining paragraphs. Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission. CCI, Citizen Power, Exelon, PennFuture, FES, and PALEUC do not oppose this Stipulation and so indicate by their signatory representation at the end of this Stipulation.

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through December 31, 2010. The supply rate for Rate RS customers over the three year period will be 7.1560 cents per kWh. In 2008 and 2009, the tail block supply rates for Rate RH customers will be increased by 0.3083 cents per kWh as compared to the tail block supply rates originally filed by the Company. In 2010, the supply rate for Rate RH customers will be a flat rate of 6.8950 cents per kWh. This rate is 0.2610 cents per kWh lower than the rate originally proposed by the Company for Rate RH customers in 2010.

- B. Duquesne Light will eliminate declining energy blocks for Rate RH and RA customers so that all residential default service customers are charged flat energy supply rates as of January 1, 2010.
- C. Ancillary service and PJM administrative costs for Residential customers will be recovered through the Transmission Service Charge ("TSC") as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.

2. SMALL C&I CUSTOMERS.

- A. Duquesne Light shall offer small commercial and industrial ("Small C&I") customers with maximum registered peak metered demands of less than 25 kW served under rate schedules GS/GM and GMH fixed rates for the 2008-2010 period at levels set forth in Attachment B. As filed and proposed class average default service supply rates for all small customer classes are provided as Attachment C.
- B. Duquesne Light shall offer Small C&I customers with maximum registered peak metered demands of 25 kW or greater served under rate schedules GM and GMH fixed rates for 2008, but subject to two market price rate adjustments (every six months) for supply delivered in calendar year 2009 and two market price rate adjustments (every six months) for supply delivered in calendar year 2010.
- C. The market price rate adjustment shall be calculated using the methodology described in Statement No. 3 of Duquesne Light's testimony, except that rates shall be adjusted two times in 2009, on January 1, 2009 and July 1, 2009 and two times in 2010, on January 1, 2010 and July 1, 2010. Rather than calculate market price movements based on calendar year forward prices, Duquesne Light shall calculate market price movements based on six months of forward prices in 2009 and 2010 for the applicable six month rate period. The index shall be calculated according to the following schedule:
  - i. **On December 1, 2008** (for the six month rate period of January 1, 2009 ending June 30, 2009, based on the twenty trading days immediately preceding December 1, 2008),
  - ii. **On June 1, 2009** (for the six month rate period of July 1, 2009 ending December 31, 2009, based on the twenty trading days immediately preceding June 1, 2009),
  - iii. **On December 1, 2009** (for the six month rate period of January 1, 2010 ending June 30, 2010, based on the twenty trading days immediately preceding December 1, 2009), and

- iv. **On June 1, 2010** (for the six month rate period of July 1, 2010 ending December 31, 2010, based on the twenty trading days immediately preceding June 1, 2010).
- D. For purposes of determining a particular customer's eligibility for either the fixed rate or the indexed Small C&I customer rate during the next calendar year, Duquesne Light shall evaluate the customer's 12 most recent months of monthly metered demand for that customer available in October of the preceding year. If the customer's monthly metered demand is less than 25 kW in each of the 12 months, then that customer shall be eligible for the fixed default service rate for the next calendar year and automatically assigned to that rate as their default service rate effective with their January billing. However, if the customer's monthly metered demand is 25 kW or greater for any single month of the 12 month period, then that customer shall be eligible for the indexed default service rate for the next calendar year and automatically assigned to that rate as their default service rate effective with their January billing. In no instance, shall a customer be eligible for more than one default service offering at a time. A new GS/GM or GMH customer or GS/GM and GMH customers with limited or no historical data shall be eligible for and assigned to the applicable default service based on Duquesne Light's estimate of the customer's peak monthly metered demand for the next 12 month period.
- E. As set forth in Duquesne Light's Petition, declining block energy rates for Rate GS customers will be eliminated as of January 1, 2008. Declining block energy rates for Rate GM and GMH customers with a monthly metered demand less than 25 kW will be phased out by January 1, 2010. Declining block energy rates for Rate GM and GMH customers with a monthly metered demand that is 25 kW or greater will be eliminated on January 1, 2008. For 2008 and 2009, the declining block energy rates will be combined into a single rate. These rates are shown on Attachment B.
- F. Supply related demand charges for Small C&I customers will be phased out by January 1, 2010, as set forth in Duquesne Light's Petition.
- G. Rider No. 5, Time of Day Discounts, will terminate on December 31, 2010.
- H. Ancillary service and PJM administrative costs for Small C&I customers will be recovered through the TSC as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.
3. LARGE C&I CUSTOMERS.
- A. Duquesne Light shall offer large commercial and industrial ("Large C&I") customers default service at real-time hourly rates. Large C&I rate schedules include Rates GL, GLH, L and HVPS.
- B. Fixed Price Service Rider No. 8 is eliminated. Rule 45.2 regarding switching rules will be revised to eliminate its applicability to Large C&I rate schedules. In addition, Rider No. 23 (Generation Rate Adjustment) will be eliminated as it is only applicable to customers electing Rider No. 8.
- C. Rider No. 9 is revised to reflect a fixed administrative cost adder of \$3.97 per MWh as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.

