

## STATEMENTS IN SUPPORT

1. Duquesne Light Company
2. Office of Trial Staff
3. Office of Consumer Advocate
4. Office of Small Business Advocate
5. International Brotherhood of Electrical Workers Local 29
6. Citizens for Pennsylvania's Future
7. Duquesne Industrial Intervenors
8. Constellation NewEnergy, Inc., NRG Energy Center Pittsburgh LLC and  
Reliant Energy, Inc.
9. Citizen Power, Inc.
10. Community Action Association of Pennsylvania
11. Strategy Energy, LLC
12. Direct Energy, LLC
13. Retail Energy Supply Association
14. Comcast of California/Pennsylvania/Utah/Washington, Inc.
15. Wal-Mart Stores East, LP
16. Pennsylvania Large Energy Users Coalition

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUBLIC UTILITY COMMISSION  
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PENNSYLVANIA PUBLIC UTILITY COMMISSION, :  
: Docket No. R-00061346  
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DUQUESNE INDUSTRIAL :  
INTERVENORS AND INDUSTRIAL :  
ENERGY CONSUMERS OF :  
PENNSYLVANIA : Docket No. R-00061346C0001  
:  
IRWIN A. POPOWSKY, CONSUMER :  
ADVOCATE : Docket No. R-00061346C0002  
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OFFICE OF SMALL BUSINESS :  
ADVOCATE : Docket No. R-00061346C0005  
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PENNSYLVANIA LARGE ENERGY :  
USERS COALITION : Docket No. R-00061346C0007  
:  
v. :  
:  
DUQUESNE LIGHT COMPANY :

**STATEMENT OF DUQUESNE LIGHT COMPANY  
IN SUPPORT OF THE JOINT PETITION FOR  
SETTLEMENT OF ALL ISSUES**

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE LARRY GESOFF:

Duquesne Light Company ("Duquesne Light") believes that the Settlement achieved by all Parties<sup>1</sup> of all issues in this proceeding is in the best interests of Duquesne Light and its customers, and therefore, is in the public interest. In support thereof, Duquesne Light submits this Statement in Support to explain the numerous reasons that support such conclusion.

<sup>1</sup> The Parties are the Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Duquesne Industrial Intervenors ("DII"), Industrial Energy Consumers of PA ("IECPA"), Pennsylvania Large Energy Users Coalition ("PLEUC"), International Brotherhood of Electrical Workers Local 29 ("IBEW"), Constellation NewEnergy, Inc. ("Constellation"), NRG Energy Center Pittsburgh LLC ("NRG"), Reliant Energy, Inc. ("Reliant Energy"), Citizen Power, Inc. ("Citizen Power"), Citizens for Pennsylvania's Future ("PennFuture"), Community Action Association of Pennsylvania ("CAAP"), Retail Energy Supply Association ("RESA"), Strategic Energy, LLC ("Strategic Energy"), Direct Energy, LLC ("Direct Energy"), Comcast of California/Pennsylvania/Utah/Washington, Inc. ("Comcast"), Wal-Mart Stores East, LP ("Wal-Mart"), and Duquesne Light, (collectively referred to as the "Parties").

Duquesne Light also explains herein its responses to the Directed Questions posed by Vice Chairman Cawley and provisions of the Settlement that respond to matters addressed in those questions.

**I. THE SETTLEMENT IS CLEARLY IN THE PUBLIC INTEREST.**

It is rare, if not unprecedented, that so many Parties, with such varied interests, achieve a complete settlement in an electric base rate proceeding. The mere fact that Parties with such diverse interests, including OTS, OCA and OSBA, large industrial customer groups, representatives of electric generation suppliers and representatives of public interest groups, all have reached agreement on a broad array of issues in this proceeding clearly demonstrates that the Settlement provides considerable benefits to customers as represented by these competing interests. The Settlement is in the public interest and should be approved.

The overriding objective and reason for the rate request is due to Duquesne Light's commitment to invest in the distribution system infrastructure to provide the necessary service and reliability needed to meet customers' expectations and obligations to provide reliable service. Additionally, this distribution infrastructure work has resulted in the addition of approximately 150 new full-time employees to the Duquesne Light workforce thereby resulting in wages to these employees, payment of taxes on these wages and additional economic development in the Commonwealth.

The Settlement was achieved after considerable investigation of Duquesne Light's operations, through both informal and formal discovery, and submission of direct, rebuttal and surrebuttal testimony by a number of the Parties in this proceeding. In addition, the Parties undertook numerous discussions and negotiations as to revenue level, rate design and other matters that would be in the public interest. The Settlement, if approved by Administrative Law Judge Larry Gesoff (the "ALJ") and the Commission will reduce the amount of expense and

effort that will be required by the Parties and the Commission to bring this matter to a conclusion. The Parties and the Commission will be able to avoid the substantial effort and expense that would be incurred in continuing to litigate this proceeding, including preparing for and participating in hearings, preparation of briefs, reply briefs, exceptions, replies to exceptions and possible appellate litigation.

Duquesne Light asserts that the increase in distribution rates of \$117 million under the Settlement represents a fair compromise in the case and is necessary to support Duquesne Light's ongoing significant infrastructure improvement plan. The Settlement increase represents approximately 81% of Duquesne Light's proposed increase of \$143.7 million and will remedy Duquesne Light's declining financial condition as discussed in the direct testimony of Morgan K. O'Brien. Duquesne Light St. No. 1, p. 2. Without this rate increase, Duquesne Light projected, on a pro forma basis, a return on equity of negative 1.48 percent for calendar year 2006.

Duquesne Light St. No. 1, p. 2. This was clearly insufficient.

The Settlement includes key provisions concerning the amount of Duquesne Light's ongoing pension contribution. In particular, the Settlement specifies that Duquesne Light will annually contribute \$20,000,000 to its pension plans and provides for recovery of this amount.<sup>2</sup> This is an important Settlement provision because it ensures that adequate funds will be contributed to Duquesne Light's pension plans. As explained in the Rebuttal Testimony of Susan S. Betta, the annual contribution of \$20 million will maintain and slightly improve the *current percentage levels of funded status of Duquesne Light's pension plans*. Duquesne Light St. No. 2-R, p. 13. Duquesne Light notes that the United States Congress and the President have recently recognized the importance of pension funding by enacting legislation that strengthens

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<sup>2</sup> Duquesne Light will contribute this amount to its pensions unless such amount exceeds the tax deductible contribution under the Internal Revenue Code.

the funding obligations of employers with defined-benefit pension plans. *See*, H.R. 4, Public Law 109-280, Pension Protection Act of 2006.

The Settlement provides for the continuation and expansion of Duquesne Light's Customer Assistance Program ("CAP") and Low Income Usage Reduction ("LIURP" or "Smart Comfort") Program. As explained in the testimony of Michele R. Sandoe, Duquesne Light has experienced a significant increase in the number of CAP customers over the last several years. Duquesne St. No. 13, pp. 3, 10. The Settlement reflects a CAP participation level of 27,000 customers which provides for continued expansion of CAP during 2007 and 2008. The Settlement also provides that Duquesne Light may seek recovery of additional CAP costs outside a general rate proceeding if CAP participation levels exceed 27,000. These provisions will enable Duquesne Light to provide expanded assistance to its customers that qualify for the CAP program over the next several years. In its original filing, Duquesne Light proposed, and the Parties did not object, that bills to CAP customers would not change as a result of the rate increase. Therefore, CAP customers will receive no increase in their bills as a result of this proceeding and discounts of the standard residential bill following the rate increase will increase. In addition, the Settlement provides for additional LIURP funding of \$350,000 per year enabling Duquesne Light to increase the number of customers that may be served under LIURP from 1750 to 2250 per year. This provision will provide additional funding to help low-income customers reduce their energy usage and electric bills.

Another important benefit of the Settlement is that the Parties were able to agree upon specific allocations of the revenue increase among the rate classes and upon specific rate designs for the rate classes. These issues are often among the most contentious in a base rate proceeding. The ability of the Parties, with vastly different interests, to achieve full resolution of these issues demonstrates, in and of itself, the reasonableness and fairness of the result. The proposed

Settlement also reflects the Commonwealth Court's recent decision in *Lloyd v. PA PUC*, \_\_\_ A.2d \_\_\_, 2006 WL 2191336 (Pa. Cmwith. 2006) ("*Lloyd*") where the Commonwealth Court overturned the Commission's decision on revenue allocation to the classes.

In *Lloyd*, the Court held that "cost of service" was to be the "polestar" of revenue allocation, but recognized that the Commission had discretion to consider other factors. Duquesne Light's requested revenue allocation was fully responsive to these requirements. While Duquesne Light considered the total bill effect and limited the increase in the total bill to any class to 1.4 times the average increase to mitigate the effects of increases on customers, each class's proposed revenue increase also reflected an independent analysis of the distribution and transmission cost of service separately. In Duquesne Light's proposed revenue allocation, transmission is moved to full cost of service for each class to avoid competitive advantage to POLR service because EGSs pay cost of service transmission rates. In addition, under the proposed revenue allocation, distribution rates for all classes are moved substantially toward the system average return and classes with negative returns (principally heating classes) are moved to the point where they at least provide for a positive return. The results are fully compliant with the *Lloyd* decision.

Second, in arriving at the revenue allocation under the Settlement, a non-proportional scale back was employed in reducing the proposed rate increase from \$143.7 million to \$117.0 million. While all classes, other than certain heating classes, receive less than the proposed rate increase, the non-proportional scale back brings distribution classes, particularly the residential class, even closer to the system average return by providing for less than a full scale back to the residential class and assigns more of the reduction to large commercial and industrial classes which have higher class returns under Duquesne Light's cost of service study. *See*, Duquesne Light St. No. 11 and Exhibits HSG-1 through HSG-8.

The revenue allocation and rate design proposed in the Settlement reflect the agreement of all Parties, including OSBA and the representatives of large industrial customers who were the lead appellants in *Lloyd*. As a result of this complete Settlement, the ALJ and the Commission will not be required to resolve these difficult revenue allocation and rate design issues.

The Settlement also adopts Duquesne Light's Transmission Service Charge ("TSC") Rider. Under the TSC Rider, retail transmission rates will be set using the formulas set forth in the TSC Rider to recover PJM charges and achieve the rate in effect under the PJM Interconnection, LLC Open Access Transmission Tariff ("OATT") when distribution rates become effective. Any change in OATT rates will be reflected and reconciled under the procedures set forth in the TSC. As explained by William V. Pfrommer, the TSC will ensure that customers do not overpay or underpay for transmission service and provide more competitively neutral transmission rates over time because shopping customers obtain transmission service from EGSs who pay full cost of service rates. Duquesne Light St. No. 12, p. 23.<sup>3</sup> Ensuring that customers do not overpay or underpay for transmission costs is certainly in the public interest and is in accord with *Lloyd*.