4. LIGHTING CUSTOMERS.

A. Duquesne Light shall offer lighting customers (Rate Schedules AL, SE, SM, SH, UMS and PAL) default service at the rates set forth in Exhibit WVP-1 of Duquesne Statement No. 4 for the period January 1, 2008, through December 31, 2010.

B. Ancillary service and PJM administrative costs for Lighting customers will be recovered through the TSC as set forth in Exhibit NJDK-3 of Duquesne St. No. 5.

5. PURCHASE OF RECEIVABLES PROGRAM.

Duquesne Light's Purchase of Receivables ("POR") Program, as explained in the testimony of Nancy J. D. Krajovic and set forth as Exhibit NJDK-1 of Duquesne St. No. 5, is approved.

6. POWER PROCUREMENT.

Duquesne Light is authorized to procure power for its Residential, Small C&I and Lighting default service customers through an amendment to its full requirements contract with its affiliate, Duquesne Power. The amendment to the contract is approved as an affiliated interest agreement. Duquesne Power will rely on competitive wholesale market purchases in PJM to obtain power for Duquesne Light's default service customers.

7. TARIFF MODIFICATIONS.

Duquesne Light is authorized to implement the changes to its Tariff Electric Pa. P.U.C. No. 24 that are reflected in Exhibit NJDK-3 of Duquesne St. No. 5 except that the tariff will be further modified to reflect the changes that are required by this Stipulation.

8. RATE INCREASES.

Duquesne Light agrees not to seek a rate increase in default service rates (other than the adjustments specifically provided for herein with regard to Small C&I customers and as set forth in Duquesne Light's Petition and supporting testimony) unless (i) Duquesne Power defaults on its power contract with Duquesne Light, and (ii) Duquesne Light Holdings defaults on its parent guarantee, and (iii) these defaults threaten the financial ability of Duquesne Light to continue providing reliable service to its customers. Duquesne Light also may seek a rate increase in default service rates in the event necessary regulatory approvals to carry out the default service plan as proposed by Duquesne Light and modified by the Stipulation are not obtained or maintained or if substantial modifications are required as a result of regulatory requirements.

9. MISCELLANEOUS PROVISIONS.

A. Except as modified herein, the Petition of Duquesne Light Company For Approval Of Default Service Plan For The Period January 1, 2008 Through December 31, 2010 is approved.

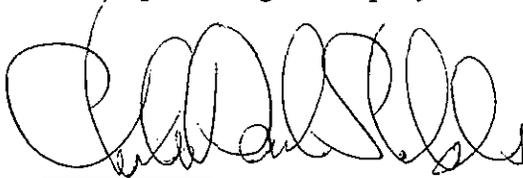
- B. Given the recent approval of the merger settlement at Docket Nos. A-110150F0035 and A-311233F0002 by the Pennsylvania Public Utility Commission, the cost allocation/cross subsidy issues raised by Strategic Energy, LLC and the Retail Energy Supply Association have become moot in this proceeding.
- C. In the event the Commission adopts final default service regulations that become effective prior to January 1, 2011, and they apply to plans filed prior to the effective date, Duquesne Light will be granted a waiver of those regulations to the extent that they conflict with the provisions of this Stipulation.
- D. This Stipulation may not be cited as precedent in any future proceedings, except to the extent required to implement or enforce the Stipulation.
- E. It is understood and agreed among the Parties that the Stipulation is the result of compromise, and does not necessarily represent the positions that would be advanced by any party in this proceeding absent the Stipulation.
- F. The Parties will support or not oppose this Stipulation at hearing and in any briefs that are filed in this proceeding and at all stages of this proceeding going forward from the date hereof.
- G. The Stipulation may only be amended by a written document duly agreed to and executed by the Parties.
- H. The Parties stipulate that all of the pre-filed written testimony of the Parties' witnesses will be admitted into the record without objection and to waive cross examination of such testimony.

AGREED TO BY:



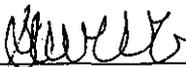
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: 4/25/07



Charles Daniel Shields  
For Office of Trial Staff

Date: 3/25/07

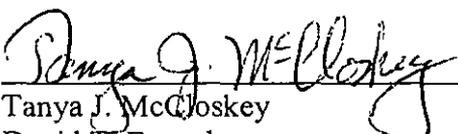
  
\_\_\_\_\_  
William R. Lloyd, Jr.  
Sharon E. Webb  
For Office of Small Business Advocate

Date: 4/25/07

\_\_\_\_\_  
Todd S. Stewart  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

The following parties join in the parts of the Stipulation identified below and represent to the Pennsylvania Public Utility Commission that they do not and will not oppose the remaining provisions of this Stipulation, or its terms contained herein, as resolution of this proceeding or adoption by the Commission.

  
\_\_\_\_\_  
Tanya J. McCloskey  
David T. Evrard  
For Office of Consumer Advocate<sup>2</sup>

Date: 4/25/07

\_\_\_\_\_  
Jerry Langdon  
Ramona C. Cataldi  
Brian J. Knipe  
For Reliant Energy, Inc.<sup>3</sup>

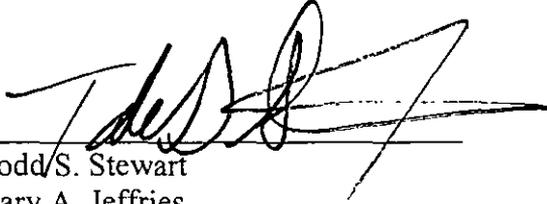
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<sup>2</sup> The Office of Consumer Advocate joins in paragraphs 1 and 5 through 9 of the Stipulation and does not oppose the remaining paragraphs.

<sup>3</sup> Reliant Energy, Inc. supports Paragraphs 3A and 3B and does not oppose the remaining paragraphs.

\_\_\_\_\_  
William R. Lloyd, Jr.  
Sharon E. Webb  
For Office of Small Business Advocate

Date: \_\_\_\_\_



\_\_\_\_\_  
Todd S. Stewart  
Gary A. Jeffries  
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Date: \_\_\_\_\_

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Date: \_\_\_\_\_

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Sharon E. Webb  
For Office of Small Business Advocate

Date: \_\_\_\_\_

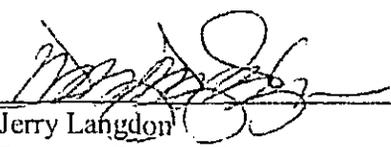
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Date: \_\_\_\_\_

  
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Ramona C. Cataldi  
Brian J. Knipe  
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\_\_\_\_\_  
Sharon E. Webb  
For Office of Small Business Advocate

Date: \_\_\_\_\_

\_\_\_\_\_  
Todd S. Stewart  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Brian J. Knipe  
For Reliant Energy, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: \_\_\_\_\_

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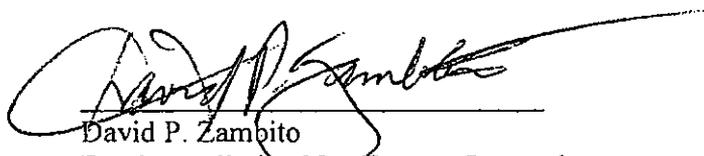
  
\_\_\_\_\_  
Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: 24 April, 2007

\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: \_\_\_\_\_

The following parties join in the parts of the Stipulation identified below.