As part of the Settlement, Duquesne Light agreed to evaluate other Parties' proposals regarding energy conservation and education, time of use metering and economic development initiatives and to make proposals regarding these matters in its next Provider of Last Resort ("POLR") filing. These issues were especially important to PennFuture and described in detail in PennFuture's testimony. See PennFuture St. Nos. 1, 2 and 3. This provision will ensure that these issues are fully considered in Duquesne Light's next POLR proceeding.

In addition, Duquesne Light agreed to contribute \$1.5 million per year for each of the four years 2007 through 2010 to fund certain renewable energy projects and/or to fund energy

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<sup>3</sup> Duquesne Light considers its proposal in its initial filing to bring transmission service to cost of service to be pro competition.

efficiency and energy education projects. Again, this provision was especially important to PennFuture and Citizen Power and demonstrates Duquesne Light's support for renewable energy and energy conservation and its willingness to compromise with the Parties to achieve the Settlement.

In response to issues raised by certain electric generation suppliers ("EGSs"), Duquesne Light agreed to conduct several studies and implement initiatives to assist in creating a more robust generation market in Duquesne Light's service area. In response to a significant matter raised by EGSs,<sup>4</sup> Duquesne Light also agreed to consider the development of a Purchase of Accounts Receivables ("POAR") program for EGSs serving residential and small commercial customers in Duquesne Light's service territory as a potential alternative to full unbundling of POLR costs in distribution rates. The Parties will convene meetings to discuss a POAR program. If Parties do not reach an agreement on these issues by October 31, 2006, issues regarding unbundling of POLR costs will be presented in Duquesne Light's POLR proceeding to establish rates effective January 1, 2008, and Duquesne Light will submit an analysis in that proceeding addressing the further unbundling of distribution costs and purchase of receivables. Issues regarding unbundling of POLR costs were raised by the EGSs. See e.g. Direct Testimony of Frank P. Lacey on behalf of Direct Energy. Duquesne Light has agreed to work with EGSs and other parties to attempt to develop solutions to this issue and the Settlement provides that these issues will be addressed in Duquesne Light's next POLR proceeding.

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<sup>4</sup> Duquesne Light, through its POLR plans and its continued commitment to electric competition, has the highest levels of customer shopping of any electric distribution company in Pennsylvania and among the highest in the country. Specifically, 17.96% of Duquesne Light's residential customers, 15.84% of small commercial customers and 40.85% of large commercial and industrial customers are receiving service from electric generation suppliers as of July 1, 2006, resulting in 56% of Duquesne Light's total load being served via the competitive market. To place these statistics into context, currently shopping residential customers in Duquesne Light's service territory represent 93.5% of all shopping residential customers in Pennsylvania; while Duquesne Light's shopping industrial customers represent nearly 98% of all shopping industrial customers in the Commonwealth. See Duquesne Light St. No. 1, p. 18; OCA Pennsylvania Electric Shopping Statistics, July 1, 2006.

In response to concerns from EGSs, Duquesne Light also agreed to utilize a consolidated billing program which accepts “rate ready” bill information from participating EGSs. This should make it easier for EGSs to provide service in Duquesne Light’s service territory thereby promoting competition. Efforts such as this to promote competition are certainly in the public interest.

As part of the Settlement, Duquesne Light also agreed to convene two meetings per year with EGSs to discuss retail supplier issues and one additional meeting per year with EGSs and commercial and industrial customers to discuss customer choice issues. These meetings should benefit customers by facilitating communications between Duquesne Light, EGSs and customers concerning procedures and options to obtain generation service from suppliers. Duquesne Light also agreed to review its Supplier Coordination Tariff and, as necessary, adopt criteria to measure Duquesne Light’s customer service levels to EGSs and agreed to provide EGSs with the name and direct contact information of a Duquesne Light employee who is authorized to resolve operational issues and competitive retail market issues. Again, these provisions will facilitate communication between Duquesne Light and EGSs, promote competition and benefit customers.

Duquesne Light also agreed to meet with EGSs and other parties to obtain input prior to making its next filing to establish POLR rates. This Settlement provision is in the public interest because it will provide interested EGSs and other Parties the opportunity to provide valuable input on POLR issues for Duquesne Light’s consideration prior to its next POLR filing.

## **II. RESPONSE TO VICE CHAIRMAN CAWLEY’S DIRECTED QUESTIONS**

In this proceeding, Vice Chairman James H. Cawley posed several directed questions to the Parties. These questions were discussed in detail by Duquesne Light’s witness William V. Pfrommer and will be discussed herein pursuant to the ALJ’s request. See Duquesne Light St. No. 12-R, pp. 21-28.

The first question posed by Vice Chairman Cawley concerns whether fixed charges for residential and small or medium commercial customers discourage conservation of energy. In response to this question, Mr. Pfrommer explained that the distribution business cannot be considered a stand-alone business and that the effect of the changes in distribution rates must be considered as part of the overall cost to the customer to purchase electricity, i.e. distribution charges that include a fixed component must be considered along with transmission and generation charges. Mr. Pfrommer also indicated that it was unlikely that wasteful consumption will occur in this case because of increases in fixed charges where overall or total bills for electric service are increasing. Duquesne Light also notes that under the Settlement, the customer charge for residential customers is \$7.00 per month. This is considerably less than the residential customer charge of \$11.50 per month that Duquesne Light originally proposed and within the range of the customer charges of other Pennsylvania electric distribution companies.<sup>5</sup>. The modest (8%) increase in the residential customer charge under the Settlement will not serve to discourage conservation as this is a relatively small percentage of the average customer's monthly bill.

Regarding small or medium commercial customers, Mr. Pfrommer explained the expected levels of revenue from fixed charges, demand charges and commodity charges are not significantly changing in this case. Over 93% of the revenue from these customers (when supply charges are included) are expected to come from commodity and demand charges. Therefore, retaining a fixed charge is not expected to discourage conservation.

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<sup>5</sup> To illustrate, based upon each company's current tariff, West Penn Power Company's residential customer charge is \$5.00 per month, Citizens Electric of Lewisburg's residential customer charge is \$3.56 per month, Metropolitan Edison Company's residential customer charge is \$6.67 per month, Pennsylvania Electric Company's residential customer charge is \$6.81 per month, Pennsylvania Power Company's residential customer charge is \$8.89 per month, PPL Electric Utilities Corporation's residential customer charge is \$8.00 per month, PECO Energy Company's residential customer charge is \$5.18 per month, Pike County Light and Power Company's residential customer charge is \$5.29 per month, Wellsboro Electric Company's residential customer charge is \$7.20 per month and UGI Utilities, Inc.'s residential customer charge is \$5.50 per month.

The second question posed by Vice Chairman Cawley concerns whether declining block rate designs remove the incentive for consumers, especially RA and RH residential consumers and small to medium sized commercial and industrial customers, to conserve energy. The declining block demand and energy charges for all but one of the general service non-space heating distribution rate schedules applicable to commercial and industrial customers have been eliminated.<sup>6</sup> Duquesne Light St. No. 12-R, p. 26. Regarding rates RA and RH stated in the question, Mr. Pfrommer explained that these rates are applicable only to eligible customers who have installed qualified electric space heating. Duquesne Light's declining block rates should not remove the incentive for these customers to conserve because by nature, these consumers in general are energy conscious during the heating season because this is their period of highest use and highest bills." Duquesne Light St. No. 12-R, p. 26. In addition, Mr. Pfrommer explained that eliminating declining block rates for these customers would have resulted in an even greater increase in their electric bills during the heating season. Duquesne Light St. No. 12-R, p. 26. Duquesne Light chose not to eliminate the declining block structure for these customers in order to mitigate their rate increase.

The declining block rate structure is a legacy from pre-restructuring rate designs. In Duquesne Light's POLR III proceeding, Duquesne Light retained its existing rate structure but gave nearly all customers rates that were 15% lower than POLR I rates. (Docket No. P-00032071, Duquesne Light St. No. 1, p. 13, Duquesne Light St. No. 4, p. 3) This provided an equal benefit to customers upon elimination of CTC charges. As explained by Mr. Pfrommer, Duquesne Light believes that declining block rates for distribution service should be eliminated over time but should not be done all at once. Duquesne Light St. No. 12-R, pp. 26-27.

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<sup>6</sup> For settlement purposes, the declining block demand charge for Rate L has been reduced from three to two rate blocks. The remaining blocks were not eliminated in this case to ameliorate a disproportionate effect on low load factor customers.

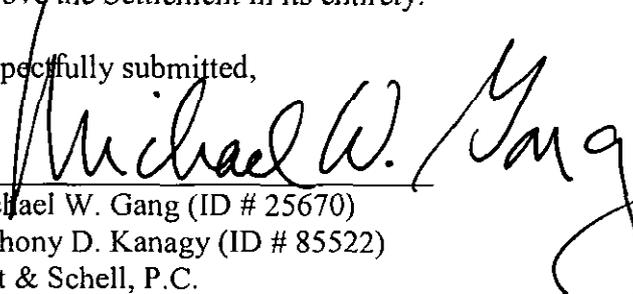
The third question posed by Vice Chairman Cawley was whether demand based charges for default supply service remove the incentive for consumers, especially small to medium sized commercial and industrial customers to conserve energy. In response to this question, Mr. Pfrommer explained that demand based charges do not necessarily remove the incentive for customers to conserve. Duquesne Light St. No. 12-R, p. 27. Mr. Pfrommer further noted that “Relatively higher demand charges may encourage load management, while a higher weight of energy charges may encourage conservation. The more important issue is to send the appropriate price signal to the customer through rates that reflect the cost of service.” Duquesne Light St. No. 12-R, p. 27.

The fourth question posed by Vice Chairman Cawley was whether rate designs should vary among customer classes. In response to this question, Mr. Pfrommer explained that rate designs should vary by customer class taking into account allocated cost of service, cost causation, customer bill impacts, and other factors. Duquesne Light St. No. 12-R, p. 28. Mr. Pfrommer also noted that, in general, fixed costs should be recovered in a fixed charge and energy-related costs should be recovered in an energy charge. Mr. Pfrommer also recognized that many other factors should be considered when designing rates such as economic considerations for smaller customers, willingness of customers to accept price volatility and other policy considerations.

### III. CONCLUSION

The Settlement is the result of detailed examination of Duquesne Light's proposal, multiple rounds of testimony and compromise by all Parties. Duquesne Light believes that a fair and reasonable compromise has been achieved in this case, as is evident by the fact that all Parties, including Duquesne Light, OTS, OCA and OSBA, the industrial customer groups, the EGSs and others have reached an extraordinary and unprecedented agreement on all issues in this proceeding. Duquesne Light fully supports this Settlement and respectfully requests that the ALJ and the Commission expeditiously review and approve the Settlement in its entirety.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Date: September 14, 2006

Attorneys for Duquesne Light Company



Energy Supply Association (“RESA”), Strategic Energy, LLC (“Strategic Energy”), Direct Energy, LLC (“Direct Energy”), Comcast of California/Pennsylvania/Utah/Washington, Inc. (“Comcast”), Wal-Mart Stores East, LP (“Wal-Mart”) and the Company have agreed upon the terms embodied in the foregoing Joint Petition. This request is based upon OTS’ conclusion that the Settlement is in the public interest as supported by the following factors:

### **I. BACKGROUND**

1. OTS was established under the provisions of Section 306 of the Public Utility Code, 66 Pa. C.S. § 306, in 1986 and charged with the representation of the public interest in proceedings relating to rates and rate-related services held before the Commission. As a result, in negotiated settlement of positions, it is incumbent upon the OTS to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.

2. On April 7, 2006 Duquesne filed with the Commission its Tariff Electric – Pa. P.U.C. No. 24, to become effective June 6, 2006. In that filing, Duquesne requested approximately \$143.7 million in additional distribution rate revenues based upon a future test year of December 31, 2006. Duquesne also informed the Commission that transmission service charges reflected in retail rates are expected to increase by approximately \$19.2 million.

3. By Order entered May 4, 2006, the Commission initiated an investigation of Duquesne’s proposed general rate increase and the matter was assigned to the Office

of Administrative Law Judge. On May 8, 2006, OTS entered its appearance in this proceeding.

4. The on-the-record proceeding was assigned to Administrative Law Judge Larry Gesoff (“ALJ”) and a prehearing conference was convened on May 12, 2006.

5. Commission Rules and Regulations encourage settlement of proceedings and, consequently, the parties convened frequent conferences and discussion over the course of this proceeding. These discussions ultimately resulted in a comprehensive stipulation of all issues in controversy and an agreement in principle was ultimately reached.

## **II. SETTLEMENT TERMS AND PUBLIC INTEREST STATEMENT**

6. The specific terms of the settlement are found at Paragraphs 17(a) through 17(q) of the Joint Petition. The OTS submits that the Settlement represents a balance of the interests of the Company’s customers and the interests of Duquesne. Consequently, the Settlement, as proposed, is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

a. The proposed Settlement permits Duquesne to increase distribution rates designed to produce an increase of \$117 million in annual operating revenues. This is a significant reduction from the originally requested \$143 million and provides Duquesne’s customers with a level of savings that otherwise might not have been obtainable had this proceeding been fully litigated.

b. Duquesne has agreed to increase its annual Low-Income Usage Reduction Program (“LIURP” or “Smart Comfort”) funding by \$350,000 from

\$1,181,000 to \$1,531,000 to permit it to provide LIURP service under its existing program to up to 2,250 customer per year. This increase will allow more low income customers to take advantage of these universal service programs.

c. The settlement calls for the scaling back of Duquesne's proposed distribution increases to the classes in a non-proportional manner to provide for further movement of the classes toward system average return. Movement of the classes toward system average return is in the public interest as it will eliminate subsidies among different classes of ratepayers.

d. Duquesne has also agreed to withdrawal its proposed Distribution System Improvement Charge ("DSIC") which would have allowed Duquesne to implement a surcharge to compensate it for the return on and the return of the investment in distribution plant placed in service between base rate proceedings.

e. In response to Vice Chairman Cawley's directed questions in this proceeding concerning the ways that rate design can influence retail customer energy usage and energy conservation efforts, Duquesne has committed to make appropriate proposals in its filing to implement POLR rates effective January 1, 2008 with regard to energy conservation and education, time of use metering and economic development.

7. In addition to the foregoing reasons, based upon OTS' analysis of the filing and the present proposal, acceptance of this proposed settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid substantial time and expense involved in continuing to formally pursue all issues in this proceeding.

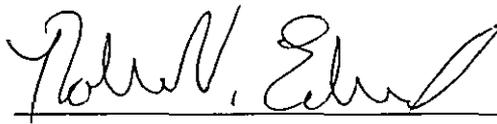
8. OTS further submits that acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of main briefs, reply briefs, exceptions and reply exceptions and the filing of possible appeals. The avoidance of any further expense by settlement of this proceeding serves the interests of the Company, OTS and the customers.

9. OTS' agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

10. *If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company or any formal complainant.*

**WHEREFORE**, the Commission's Office of Trial Staff represents that it supports the Joint Petition as being in the public interest and respectfully requests that the Administrative Law Judge and the Commission approve the foregoing Joint Petition, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Robert V. Eckenrod", is written above a horizontal line.

Charles Daniel Shields  
Robert V. Eckenrod  
Prosecutors

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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SEP 14 2006  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S OFFICE

Pennsylvania Public Utility Commission,	:	Docket No. R-00061346
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Duquesne Industrial Intervenors And	:	
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Irwin A. Popowsky, Consumer Advocate	:	Docket No. R-00061346C0002
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Office Of Small Business Advocate	:	Docket No. R-00061346C0005
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Pennsylvania Large Energy Users Coalition	:	Docket No. R-00061346C0007
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V.	:	
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Duquesne Light Company	:	

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF JOINT PETITION  
FOR SETTLEMENT OF ALL ISSUES

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The Office of Consumer Advocate (OCA), a signatory party to the foregoing Joint Petition for Settlement of All Issues (Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge and the Pennsylvania Public Utility Commission (Commission). The Settlement resolves all issues regarding the request for an increase in total distribution revenues by Duquesne Light Company (Duquesne or Company). It is the position of the OCA that the proposed settlement is in the public interest and in the interests of the customers of Duquesne.

## I. INTRODUCTION

On April 7, 2006, Duquesne Light filed with the Commission its Tariff Electric-Pa. P.U.C. No. 24, to become effective June 6, 2006. In Tariff No. 24, the Company proposed to increase its annual electric distribution revenues by \$143.7 million. Under the rates proposed by the Company, a typical residential customer using 600 Kwh per month would have seen the average monthly total electric bill increase from \$63.87 to \$75.86, an increase of 18.8%. Included in this increase was a proposed hike in the monthly Customer Charge for Residential Service from \$6.48 to \$11.50.

Complaints in opposition to the increase were filed by the OCA, the Office of Small Business Advocate, Duquesne Industrial Intervenors, Pennsylvania Large Energy Users Coalition, and four individual customers. The Commission's Office of Trial Staff filed a Notice of Appearance and Petitions to Intervene were filed by the International Brotherhood of Electrical Workers, Constellation NewEnergy Inc., NRG Energy Center, Pittsburgh, Inc., Citizen Power, Inc., Citizens for Pennsylvania's Future, Retail Energy Supply Association, Strategic Energy LLC, Direct Energy LLC, Reliant Energy, Inc., Community Action Association of Pennsylvania, Comcast of California/Pennsylvania/Utah/Washington, Inc., and Wal-Mart Stores East, LP. All Petitions to Intervene were granted.

On May 4, 2006, the Commission entered an Order initiating an investigation of Duquesne's proposed rate increase and assigning the matter to the Office of Administrative Law Judge. In turn, ALJ Larry Gesoff was assigned to preside. As part of its May 4 Order, the Commission permitted the effective date of Duquesne's proposed tariff to be suspended by operation of law until January 6, 2007, unless permitted by Commission Order to become effective at an earlier date.

A telephonic prehearing conference was held before ALJ Gesoff on May 12, 2006. At the prehearing conference a procedural schedule for the case was adopted, as were modified discovery rules providing for shorter response times to discovery requests than are prescribed by the Commission's regulations. In addition, the ALJ directed the Company to work with the OCA to set the dates and locations for public input hearings.

Pursuant to that directive, three public input hearings were held. On July 12, 2006 a public input hearing was held in Beaver Falls, PA, and on July 13, two public input hearings were held in suburban Pittsburgh, one in Shaler Township and the other in Castle Shannon.

Throughout the course of the proceeding, the OCA engaged in extensive formal and informal discovery, propounding a total of fourteen sets of interrogatories and conducting two sessions of informal discovery designed to thoroughly investigate all aspects of the Company's proposed rate increase.

Pursuant to the procedural schedule adopted in the case, the OCA submitted the Direct Testimony of its expert witnesses on July 7, 2006, submitted Rebuttal Testimony on August 2, 2006, and then submitted electronic Surrebuttal Testimony on August 16, 2006.

The Company initiated settlement discussions on June 30, 2006 and those discussions continued through July and early August, reaching a conclusion during the third week of August, when all active parties agreed to the terms and conditions reflected in the instant Joint Petition for Settlement of All Issues. Upon the parties reaching terms on a settlement, ALJ Gesoff cancelled the evidentiary hearings scheduled for August 21 through 25.

As noted above, and discussed further below, the OCA submits that the proposed Settlement is in the public interest and in consumers' interest. The OCA submits that the Settlement should be approved. Set forth below, the OCA will discuss several of the key provisions of the Settlement that are of particular importance to the OCA.

## II. DISTRIBUTION REVENUES

The Proposed Settlement provides for an overall distribution base rate increase of \$117 million, about \$26 million less than the rate increase amount originally requested by Duquesne of \$143.7 million.<sup>1</sup> See *Joint Petition (J.P.)* ¶ 17a. This rate increase reflects an increase in overall revenues, including transmission revenues, of 11.2% as compared to the Company's original request of a 13.3% increase in overall revenues (transmission included). On a distribution only basis, the \$117 million increase reflects a 41.8% increase in distribution revenue compared to the Company's proposed 51.3% increase.

This rate increase amount includes a pension contribution of \$20 million per year and reflects a contribution of \$2.681 million per year of Other Post Employment Benefits (OPEBs). These funding commitments on an annual basis, with the associated accounting treatment provided by the Settlement, properly recognizes the contributions to the benefit of both current and future ratepayers. See *J.P.* ¶ 17b(2).