  
\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.<sup>4</sup>

Date: 4/25/07

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Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Kent D. Murphy  
Adrian D. Newall  
For Exelon Corporation and  
Exelon Generation Company, LLC

Date: \_\_\_\_\_

<sup>4</sup> Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission..

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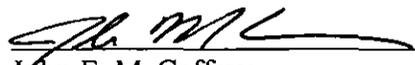
\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.<sup>4</sup>

Date: \_\_\_\_\_

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Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
John E. McCaffrey  
For Citizen Power, Inc.

Date: 4/25/2007

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Adrian D. Newall  
For Exelon Corporation and  
Exelon Generation Company, LLC

Date: \_\_\_\_\_

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David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.<sup>4</sup>

Date: \_\_\_\_\_

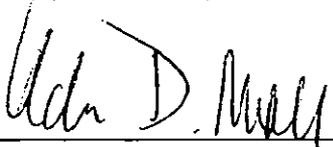
The following parties do not join in this Stipulation but represent to the Pennsylvania Public Utility Commission that they do not and will not oppose this Stipulation, or its terms contained herein, as resolution of this proceeding or adoption by the Commission.

\_\_\_\_\_  
Nicholas A. Pasciullo  
For Conservation Consultants, Inc.

Date: \_\_\_\_\_

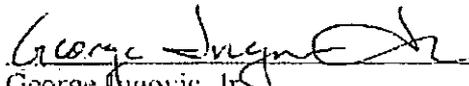
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John E. McCaffrey  
For Citizen Power, Inc.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Kent D. Murphy  
Adrian D. Newall  
For Exelon Corporation and  
Exelon Generation Company, LLC

Date: 4/26/07

<sup>4</sup> Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. support only Paragraph 2.E. on the elimination of declining block energy rates on January 1, 2008 for small commercial and industrial customers with a monthly metered demand that is 25 kW or greater, and agree to waive the following rights (except as such rights relate to advocacy in support of the terms and conditions of Paragraph 2.E): (a) to file briefs and reply briefs; (b) to file exceptions and replies to exceptions; (c) to petition for reconsideration or reopening of the Commission's final order; (d) to appeal the Commission's final order; and, (e) to initiate or otherwise participate in any other proceeding before the Commission challenging the default service plan approved by the Commission..

  
George Ingovic, Jr.  
For Citizens For Pennsylvania's Future

Date: 4/25/07

\_\_\_\_\_  
Kathy J. Kolich  
For FirstEnergy Solutions Corp.

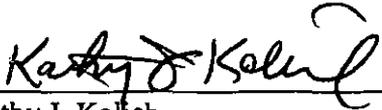
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\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: \_\_\_\_\_

\_\_\_\_\_  
George Jugovic, Jr.  
For Citizens For Pennsylvania's Future

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Kathy J. Kolich  
For FirstEnergy Solutions Corp.

Date: April 26, 2007

\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

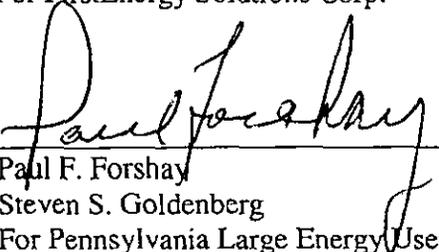
Date: \_\_\_\_\_

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George Jugovic, Jr.  
For Citizens For Pennsylvania's Future

Date: \_\_\_\_\_

\_\_\_\_\_  
Kathy J. Kolich  
For FirstEnergy Solutions Corp.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: 4/25/07

The following parties join in the parts of the Stipulation identified below and represent to the Pennsylvania Public Utility Commission that they do not and will not oppose the remaining provisions of this Stipulation, or its terms contained herein, as resolution of this proceeding or adoption by the Commission.

Kevin J. Moody

Date: 4/20/09

Daniel Clearfield

Kevin J. Moody

For Strategic Energy, LLC; Direct Energy, LLC and the Retail Energy Supply Association<sup>5</sup>

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<sup>5</sup> Strategic, Direct and RESA support Paragraphs 3 and 5 of the Stipulation and do not oppose the remaining paragraphs.

**Attachment A**  
**Duquesne Light Company**  
**Revisions to Exhibit WVP-1**  
**Supply Rates by Residential Rate Class**

Rate Class	Billing Unit	2008	2009	2010
RS All kWh	\$/kWh	\$0.071560	\$0.071560	\$0.071560
RH	May-October All kWh	\$0.071560	\$0.071560	\$0.068950
	November-April First 500 kWh	\$0.071560	\$0.071560	\$0.068950
	November-April Additional kWh	\$0.044358	\$0.059501	\$0.068950
RA	May-October All kWh	\$0.071560	\$0.071560	\$0.071560
	November-April First 500 kWh	\$0.071560	\$0.071560	\$0.071560
	November-April Additional kWh	\$0.041867	\$0.056713	\$0.071560

**Attachment B**

**Table No. 1 Revisions to Exhibit NSF-13**

<b>\$/MWH</b>	<b>Small C&amp;I ( &lt; 25 kW)</b>	<b>Small C&amp;I ( = or &gt;25 kW)</b>	<b>Small C&amp;I (As filed)</b>
Average of Recent Solicitations	61.48_a/	61.26_a/	61.30
Regulatory Review Period Risk	3.00	1.50	1.50
Line Losses	3.95	3.84	3.85
GRT	4.29	4.18	4.18
<b>Total Average Supply Rate</b>	<b>72.72</b>	<b>70.78</b>	<b>70.83</b>

\_a/ Adjusted for quantifiable differences in energy and capacity costs.

**Revisions to Exhibit WVP-1**

**TABLE NO. 2 SUPPLY RATES BY RATE SCHEDULE (Small C&I Customers <25 kW)**

<b>Rate Class</b>	<b>Billing Unit</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
GS	First 1300 kWh	¢/kWh	7.2720	7.2720	7.2720
	Additional kWh	¢/kWh	7.2720	7.2720	7.2720
GM	Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
	Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
	First 1300 kWh	¢/kWh	7.2720	7.2720	7.2720
	Additional kWh	¢/kWh	4.2497	5.7608	7.2720
GMH	Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
	Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
	First 1300 kWh - June thru September	¢/kWh	7.2720	7.2720	7.2720
	Additional kWh - June thru September	¢/kWh	4.2497	5.7608	7.2720
	First block kWh - October thru May	¢/kWh	7.2720	7.2720	7.2720
	Additional kWh - October thru May	¢/kWh	4.4535	5.8627	7.2720

**TABLE NO. 3 SUPPLY RATES BY RATE SCHEDULE  
(Small C&I Customers = or >25 Kw; eliminate declining block energy rates in 2008 and 2009)**

<b>Rate Class</b>	<b>Billing Unit</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
GM	Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
	Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
	First 1300 kWh	¢/kWh	5.5349	6.3065	7.0780
	Additional kWh	¢/kWh	5.5349	6.3065	7.0780
GMH	Demand first 5 kW	\$/kW/mo.	\$0.00	\$0.00	\$0.00
	Demand additional kW	\$/kW/mo.	\$6.19	\$3.09	\$0.00
	First 1300 kWh - June thru September	¢/kWh	5.5349	6.3065	7.0780
	Additional kWh - June thru September	¢/kWh	5.5349	6.3065	7.0780
	First block kWh - October thru May	¢/kWh	5.7240	6.4010	7.0780
	Additional kWh - October thru May	¢/kWh	5.7240	6.4010	7.0780

**Attachment C**  
**Duquesne Light Company**  
**Class Average Default Service Supply Rates**  
**Current Versus Proposed for Settlement**