The distribution base rate increase also reflects funding for a Customer Assistance Program designed to serve 27,000 customers and it reflects increased LIURP funding beyond that included in the Company's claim. The increased LIURP funding permits the Company to provide LIURP services to up to 2,250 customers per year. See *J.P.* ¶ 17b(3) and (4).

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<sup>1</sup> Overall rates will increase by approximately \$19 million more due to the increase in transmission rates proposed in the proceeding. The increased transmission revenue will be collected through a reconcilable Transmission Service Charge as discussed in Section III E.

Based on OCA's testimony and analysis of the Company's filing and discovery responses, the proposed increase under the Settlement represents an amount which, in OCA's view, would be within the range of the likely outcomes in the event of full litigation of the case.

### **III. RATE STRUCTURE**

#### **A. Revenue Allocation**

The Proposed Settlement provides for an allocation of the \$117 million distribution increase in a manner which would result in an increase to the average Rate RS residential customer (using 600 kwh/mo.) of 16.2% on a total bill basis compared to the Company's original proposal to increase residential rates by approximately 18.8%. Under the Proposed Settlement the total monthly bill for the Company's Rate RS residential customer using 600 kwh/month will increase from \$63.87 to \$74.23, compared to the Company's original proposal of a \$75.86 monthly bill. *See J.P.* ¶ 15.

On a distribution only basis, the Rate RS class will see an increase in average distribution rates of 31.8% as compared to the system average distribution increase of 41.8%. The Rate RH and RA classes will see a larger than average increase on a distribution only basis, but significantly less than under the Company's proposal. *See Appendix C to J.P.*

The allocation of the revenue responsibility to the various rate schedules reflects a scale back of the revenue responsibility in a non-proportional manner if starting from the Company's proposed revenue allocation in this case. In light of the reduced revenue requirement in this case, this approach will provide further movement of the classes toward the distribution system average return, while ensuring that the rate increases for all classes are reasonable.

#### **B. Residential Rate Design**

Under the settlement, the customer charge for all residential rate schedules (Rates RS, Rate RH and Rate RA) will be \$7.00 per month, as recommended by OCA witness Galligan. OCA

St. 3 at 25. *See J.P. ¶ 17d.* This customer charge represents an increase to the current customer charge of \$6.48 per month, but reflects a significant moderation of the Company's proposal to increase the customer charge to \$11.50 per month. The energy charges will then be increased as proposed by the Company to recover the remaining revenue, which should result in progress towards more commonality of the energy charges for the residential rate schedules. OCA St. 3 at 25.

The OCA submits that moderating the customer charge increase will benefit residential customers and is responsive to the Commission's Directed Question regarding the impact of high customer charges on conservation. OCA St. 3R at 5. By providing a customer charge lower than the Company's proposed charge and recovering the remaining revenue through the energy charges, the energy charges can provide necessary information to customers regarding conservation. OCA St. 3R at 5.

The OCA submits that the residential rate design established through the settlement is reasonable and consistent with sound ratemaking principles.

### **C. Tariff Riders**

As part of the Settlement, the Company has agreed to withdraw two Riders that it proposed, the Distribution System Improvement Charge (DSIC) Rider, Rider 20 and the Universal Service Charge Rider, Rider 21. *See J.P. ¶¶ 17i. and j.* Removal of the DSIC will eliminate controversy and litigation over a type of Rider that this Commission has previously rejected in an electric distribution base rate case. *See, Pa.P.U.C. v. PPL Electric Utilities Corp., 237 PUR4th 419,432.*

The Company's agreement to withdraw Rider 21 will mitigate the potential for automatic changes between base rate cases for universal service costs when base rates include recovery of universal service costs to support the Company's programs. Rider 21 had not previously

been used by the Company, and the changes proposed to the Rider in this case were the subject of controversy and litigation. Removal of the Rider will eliminate this controversy. The Company retains the right to propose such a Rider between base rate cases if CAP participation levels substantially exceed 27,000 customers or there are substantial changes in the program. If the Company elects to make such a filing, the parties agreed not to argue that such interim recovery can only be recovered through a base rate filing, but the parties reserve their right to raise all other issues regarding any filing that might be made.

**E. Transmission Service Charge Rider**

The parties have agreed to Duquesne's proposal to implement a Transmission Service Charge (TSC) Rider that will allow the Company to set its retail transmission rates to recover the transmission charges billed to it by the PJM Interconnection, Inc. (PJM) through the Open Access Transmission Tariff (OATT). The TSC will reflect changes in PJM OATT rates and will be reconciled regularly. The OCA submits that the TSC as set forth in the Settlement provides a reasonable method of recovering transmission charges that will align retail transmission charges with the PJM charges. This should allow for more accurate price offers and price comparisons for those customer classes with shopping opportunities.

**V. OTHER ISSUES**

**A. Universal Service and LIURP Funding**

The Settlement provides base rates that will allow the Company to increase participation in its Customer Assistance Program (CAP). The settlement revenue requirement allows for participation of 27,000 customers. At the end of 2005, CAP participation was slightly in excess of 23,000, thus allowing for an additional 4,000 low income customers to be served.

Additionally, the settlement revenue requirement allows for an increase in funding for the Low Income Usage Reduction Program over that proposed by the Company. The settlement revenue requirement will allow for 2,250 homes each year to be weatherized and provided other energy efficiency measures through the LIURP program.

The OCA submits that through funding of these programs, more low income customers will be provided assistance to better manage their bills.

**B. Directed Questions**

The OCA set forth its responses to the Directed Questions of Vice Chairman Cawley in this proceeding in the Rebuttal Testimony of OCA witness Richard Galligan, OCA St. 3R at 4-7, and the Rebuttal Testimony of OCA witness Roger D. Colton, OCA St. 4R at 6-11. The OCA provided testimony responsive to Questions 1, 2 and 4. The OCA provides the following summary of its testimony:

- 1. Do fixed charges for residential and small or medium commercial customer distribution services discourage conservation of energy? If so, what other revenue decoupling models can be implemented that would optimally meet the dual needs of providing incentives for consumers to conserve energy, while providing reasonably stable revenues for utilities.*

As customer charges, or fixed charges, are increased, this necessitates a lower energy charge. Since it is the kilowatthour energy charge that is saved, or avoided by the customer, as a result of conservation efforts, the lower the energy charge, the lower the incentive or savings from conservation. OCA St. 3R at 5.

Revenue decoupling mechanisms should be carefully considered and should only be considered as part of a comprehensive energy conservation program. For Duquesne, residential heating customers represent less than 3% of the Company's energy requirements, and revenue

instability from conservation activities by these customers would not be expected to be significant.

OCA St. 3R at 5.

For low-income households, a significant portion of their energy consumption is non-discretionary, making it difficult or impossible for customers to respond to the rate design. Additionally, energy usage in such households is generally driven by factors largely outside the ability of the household to control. As such, conservation through programs such as LIURP should be encouraged. OCA St. 4R at 7-8.

2. *Do declining block rate designs remove the incentive for consumers, especially RA and RH residential consumers and small to medium sized commercial and industrial customers ("C&I"), to conserve energy? If so, should declining block rates for supply and distribution services be phased out over time?*

Declining block rates generally affect residential customer incentives to conserve energy, but there can be a cost basis for this form of design. For Duquesne, the Rate RS customers do not pay a declining block rate. The Duquesne residential heating customers pay winter rates that include some declining block structure, but since this usage is off-peak, there is a cost basis for this design. OCA St. 3R at 6. If modification to the declining nature of blocks is considered, it should be done in moderation to avoid rate shock.

4. *Can and should rate designs vary among customer classes? For example, larger industrial and commercial ("C&I") customers generally have a much smaller percentage of their revenues attributable to distribution services. Given this dynamic, does the commodity design of supply service rates provide adequate incentive for larger C&I customers to conserve.*

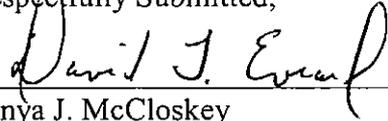
Rate designs need not be consistent among customer classes. Customer classes differ in levels of sophistication, metering capabilities and usage characteristics. Given these differences, rate designs are likely to differ among the customer classes. OCA St. 3R at 6-7.

## VI. CONCLUSION

The terms and conditions of the proposed settlement of this rate proceeding provide for a \$117 million distribution rate increase, a reduction of more than \$26 million from the Company's distribution rate increase request. Such an agreement, along with all of the other terms and conditions of the settlement described above, is a fair and reasonable settlement of this proceeding.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the best interest of Duquesne's ratepayers.

Respectfully Submitted,



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Dated: September 12, 2006  
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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED  
SEP 14 2006  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

v.

DUQUESNE LIGHT COMPANY

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DOCKET NO. R-00061346

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate ("OSBA") filed a complaint at Docket No. R-00061346, the April 7, 2006, filing of Duquesne Light Company ("Duquesne" or the "Company") of proposed Tariff Electric-Pa. P.U.C. No. 24. The Company's April 7<sup>th</sup> filing requested an additional \$143.7 million in annual distribution rate revenue. By its filing, Duquesne also notified the Pennsylvania Public Utility Commission ("Commission") that transmission rates will be increasingly by approximately \$19.2 million.

The OSBA filed direct, rebuttal, and surrebuttal testimony in this proceeding, and actively participated in the negotiations that led to the proposed settlement. The OSBA is a signatory to the Joint Petition For Settlement Of All Issues ("Joint Petition") filed on September 14, 2006. The OSBA submits this statement in support of the Joint Petition.

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The following specific issues were of particular significance to the OSBA when it concluded that the Joint Petition was in the best interests of Duquesne's small business customers.

(1) The Joint Petition proposes to allocate the overall revenue increase among Duquesne's customer classes as set forth in Appendix C. The proposed revenue allocation is a just and reasonable result for the Company's small business class, GS/GM. Specifically, the GS/GM customer class is overpaying its distribution cost of service at present rates, and the Joint Petition assigns the GS/GM customer class a less than system average distribution increase. This causes GS/GM to move closer to its distribution cost of service, thereby reducing the amount that the Company's small business customers are overpaying for their distribution service.

(2) The Joint Petition proposes a revenue requirement that includes 27,000 residential customers participating in the Company's Customer Assistance Plan ("CAP"). However, the Joint Petition would allow Duquesne to "seek recovery of additional CAP costs . . . if participation levels exceed 27,000 or there are substantial changes to the CAP." The Joint Petition preserves the right of all parties in this proceeding to oppose the methodology by which any additional CAP costs would be recovered. Duquesne's small business customers are not eligible to participate in the Company's CAP. Thus, any attempt to recover any additional CAP costs from small business customers would be grossly unfair, and the Joint Petition specifically permits the OSBA to oppose any such change in the Company's CAP funding.

(3) The Joint Petition requires Duquesne to present an analysis of separating the GS/GM customer class into two classes in the Company's next general rate proceeding. Duquesne, if the Company believes it to be appropriate, will propose a manner in which this rate class can be separated. The OSBA supports this analysis because the GS/GM class is the most diverse of all of the Company's rate classes. The GS/GM class is so varied that it can include the smallest "mom and pop" grocery store as well as a medium-sized snowplow manufacturer. This mixture of customers in the GS/GM class, with their different usage patterns and demand characteristics, makes it difficult to fashion an appropriate rate design for the class as a whole. Separating GS/GM into smaller and larger customer populations may be an appropriate step, and the OSBA will carefully evaluate Duquesne's analysis in the Company's next general rate case proceeding.

(4) In the Company's original filing, Duquesne proposed to implement a Distribution System Improvement Charge ("DSIC"). The Company proposed the DSIC mechanism in order to recover the costs associated with certain "eligible investments" without the need for a base rate case. The OSBA opposed the proposed DSIC because it is an example of single-issue ratemaking, and does not have a legal basis in the Public Utility Code. The Joint Petition removes the DSIC as part of the settlement of this proceeding.

(5) The Joint Petition proposes to implement the Transmission Service Charge ("TSC") as set forth in Exhibit NJDK-1 of Duquesne's Statement No. 14. Significantly, the TSC will be designed so that the rates charged to Duquesne's customers will closely mirror the rates charged to the Company by PJM Interconnection, LLC under its Open Access Transmission Tariff ("OATT"). By allocating the PJM charges among the

customer classes on the basis of how those charges are billed, the proposed TSC will effectively eliminate any inter-class subsidies that may be created if a different TSC rate design methodology were to be employed by the Company.

(6) The Joint Petition proposes to allow the Company to “evaluate” any proposal, by any party, “relating to energy conservation and education, time of use metering and economic development.” Once Duquesne has conducted that evaluation, any proposal “deemed by it to be appropriate as to such matters” will be included for consideration in the Company’s POLR filing, which is to be effective January 1, 2008. The Joint Petition would preserve the right of all parties in this proceeding to oppose any proposal made by the Company, and to oppose the recovery of the costs incurred by the Company’s proposal(s). The OSBA observes that energy conservation and education, time of use metering, and economic development spending are at least highly controversial topics, and may be entirely inappropriate projects for Duquesne to be charging its rate-paying customers. Consequently, the Joint Petition proposal to specifically permit any party to oppose any such proposal (or the funding for any such proposal) is a fair resolution of this issue in this proceeding.

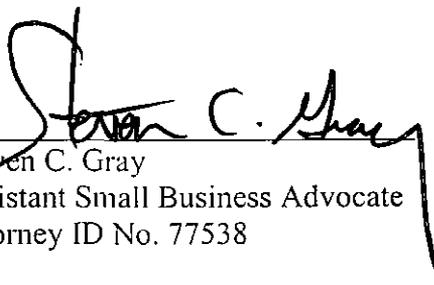
(7) The Joint Petition sets forth a detailed plan by which the parties will “consider the development of a Purchase of Accounts Receivables program for suppliers serving residential and small commercial customers in Duquesne’s territory (‘POAR’) as a potential alternative to full unbundling of POLR costs in distribution rates.” The first step is for the parties to consider this alternative by October 31, 2006. If agreement is not reached by that date, then the second step of the Joint Petition’s proposed plan requires Duquesne to present an analysis of the unbundling of distribution costs in the Company’s

POLR filing, which is to be effective January 1, 2008. At all stages of the Joint Petition's proposed plan, all parties will retain the right to evaluate and to oppose, as necessary, any aspect of the POAR program or the unbundling of any unavoidable distribution cost. The Joint Petition proposes a fair and flexible methodology by which these issues can be addressed between now and January 1, 2008.

(8) OSBA witness Brian Kalcic addressed the directed questions of Vice Chairman James H. Cawley in his Rebuttal testimony. *See* OSBA Statement No. 2, at 14-17. For convenience, Mr. Kalcic's responses to the Vice Chairman's questions are attached to this statement in support.

For the reasons set forth in the Joint Petition itself, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that the ALJ and the Commission approve the Joint Petition in its entirety.

Respectfully submitted,

  
Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538

For:  
William R. Lloyd, Jr.  
Attorney ID No. 16452  
Small Business Advocate

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Dated: September 14, 2006

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED  
SEP 14 2006  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
CLERK'S BUREAU

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

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STATEMENT IN SUPPORT OF SETTLEMENT  
OF  
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS  
LOCAL 29

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International Brotherhood of Electrical Workers Local 29 (IBEW) supports the Joint Petition for Settlement (Settlement) filed in this proceeding. IBEW believes the Settlement provides Duquesne Light Company (Duquesne) with a reasonable level of rate relief that is consistent with the evidence submitted by various parties.

Moreover, the Settlement ensures that \$20 million per year, a significant portion of the rate relief, will be used by Duquesne to continue funding Duquesne's pension plan at a reasonable level. This will help ensure that Duquesne complies with Duquesne's commitments to IBEW's members to provide a defined benefit pension plan. The assurance of such funding also is consistent with Pension Protection Act of 2006 (H.R. 4), signed into law by President Bush on August 17, 2006, which essentially requires defined benefit pension plans to become (and remain) 100% funded by 2015.

WHEREFORE, International Brotherhood of Electrical Workers Local 29 respectfully requests the Pennsylvania Public Utility Commission to approve the Joint Petition for Settlement as filed.

Respectfully submitted,



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Counsel for:  
International Brotherhood of Electrical Workers  
Local 29

Dated: August 30, 2006

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SEP 14 2006  
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SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission )  
v. ) Docket No. 00061346  
Duquesne Light Company )

**PENNFUTURE'S STATEMENT  
IN SUPPORT FOR JOINT PETITION OF SETTLEMENT**

Citizens for Pennsylvania's Future ("PennFuture") supports the Joint Petition for Settlement and agrees to its terms, stating as follows:

1. PennFuture intervened in this case in order to pursue a safe, reliable, clean and affordable public utility service for its members and the public.
2. Because these Proceedings would likely result in higher rates for Duquesne Light customers, PennFuture sought to mitigate the adverse economic impact of those rates by promoting energy efficiency, reducing demand, and reducing pollution through the development of renewable energy projects.
3. PennFuture actively participated in these proceedings by filing discovery, answering discovery, and submitting direct and sur-rebuttal testimony of three expert witnesses. The direct testimony of John Hanger, Paul Chernick and John Plunkett described the public benefits to be derived from projects that promoted energy efficiency and the development of renewable energy. Among other things, sur-rebuttal testimony from each of the witnesses responded to directed questions from Vice Chairman Cawley.

4. As a result of this Settlement, Duquesne Light will be permitted to increase distribution rates in a manner designed to produce an increase of \$117 million in annual operating revenues.

5. Prior to this Settlement, Duquesne Light was the only major utility in the Commonwealth that did not have a sustainable energy fund established for the development of renewable energy projects within its territory.

6. As part of this Settlement, Duquesne Light has agreed to make a contribution of \$1.5 million per year for each of the four years 2007 through 2010 to be administered by the Pennsylvania Energy Development Authority (PEDA) to fund renewable energy projects that meet the requirements of Tier 1 technologies specified in the Alternative Energy Portfolio Standards Act (Act 213) and/or to fund energy efficiency and energy education projects. At least 75% of the funds are to be expended on projects located in the service territory of Duquesne Light and the remaining 25% of the funds may be spent on projects that benefit directly the customers of Duquesne Light's service territory.

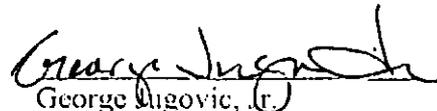
7. The total of \$6 million dollars for renewable energy and energy efficiency projects offers significant benefits to the public. Renewable energy improves distribution system reliability and reduces system congestion; provides jobs and economic development; offers a domestic and secure energy supply; and reduces air pollution and its health impacts. Energy efficiency offers considerable electricity and economic savings to customers, as well as offering many of the same benefits as renewable energy.

8. As part of this Settlement, Duquesne Light has also agreed to evaluate the proposals of other parties relating to energy conservation and education, time of use metering and economic development and will make proposals deemed by it to be appropriate in its filing to implement POLR rates effective January 1, 2008. Energy conservation and education, and time of use metering have the potential to offer further benefits to the public consistent with those described above.

9. PennFuture believes that because of these commitments by Duquesne Light, the Settlement constitutes a fair, just and reasonable accommodation of the interests of the many parties to this proceeding, and serves the public interest.

10. For these reasons, PennFuture urges the Commission to approve the Joint Petition for Settlement.

Respectfully submitted,



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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**RECEIVED**  
SEP 14 2006  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY COMMISSION,	:	Docket No. R-00061346
	:	
DUQUESNE INDUSTRIAL INTERVENORS AND INDUSTRIAL ENERGY CONSUMERS OF PENNSLVANIA	:	Docket No. R-00061346C0001
	:	
IRWIN A. POPOWSKY, CONSUMER ADVOCATE	:	Docket No. R-00061346C0002
	:	
OFFICE OF SMALL BUSINESS ADVOCATE	:	Docket No. R-00061346C0005
	:	
PENNSYLVANIA LARGE ENERGY USERS COALITION	:	Docket No. R-00061346C0007
	:	
v.	:	
	:	
DUQUESNE LIGHT COMPANY	:	

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**STATEMENT OF THE  
DUQUESNE INDUSTRIAL INTERVENORS  
IN SUPPORT OF SETTLEMENT**

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Duquesne Light Company ("Duquesne Light" or "Company"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Office of Trial Staff ("OTS"), the Duquesne Industrial Intervenors ("DII") and the other active parties in this proceeding are filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") a unanimous settlement ("Settlement") to resolve all issues in Duquesne Light's first post-rate cap distribution base rate proceeding. As set forth in more detail below, DII supports the proposed settlement as a reasonably-balanced

resolution of this matter. This Statement in Support sets forth the reasons that DII supports the settlement and also responds to the questions propounded by Vice Chairman Cawley in the July 12, 2006, Secretarial Letter.