**As-Filed**

	<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
RS	6.30	7.16	7.16	7.16
RH	5.52	5.87	6.51	7.16
RA	6.35	6.32	6.74	7.16
Residential	6.23	7.02	7.09	7.16
GSGM	6.46	7.08	7.08	7.08
GMH	5.46	6.18	6.62	7.08
Small C&I	6.35	6.99	7.03	7.08
Unmetered	7.03	6.72	6.72	6.72
Lighting	4.20	5.92	5.92	5.92
<b>System Average</b>	<b>6.26</b>	<b>6.99</b>	<b>7.05</b>	<b>7.11</b>

**Proposed for Settlement**

	<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
RS	6.30	7.16	7.16	7.16
RH	5.52	6.00	6.65	6.90
RA	6.35	6.32	6.74	7.16
Residential	6.23	7.03	7.10	7.13
GSGM <25KW	7.82	7.27	7.27	7.27
GSGM >25KW	6.07	7.08	7.08	7.08
Small C&I	6.46	7.12	7.12	7.12
GMH <25KW	6.28	6.44	6.86	7.27
GMH >25KW	5.32	6.14	6.61	7.08
Small C&I (heating)	5.46	6.18	6.64	7.11
Unmetered	7.03	6.72	6.72	6.72
Lighting	4.20	5.92	5.92	5.92
<b>System Average</b>	<b>6.26</b>	<b>7.02</b>	<b>7.07</b>	<b>7.11</b>

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :  
For Approval of Default Service Plan : Docket No. P-00072247  
For The Period January 1, 2008 :  
Through December 31, 2010 :

**RECEIVED**  
MAY  
PA PUBLIC UTILITY CO.  
SECRETARY'S BUREAU

**STIPULATION**

Duquesne Light Company ("Duquesne Light"), Direct Energy Services, LLC ("Direct") and the Office of Small Business Advocate ("OSBA") enter into this Stipulation to resolve all remaining issues among them in the above-captioned proceeding.

1. Direct supports or does not oppose the Stipulation among various parties dated April 25, 2007, in the above-captioned proceeding (the "General Stipulation").
2. No later than three months after the Commission's order approving this Stipulation and the General Stipulation, Duquesne Light will convene a collaborative regarding a Market Share Threshold ("MST") program offering a discount to approved POLR rates. The program will be limited to 5,000 GS and GM customers with maximum measured peak demands of less than 25 kW. Duquesne Light, the OSBA and Direct will participate in that collaborative. Other parties in the above-captioned proceeding also will be invited to participate.
3. If Duquesne Light, the OSBA and Direct agree on a proposal, it will be filed as a Joint Petition with the Commission for approval. Duquesne Light's affiliated electric generation supplier will be permitted to participate as a bidder in the MST program. The MST program shall commence on the date approved by the Pennsylvania Public Utility Commission and end on December 31, 2010.

**DOCKETED**  
MAY 08 2007

**DOCUMENT  
FOLDER**

**APR 26 2007**  
*Hbg*

4. If a Joint Petition is filed, all other parties in the above-captioned proceeding shall have the right to support or oppose the Joint Petition.
5. If the collaborative does not produce a consensus proposal by April 1, 2008, Direct may file a Petition seeking Commission approval of an MST proposal consistent with the terms set forth in Paragraphs 2 and 3.

AGREED TO BY:

  
\_\_\_\_\_  
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: 4/26/07

  
\_\_\_\_\_  
William R. Lloyd, Jr.  
Sharon E. Webb  
For Office of Small Business Advocate

Date: 4/26/07

  
\_\_\_\_\_  
Daniel Clearfield  
Kevin J. Moody  
For Direct Energy Services, LLC

Date: 4/26/07

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :  
For Approval of Default Service Plan : Docket No. P-00072247  
For The Period January 1, 2008 :  
Through December 31, 2010 :

**RECEIVED**  
MAY - 3 2007  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

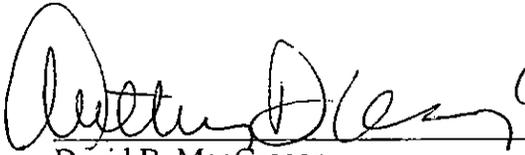
**STIPULATION**

Duquesne Light Company ("Duquesne Light"), Duquesne Industrial Intervenors ("DI"), Reliant Energy, Inc. ("Reliant"), Dominion Retail, Inc. ("Dominion"), Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (collectively "Constellation"), Direct Energy Services, LLC, ("Direct") Strategic Energy, LLC, ("Strategic") the Retail Energy Supply Association ("RESA") and the Pennsylvania Large Energy Users Coalition ("PALEUC") enter into this Stipulation to resolve all remaining issues among them in the above-captioned proceeding by joining in or agreeing not to oppose this Stipulation.