### **I. REASONS FOR SUPPORT OF SETTLEMENT**

First, the settlement reduces Duquesne Light's distribution revenue increase from its original claim of \$143 million (revised to \$140 million in rebuttal testimony) to \$117 million. Settlement, Paragraph 17(a). Even with this reduced distribution claim, the Company has agreed to contribute \$1.5 million per year to be administered by the Pennsylvania Energy Development Authority ("PEDA") for renewable energy projects. Settlement, Paragraph 17(m). This resolves requests by various parties to increase customers' rates and/or institute surcharges for renewable and energy conservation purposes. Because such proposals would have had a disproportionate impact on larger electricity consumers, DII applauds the Company's willingness to resolve this through contributions to PEDA.

Second, the settlement implements a non-proportional scaleback of the distribution revenue increase among customer classes. Settlement, Paragraph 17(c). Duquesne Light's Cost of Service Study ("COSS") demonstrated that Rate Schedules RS, RH, RA and GLH are producing rates of return at present rates that are well below the system average rate of return. See Duquesne Statement No. 12, p. 8, Table No. 2. In contrast, Rate Schedules GS/GM, GL, L and HVPS exceed the system average rate of return at present rates. Id. Although the Company attempted to begin addressing the removal interclass subsidization in its allocation of the original \$143 million claim, with the exception of Rate Schedule GLH it did not bring the rate schedules with lower than

system average returns at present rates to unity.<sup>1</sup> Under the settlement, customers on Rate Schedules GL and L will experience significant increases to their distribution rates (85.3% and 83.9%, respectively) (Settlement, Appendix C); however, these increases are lower than the increases they would have experienced under a straight proportionate scaleback of the Company's original allocation. In addition, the settlement brings the rates for Rate Schedule GLH very near cost of service, which should eliminate the need for drastic increases in future cases, and also reduces the rates for Rate Schedule HVPS to address the 47.7% rate of return that this class showed at present rates. DII supports the settlement as the "first step" and expects the Company and parties to make further progress towards eliminating the lingering interclass subsidization of other rate schedules by the Large Commercial and Industrial Class in future distribution rate cases to bring the distribution rates for all customer classes closer to distribution cost of service. This is consistent with the requirements of Chapters 13 and 28 of the Public Utility Code.

Third, the settlement implements an appropriate cost-based mechanism for Duquesne to recover the transmission costs that it incurs to provide generation service to Provider of Last Resort ("POLR") customers. Settlement, Paragraph 17(k). Section 2804(6) of the Public Utility Code requires Duquesne to charge rates for transmission service that are comparable to its own use of the system. See 66 Pa. C.S. § 2804(6). Duquesne has designed the Transmission Service Charge ("TSC") mechanism in a manner that mirrors the design of the Federal Energy Regulatory Commission ("FERC") approved transmission rates for the Duquesne Zone. See DII Statement No. 1, pp. 40-42. In addition, for larger customers, the retail rate design will also mirror the FERC rate

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<sup>1</sup> Unity exists when the rates for the rate schedule are set at cost of service (reflecting the system average rate of return).

design through implementation of a demand charge, with the billing demand determined based on the customer's peak load coincident with the zonal peak. See Settlement, Appendix A, Compliance Tariff, pages 113-114. This will send appropriate price signals to POLR customers regarding their use of the transmission system and evaluation of competitive offers from Electric Generation Suppliers ("EGSs"). DII Statement No. 1, p. 41.

Fourth, the settlement addresses important economic development issues for larger customers. For example, the settlement retains Duquesne's ability to enter into contracts under Rule 4 of its tariff to address customers' unique distribution service and rate needs. Settlement, Paragraph 17(f). The settlement also requires the Company to evaluate economic development programs and proposals prior to submitting its filing to implement POLR rates effective January 1, 2008. Settlement, Paragraph 17(l). Finally, the settlement ensures that customers who take service under Rate Schedule L at transmission voltage receive a more appropriate credit to reflect a portion of the distribution facility costs assigned to this rate schedule in the COSS that are not used by those customers. Settlement, Paragraph 17(g).

*On the whole, the settlement represents an appropriate resolution of Duquesne's first distribution rate case in the unbundled rate environment implemented by Chapter 28 of the Public Utility Code. The increases to the distribution rates for Rate Schedules GL, GLH and L are quite high due to the nearly twenty years that have elapsed since Duquesne's last rate proceeding. A series of additional rate cases in the near future will enable Duquesne to avoid implementing such a significant overall increase and also provide the opportunity to take further steps to eliminate the vestiges of interclass*

subsidization in the settlement rates. DII accepts the settlement as the beginning of this process.

## II. RESPONSE TO VICE CHAIRMAN CAWLEY'S QUESTIONS

In rebuttal testimony, DII's witness Stephen J. Baron responded to the questions conveyed by Vice Chairman Cawley for consideration in this proceeding. Mr. Baron's response on behalf of DII was as follows:

- 1. Do fixed charges for residential and small or medium commercial customer distribution services discourage conservation of energy? If so, what other revenue decoupling models can be implemented that would optimally meet the dual needs of providing incentives for consumers to conserve energy, while providing reasonably stable revenues for utilities?**

Response:

The first principle of rate design should be that, to the extent feasible, rates should reflect cost of service. This means that residential rates should generally include a customer charge and a kWh charge. If residential customers are demand metered, it is also appropriate, based on generally accepted and reasonable cost of service methodologies, to incorporate a kW demand charge in the rate design, reflecting the maximum 15 minute demand during the month or during the on-peak period (if time differentiated pricing is implemented). If rates are set based on cost of service, customers will receive proper and efficient price signals that will guide their consumption. Such rates do not either discourage or encourage conservation, but rather encourage efficient and economic use of energy. While it is true that, all else being equal, higher kWh rates will result in lower consumption (and thus "conservation"), it does not follow that this is an optimal outcome. If off-peak energy, for example, is lower cost than on-peak energy, efficiency is not promoted by raising the off-peak rate, simply to discourage usage. If rates are based on cost, including cost based fixed charges where justified, customers will face prices that are consistent with the costs of providing each component of electric service and make rational consumption decisions.

**2. Do declining block rate designs remove the incentive for consumers, especially RA and RH residential consumers and small to medium sized commercial and industrial customers ("C&I"), to conserve energy? If so, should declining block rates for supply and distribution services be phased out over time?**

Response:

The response to the previous question addressed this question to some extent. If declining block rates are cost justified, than such rate designs are appropriate and do not represent an impediment to conservation. With regard to rates for distribution services, distribution costs are fixed and should, to the extent feasible, be recovered from larger customers through a kW demand charge (please see my response earlier in this testimony to the filed testimony of Penn Future witness Paul Chernick).

**3. Do demand based charges, and in particular demand based charges for default supply service, remove the incentive for consumers, especially small to medium sized C&I customers, to conserve energy? If so, should demand based rates for such customers be phased out over time?**

Response:

No. As discussed in response to Question No. 1, it is appropriate to design rates based on cost of service. In the case of POLR supply service, the cost of market based power in the PJM market includes both an energy cost component and a capacity charge in the form of a kW demand charge. The PJM market structure includes demand charges to insure that adequate reliability is maintained in PJM among Load Serving Entities. It would be contrary to economic pricing principles to ignore the underlying wholesale pricing structure in the development of POLR supply rates. This means that demand charges should be reflected in POLR default service pricing.

**4. Can and should rate designs vary among customer classes? For example, larger industrial and commercial ("C&I") customers generally have a much smaller percentage of their revenues attributable to distribution services. Given this dynamic, does the commodity design of supply service rates provide adequate incentive for larger C&I customers to conserve energy?**

Response:

Yes, rate designs should vary by customer class. There are substantial cost differences that must be recognized in the design of rates for individual customer classes. Customers on large power rates typically have much higher load factors than residential and small commercial customers. They also take service at primary and transmission voltages, which means that it costs less to obtain the POLR supply for these customers. It would be both economically inefficient and inequitable to ignore these cost differences among customer classes in the design of rates. Also, as discussed in a previous answer, though ideally, each rate should be comprised of customer, demand and energy charges, residential and small commercial customers do not usually have demand meters and therefore it is not feasible to include a demand charge for these rates. For larger customers with demand meters, it is appropriate to include a demand charge in the rate design, reflecting the underlying cost structure of the service. Because most large C&I customers in Duquesne's service territory currently purchase generation supply from EGSs, it cannot be determined whether the designs of the EGS rates provide incentives to conserve electricity. Presumably, EGS offers to customers are based on each customer's anticipated load shape, the costs that the EGS will incur to serve the customer and the rate design negotiated between the customer and the EGS. Duquesne's current fixed-price POLR option for large C&I customers includes on-peak and off-peak pricing.

DII Statement No. 1-R, pp. 29-32.

### III. CONCLUSION

**WHEREFORE**, the Duquesne Industrial Intervenors respectfully request that the Commission approve the Joint Petition for Settlement of All Issues submitted in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Counsel to the Duquesne Industrial  
Intervenors

Dated: September 13, 2006

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :  
General Base Rate Increase, Pa. P.U.C : Docket No. R-00061346  
Tariff No. 24 :

RECEIVED  
SEP 14 2006  
PA PUBLIC UTILITY COMMISSION  
REGULATORY BUREAU

**STATEMENT OF CONSTELLATION NEWENERGY, INC.,  
NRG ENERGY CENTER PITTSBURGH LLC AND  
RELIANT ENERGY, INC. IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT**

Constellation NewEnergy, Inc., NRG Energy Center Pittsburgh LLC and Reliant Energy, Inc. (collectively, "CNE/NRG/REI") hereby submit this Statement in Support of the Joint Petition for Settlement of All Issues ("Settlement") submitted by the parties to this proceeding. In addition to respectfully recommending that the Pennsylvania Public Utility Commission approve the Settlement, CNE/NRG/REI will respond to the four directed questions posed by Vice Chairman James H. Cawley.

**The Settlement Takes Important First Steps in Developing  
the Competitive Electricity Generation Market in  
Duquesne Light's Service Territory**

The Settlement provides for Duquesne Light Company ("Duquesne Light") to take various measures intended to strengthen its commitment to the development of the competitive electricity generation market. These measures include (1) regular meetings to improve communications with licensed electric generation suppliers ("EGSs") and Commercial and Industrial ("C&I") customers, (2) the review of Duquesne Light's Supplier Coordination Tariff to determine the need for revisions, (3) the adoption of criteria to measure the sufficiency of the support provided to EGSs by Duquesne Light's Supplier Service Center, and (4) Duquesne Light's provision to EGSs of the direct contact information of a high-level Duquesne Light

employee empowered to resolve operational and competitive retail market issues. The Settlement further provides for Duquesne Light to meet with EGSs and other parties to this proceeding to obtain input from the parties prior to making its filing to establish POLR rates to become effective January 1, 2008.

CNE/NRG/REI support the Settlement because it takes small but important first steps toward improving communications among Duquesne Light, EGSs and C&I customers, and building the relationships among these groups that are critical to the future development of the retail electricity generation market in Duquesne Light's service territory. Developing a robust competitive electricity market will take time and require substantial work and cooperation among all market participants. The success of this effort, however, will inure to the benefit of all stakeholders, including customers who will realize the benefits intended by the Electricity Generation Customer Choice and Competition Act. CNE/NRG/REI commend Duquesne Light for agreeing in the Settlement to take steps to strengthen its commitment to the development of the competitive electricity generation market, and encourage other utilities to follow Duquesne Light's example.

**Responses to Directed Questions of  
Vice Chairman James H. Cawley**

On July 12, 2006, Vice Chairman James H. Cawley directed four questions to the Honorable Larry Gesoff, the presiding Administrative Law Judge, and the parties. Judge Gesoff has directed the parties to respond to these questions in their statements in support. Accordingly, CNE/NRG/REI respond to Vice Chairman Cawley's directed questions as follows:

**1. Do fixed charges for residential and small or medium commercial customer distribution services discourage conservation of energy? If so, what other revenue decoupling models can be implemented that would optimally meet the dual needs of providing incentives for consumers to conserve energy, while providing reasonably stable revenues for utilities?**

**Response:** Fixed distribution charges for residential and small or medium commercial customers may or may not influence a customer's decision to voluntarily conserve energy. A larger piece of a customer's bill is the energy charge, and because it is the larger piece of the bill it will likely be the driver for customer energy conservation. In essence, the amount of the total bill and the accuracy of the price signals contained in the bill are the elements that will drive customers to conserve energy.

**2. Do declining block rate designs remove the incentive for consumers, especially RA and RH residential consumers and small to medium sized commercial and industrial customers ("C&I"), to conserve energy? If so, should declining block rates for supply and distribution services be phased out over time?**

**Response:** Declining block rates impede the conservation of energy. These rate designs by their very nature encourage the use of more energy in order to realize the lower rate. Declining block rates will discourage energy conservation and should be eliminated if energy conservation is the goal.

**3. Do demand based charges, and in particular demand based charges for default supply service, remove the incentive for consumers, especially small to medium**

**sized C&I customers, to conserve energy? If so, should demand based rates for such customers be phased out over time?**

**Response:** Demand charges may have the effect of encouraging energy conservation. Large Industrial customers are typically aware that one way to reduce their monthly energy bills is to control their peak demand. Many of the larger customers use energy conservation programs to “clip their peaks” to provide these savings. However, the large Industrial customers may be more educated about their energy consumption patterns than small to medium sized customers because their default service is hourly. Since default service pricing for small to medium size customers is not responsive to changing wholesale market conditions, these customers do not receive appropriate price signals regarding their usage.

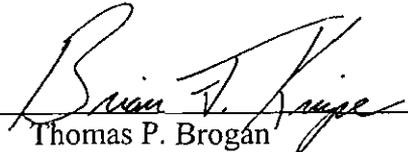
**4. Can and should rate designs vary among customer classes? For example, larger industrial and commercial (“C&I”) customers generally have a much smaller percentage of their revenues attributable to distribution services. Given this dynamic, does the commodity design of supply service rates provide adequate incentive for larger C&I customers to conserve energy?**

**Response:** There should be a gradual move to fixed distribution rates for all rate classes. Sending the proper price signals to customers is important in promoting energy conservation. Different customer classes may respond to different price signals depending on their ability to modify their energy consumption. It is the size of the total bill and the ability to receive market based price signals that drive changes to customer consumption resulting in energy conservation. As stated above, the most critical element is delivering the price signal to the customer.

WHEREFORE, for all the foregoing reasons, Constellation NewEnergy, Inc., NRG Energy Center Pittsburgh LLC and Reliant Energy, Inc. request that the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement of All Issues.

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY, PC

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Attorneys for  
Constellation NewEnergy, Inc.,  
NRG Energy Center Pittsburgh LLC, and  
Reliant Energy, Inc.

Dated: September 12, 2006

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**RECEIVED**  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU  
SEP 14 2006

Pennsylvania Public Utility Commission,	:	
	:	Docket No. R-00061346
Duquesne Industrial Intervenors And	:	
Industrial Energy Consumers Of	:	
Pennsylvania	:	
	:	
Irwin A. Popowsky, Consumer Advocate	:	Docket No. R-00061346C0001
	:	
Office Of Small Business Advocate	:	
	:	Docket No. R-00061346C0002
Pennsylvania Large Energy Users	:	
Coalition	:	
	:	Docket No. R-00061346C0005
v.	:	
	:	
Duquesne Light Company	:	Docket No. R-00061346C0007

**STATEMENT OF CITIZEN POWER, INC.  
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

Citizen Power, Inc. ("Citizen Power"), a party in the above-referenced proceeding, supports the Joint Petition for Settlement of All Issues ("the Settlement") submitted in this case. The Settlement reflects compromises between the parties, and Citizen Power supports it as a reasonable resolution of the issues in this proceeding. In particular, Citizen Power supports the Settlement as consistent with the public interest for the following reasons:

1. Duquesne Light Company ("Duquesne"), unlike other electric utilities in Pennsylvania, has not funded a sustainable energy fund. Pursuant to paragraph 17(m) of the Settlement, Duquesne will provide a contribution of \$1.5 million per year for each of the four years 2007 through 2010 (for a total of \$6 million) to be administered by the Pennsylvania Energy Development Authority to fund renewable energy projects. Citizen

Power is particularly supportive of the provisions of paragraph 17(m) that require the renewable energy projects funded under this section to meet the requirements of Tier 1 technologies specified in the Alternative Energy Portfolio Standards Act and/or to fund energy efficiency and energy education projects, and the requirement that at least 75% of the funds will be expended on projects located in the service territory of Duquesne and the remaining 25% of the funds may be spent on projects that benefit directly the customers of Duquesne's service territory.

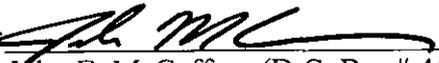
2. Pursuant to paragraph 17(b)(3) of the Settlement, Duquesne's Customer Assistance Program ("CAP") will be funded at a level sufficient to increase the number of customers that can participate in CAP.

3. Pursuant to paragraph 17(b)(4) of the Settlement, Duquesne has agreed to significantly increase the funding for its Low-Income Usage Reduction Program.

Based on the foregoing, Citizen Power supports the Joint Petition for Settlement of All Issues.

Respectfully submitted,

CITIZEN POWER, INC.

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Jaime S. Dibble (PA Bar # 91202)  
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Its Attorneys

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED  
SEP 24 2006  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PHILADELPHIA

IN RE: Application of Duquesne Light : Docket No. R-00061346  
Co. for a Rate Increase :

**COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA'S**  
**STATEMENT OF SUPPORT FOR THE JOINT PETITION**  
**OF SETTLEMENT**

The Community Action Association of Pennsylvania (CAAP) supports the Joint Petition for Settlement and agrees to its terms based upon the following:

1. CAAP intervened in the above matter to address the Company's universal service programs.

2. CAAP supports the Joint Petition for Settlement and believes that it is in the public interest based upon the following:

A. The Company has agreed to significantly increase spending for its low income usage reduction program (LIURP) which will help alleviate the impact of the rate increase on low income residential customers.

B. The increase in LIURP spending will provide for additional conservation measures further reducing a low income customer's consumption of energy and therefore his or her energy costs.

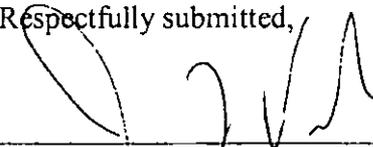
C. The Company has agreed to substantially reduce its requested increase in fixed customer charges which will result in a customer continuing to have the ability to reduce his or her bill through conservation and thus will continue to provide a motive for a customer to reduce his or her consumption of energy.

D. The settlement addresses the numerous and sometimes adverse interests of the many parties involved in this matter and effectively serves the interests of the Company, those parties and the public interest.

E. The willingness of this Company to address the interests of all parties and the willingness of all parties to be willing to accept the positions of other parties will serve as an example to other parties in other proceedings of an effective compromise serving the public interest.

Based on the above, CAAP supports the Joint Petition for Settlement.

Respectfully submitted,



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Attorney for Community Action Association  
of Pennsylvania

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

RECEIVED  
SEP 14 2006  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
GENERAL COUNSEL'S OFFICE

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket No. R-00061346
	:	
DUQUESNE INDUSTRIAL INTERVENORS AND INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA	:	Docket No. R-00061346C0001
	:	
IRWIN A. POPOWSKY, CONSUMER ADVOCATE	:	Docket No. R-00061346C0002
	:	
OFFICE OF SMALL BUSINESS ADVOCATE	:	Docket No. R-00061346C0005
	:	
PENNSYLVANIA LARGE ENERGY USERS COALITION	:	Docket No. R-00061346C0007
	:	
v.	:	
	:	
DUQUESNE LIGHT COMPANY	:	

**STRATEGIC ENERGY'S STATEMENT OF SUPPORT FOR  
JOINT PETITION FOR SETTLEMENT**

Strategic Energy, LLC ("Strategic") recognizes and applauds the efforts of all parties involved in this proceeding for their work in reaching an amicable resolution of the issues in this case as set forth in the Joint Petition for Settlement of All Issues ("Settlement"). Strategic supports the Settlement as in the public interest as further discussed herein, and requests that the Commission approve the Settlement for the following reasons.

1. Strategic intervened in the instant proceeding and submitted testimony<sup>1</sup> addressing its interests in the proceeding as a licensed competitive electric generation supplier (“EGS”) serving customers in the Duquesne Light Company (“Duquesne”) service territory. Strategic’s testimony focused on issues regarding potential cross-subsidization of Duquesne’s affiliate EGS, Duquesne Light Energy (“DLE”). Strategic was also interested in issues regarding potential cross-subsidization of Duquesne’s Provider of Last Resort (“POLR”) service through Duquesne’s distribution rates, and the need for a full unbundling of POLR-related costs from distribution rates. Strategic believes the Settlement is in the public interest because it recognizes, and provides a venue for addressing, these and a number of other important and complex issues. The Settlement provides that Duquesne, as part of its upcoming filing to set rates for POLR service effective January 1, 2008, will submit an analysis addressing whether it is subsidizing its affiliate EGS, DLE. The Settlement also provides that, in the upcoming POLR proceeding, Duquesne will submit an analysis addressing further unbundling of POLR costs from distribution rates, to the extent that parties do not unanimously agree to a Purchase of Accounts Receivable program as an alternative solution to full unbundling.