Duquesne Light will provide day ahead hourly pricing as its POLR service to its large C & I customers during the three year POLR period. Such offering shall be in accordance with the Day Ahead Pricing Guidelines, attached hereto as Exhibit A. Duquesne Light will revise its tariff in its compliance filing in this proceeding in accordance with these guidelines. It is understood the Customer shall be responsible for all operating reserve charges and other ancillary charges associated with the day-ahead hourly price service described in the attached guidelines.

It is understood and agreed among the Parties that the Stipulation is the result of compromise, and does not necessarily represent the positions that would be advanced by any party in this proceeding absent the Stipulation.

EITHER AGREED TO BY OR NOT OPPOSED BY:

 (In support)

David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: 5/2/07

\_\_\_\_\_  
Pamela C. Polacek  
Adam L. Benshoff  
For Duquesne Industrial Intervenors

Date: \_\_\_\_\_

\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Todd S. Stewart  
Craig R. Burgraff  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

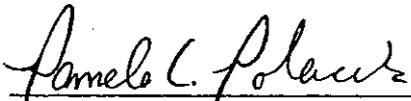
\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: \_\_\_\_\_

EITHER AGREED TO BY OR NOT OPPOSED BY:

\_\_\_\_\_  
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Pamela C. Polacek  
Adam L. Benshoff  
For Duquesne Industrial Intervenors

Date: 5/2/07

\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Todd S. Stewart  
Craig R. Burgraff  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: \_\_\_\_\_

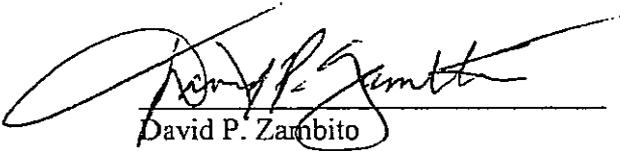
EITHER AGREED TO BY OR NOT OPPOSED BY:

\_\_\_\_\_  
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: \_\_\_\_\_

\_\_\_\_\_  
Pamela C. Polacek  
Adam L. Benshoff  
For Duquesne Industrial Intervenors

Date: \_\_\_\_\_

  
\_\_\_\_\_  
David P. Zambito

For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: 5/2/07

(NOT OPPOSED BY) DPZ

\_\_\_\_\_  
Todd S. Stewart  
Craig R. Burgraff  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: \_\_\_\_\_

EITHER AGREED TO BY OR NOT OPPOSED BY:

\_\_\_\_\_  
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

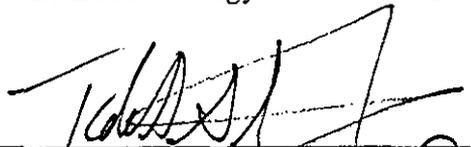
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\_\_\_\_\_  
Pamela C. Polacek  
Adam L. Benshoff  
For Duquesne Industrial Intervenors

Date: \_\_\_\_\_

\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Todd S. Stewart  
Craig R. Burgraff  
Gary A. Jeffries  
For Dominion Retail, Inc.

*not opposed*

Date: 5/2/07

\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

Date: \_\_\_\_\_

EITHER AGREED TO BY OR NOT OPPOSED BY:

\_\_\_\_\_  
David B. MacGregor  
Michael W. Gang  
Anthony D. Kanagy  
Gary A. Jack  
For Duquesne Light Company

Date: \_\_\_\_\_

\_\_\_\_\_  
Pamela C. Polacek  
Adam L. Benshoff  
For Duquesne Industrial Intervenors

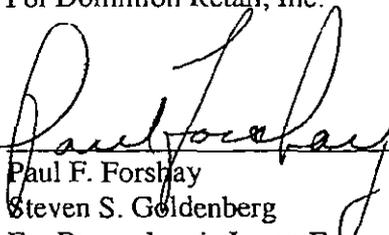
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\_\_\_\_\_  
David P. Zambito  
For Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Todd S. Stewart  
Craig R. Burgraff  
Gary A. Jeffries  
For Dominion Retail, Inc.

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Paul F. Forshay  
Steven S. Goldenberg  
For Pennsylvania Large Energy Users Coalition

NOT  
OPPOSED

Date: 5/1/07

Kevin J. Moody

Daniel Clearfield  
Kevin J. Moody  
For Retail Energy Supply Association

Date: 5/1/07

Kevin J. Moody

Daniel Clearfield  
Kevin J. Moody  
For Direct Energy Services, LLC

Date: 5/1/07

\_\_\_\_\_  
Brian Knipe  
For Reliant Energy, Inc.

Date: \_\_\_\_\_

Kevin J. Moody

Daniel Clearfield  
Kevin J. Moody  
For Strategic Energy, LLC

Date: 5/1/07

\_\_\_\_\_  
For Retail Energy Supply Association

Date: \_\_\_\_\_

\_\_\_\_\_  
For Direct Energy Services, LLC

Date: \_\_\_\_\_

 in support  
\_\_\_\_\_  
Jerry Langdon  
Brian Kripe  
For Reliant Energy, Inc.

Date: 5/2/07

\_\_\_\_\_  
For Strategic Energy, LLC

Date: \_\_\_\_\_

**Duquesne Light Company Day Ahead Pricing Guidelines**

1. Duquesne Light Company (DLC) will provide an hourly load forecast (with losses) on the DLC customer choice web site for each of the Day Ahead Pricing Customers (DAPC) by 8 AM EPT each PJM business day.
2. Each DAPC will have the option of updating the DLC forecast on the customer choice web site prior to 10 AM EPT on each PJM business day. If the customer chooses to not modify the DLC provided load forecast, DLC will use it's final forecast values for aggregation in the day ahead demand bid, which will be binding to the DPAC.
3. DLC will aggregate all of the final forecasts, derate per the mean PJM EDC loss deration factor, and submit this aggregated day ahead demand bid prior to 12 PM EPT PJM business day ahead. Aggregation of the individual forecasts will minimize the overall PJM balancing operating reserve charges due to customer diversity of forecast vs. final eSchedule.
4. PJM posts the day ahead LMP on their web site at 4PM EPT.
5. DLC will upload the aggregated preliminary eSchedule to PJM and the DLC web site by 10 AM EPT on the next PJM business day
6. DLC will upload the final aggregated eSchedule to PJM by the required PJM deadline, 1 PM EPT following a PJM business day and 5 PM EPT following a non- PJM business day)
7. PJM will calculate the day ahead charges based on day ahead demand bid. All load submitted as part of the day ahead demand bid for each DAPC will be billed to that customer at the day ahead LMP.
8. PJM will calculate the balancing charges based on the difference between the day ahead demand bid and final eSchedule. If the DAPC uses more energy than what was bid in day ahead on their behalf, the DAPC will pay real time LMP for the additional energy used. If the DAPC uses less energy than what was bid in day ahead on their behalf, the DAPC will receive a credit at real time LMP. PJM balancing operating reserve charges will be netted against each other on a total schedule basis and then any remaining imbalances will be assigned to each DAPC based on their pro rata share of deviation from their portion of the day ahead demand bid.
9. DLC will bill the DAPC with estimated charges on the customer's normal billing cycle, including DLC's administrative retail adder charge of \$6.07/ MWH .
10. DLC will upload to PJM the aggregated reconciliation data by 60 days after the calendar month end, and PJM will calculate reconciliation charges based on these eSchedules.
11. DLC will provide a true-up to the DAPC on their next normal bill after the PJM reconciliation is complete to insure that the DAPC pays all PJM-imposed charges and that DLC is made whole.
12. As part of its compliance filing in this proceeding, DLC will submit proposed tariff revisions to implement day ahead hourly service. The tariff will incorporate the above principles and will be designed to ensure that DLC fully recovers all costs incurred to provide this service.