2. Strategic also believes that the provisions of the Settlement providing for further cooperation and coordination between Duquesne and EGSs in the continued development of a competitive retail market in its service territory are in the public interest. The Settlement provides for meetings with EGSs to address operational retail supplier issues and a process for considering appropriate changes to Duquesne’s Supplier Coordination Tariff.

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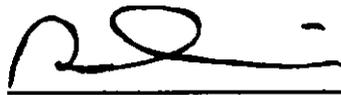
<sup>1</sup> Strategic submitted the direct, rebuttal and surrebuttal testimony of Ronald Carrier on July 7, 2006, August 2, 2006, and August 16, 2006, respectively.

3. Finally, Strategic notes that the Settlement provides that Duquesne will evaluate proposals related to energy conservation, time of use metering and consumer education in its upcoming POLR proceeding. Strategic believes that the issues raised by Vice Chairman Cawley's directed questions in this proceeding regarding how rate design structures impact customer usage and conservation habits are important, and can and should be comprehensively explored in Duquesne's upcoming POLR proceeding. As Strategic noted in its rebuttal testimony, due to the relative magnitude of the charges, the generation component of a customer's bill serves as the best opportunity to provide price signals to end users through properly structured rates for default service. Accordingly, Strategic believes that the Settlement is in the public interest because it provides for addressing the issues raised by Vice Chairman Cawley's questions in Duquesne's upcoming POLR proceeding.

#### CONCLUSION

For the reasons stated above, Strategic supports the Settlement and requests that the ALJ recommend its approval, and that the Commission approve the terms and conditions set forth in the Joint Petition for Settlement of All Issues.

Respectfully submitted,



Ronald Carrier,  
Manager of Regulatory and  
Legislative Affairs  
Strategic Energy, LLC

Date: September 6, 2006

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

RECEIVED  
SEP 17 2005  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket No. R-00061346
	:	
DUQUESNE INDUSTRIAL INTERVENORS AND INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA	:	Docket No. R-00061346C0001
	:	
IRWIN A. POPOWSKY, CONSUMER ADVOCATE	:	Docket No. R-00061346C0002
	:	
OFFICE OF SMALL BUSINESS ADVOCATE	:	Docket No. R-00061346C0005
	:	
PENNSYLVANIA LARGE ENERGY USERS COALITION	:	Docket No. R-00061346C0007
	:	
v.	:	
	:	
DUQUESNE LIGHT COMPANY	:	

**DIRECT ENERGY’S STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT**

Direct Energy Services, LLC (“Direct Energy”) supports the Joint Petition for Settlement of All Issues (“Settlement”) in this proceeding and, as set forth below, submits that it is in the public interest. Accordingly, Direct Energy requests that the Commission approve the Settlement.

1. Direct Energy submitted testimony addressing issues of subsidization of Duquesne’s Provider of Last Resort (“POLR”) service by Duquesne’s distribution rates and the need for fully unbundling POLR costs from Duquesne’s distribution rates or, in the alternative, a Purchase of Accounts Receivable (“POAR”) program in lieu of full unbundling. Direct Energy submits that a properly constructed and implemented POAR

program would provide more opportunities for electric generation suppliers ("EGSs") to serve more retail customers more cost effectively and therefore is a reasonable alternative to full unbundling of POLR costs from distribution rates. By providing a process for addressing both alternatives – albeit in a short time frame for the POAR program – the Settlement is in the public interest.

2. Under the Settlement, Duquesne agrees to use a consolidated billing program that accepts "rate ready" bill information for participating EGSs. This will reduce costs to participating EGSs and will help these EGSs to provide service to retail customers more efficiently. This will help the continued development of the competitive retail electricity market in Duquesne's service territory and, therefore, is in the public interest.

3. The Settlement provides a process for additional collaboration among interested parties – Duquesne, EGSs and C&I customers – through regularly scheduled meetings. This collaborative approach to addressing issues that may be unreasonably restricting the continued development of retail electric competition in Duquesne's market is in the public interest.

4. In this proceeding, the parties were directed to respond to Vice Chairman Cawley's submitted questions concerning the ways in which rate design can influence retail customer energy usage and energy conservation efforts. The Settlement addresses the Vice Chairman's questions by requiring Duquesne to make appropriate proposals in its upcoming POLR filing concerning energy conservation, time of use metering, and economic development. By providing a process for addressing these rate design issues, the Settlement is in the public interest.

CONCLUSION

Direct Energy requests that the Commission approve the Settlement because it is in the public interest for the reasons set forth herein and in the Settlement petition.

Respectfully submitted,



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Dated: September 6, 2006

Attorney for Direct Energy Services, LLC

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

RECEIVED  
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PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PA PUBLIC UTILITIES SECRETARIAT

PENNSYLVANIA PUBLIC UTILITY COMMISSION,	:	Docket No. R-00061346
	:	
DUQUESNE INDUSTRIAL INTERVENORS AND INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA	:	Docket No. R-00061346C0001
	:	
IRWIN A. POPOWSKY, CONSUMER ADVOCATE	:	Docket No. R-00061346C0002
	:	
OFFICE OF SMALL BUSINESS ADVOCATE	:	Docket No. R-00061346C0005
	:	
PENNSYLVANIA LARGE ENERGY USERS COALITION	:	Docket No. R-00061346C0007
	:	
v.	:	
	:	
DUQUESNE LIGHT COMPANY	:	

**RETAIL ENERGY SUPPLY ASSOCIATION  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT**

The Retail Energy Supply Association (“RESA”)<sup>1</sup> supports the Joint Petition for Settlement (“Settlement”) in this matter and requests that it be approved as in the public interest as set forth below.

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<sup>1</sup> RESA is a trade association composed of a broad range of retail energy providers, including electric suppliers licensed in Pennsylvania, that support competitive retail markets and together seek to develop a more competitive power industry. RESA's members include Consolidated Edison Solutions, Inc.; Direct Energy Services, LLC; Hess Corporation; Reliant Energy Solutions; Sempra Energy Solutions; Strategic Energy LLC; SUEZ Energy Resources NA, Inc.; and US Energy Savings Corp. The opinions expressed in this filing may not represent the view of all members of RESA.

1. The Settlement avoids potentially contentious litigation in this proceeding concerning issues of subsidization of Duquesne's Provider of Last Resort ("POLR") service through Duquesne's distribution rates and full unbundling of POLR costs from distribution rates. If there is not unanimous agreement concerning a purchase of accounts receivable program, the Settlement requires Duquesne to submit an analysis in its upcoming POLR filing (POLR IV) addressing the unbundling of POLR costs from distribution rates. RESA submits that this process is likely to result in POLR rates that reflect "all reasonable costs" as required by Section 2807(e)(3) of the Electricity Generation Customer Choice and Competition Act. This is clearly in the public interest.

2. The Settlement also requires additional cooperation and coordination among Duquesne, EGSs and Commercial and Industrial customers through regular meetings and discussions, and also provides a means for interested parties to collaborate on changes to Duquesne's supplier tariff. This additional cooperation among stakeholders to explore ways to continue to develop the competitive retail electricity market in Duquesne's service territory is in the public interest.

3. The Settlement addresses the issues raised by Vice Chairman Cawley's directed questions concerning how rate design can be used to influence retail customer usage and conservation by requiring Duquesne to submit an evaluation of energy conservation and time of use metering in its upcoming POLR proceeding. As some parties stated in their testimony, the generation portion of a customer's bill provides a better opportunity than the distribution portion of the bill to send appropriate price signals to influence retail customers to conserve energy or to use energy more efficiently. By

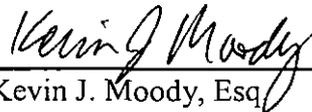
providing a means to address these issues in a more meaningful manner, the Settlement is in the public interest.

4. The Settlement is supported by the full range of the interested parties in this proceeding and should therefore be viewed as in the public interest.

**CONCLUSION**

For the reasons stated above, RESA supports the Settlement and requests that the Commission approve the Settlement.

Respectfully submitted,



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Dated: September 6, 2006

Attorney for Retail Energy Supply  
Association

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

RECEIVED  
SEP 14 2006  
PUBLIC UTILITY COMMISSION  
PAID TO THE COMMISSIONER'S BUREAU

Pennsylvania Public Utility Commission,	:	Docket No. R-00061346
	:	
Duquesne Industrial Intervenors and Industrial Energy Consumers of Pennsylvania,	:	Docket No. R-00061346C0001
	:	
Irwin A. Popowsky, Consumer Advocate,	:	Docket No. R-00061346C0002
	:	
Office of Small Business Advocate	:	Docket No. R-00061346C0005
	:	
Richard O. Tommarello	:	Docket No. R-00061346C0006
	:	
v.	:	
	:	
Duquesne Light Company	:	

**STATEMENT OF COMCAST OF CALIFORNIA/PENNSYLVANIA/UTAH/  
WASHINGTON, INC. IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

Comcast of California/Pennsylvania/Utah/Washington, Inc. ("Comcast") supports the Joint Petition for Settlement of All Issues ("Settlement") in the above-captioned proceeding. Pursuant to the August 16, 2006 directive by Presiding Administrative Law Judge Larry Gesoff, Comcast hereby submits its Statement in Support of the Settlement:

1. Comcast's interest in the outcome of this proceeding is direct and significant. Comcast relies on Duquesne Light ("Duquesne" or the "Company") to keep its cable and broadband networks up and running by means of nearly 2,000 Duquesne-served "power supplies" and at the many Comcast network operations centers and cable television headends throughout Duquesne's service area.

2. The majority of Comcast's electrical load requirements are associated with devices called "power supplies." These devices are traditionally distributed across the Company's distribution system and operate at a very high load factor. Because of the high load

factor and the fact that these loads are unmetered, the Company's historical unrealized return on rate base to serve these loads has been well in excess of the system average rate of return.

3. The Company partially remedied this problem in their rate filing in this proceeding by placing power supply loads in a more appropriate class -- the Municipal Traffic Signal Class -- for Cost of Service purposes. Even so, Duquesne Light's proposed class revenue allocation at proposed rates left substantial rate inequities in place for power supplies and a number of other loads across multiple rate classes.

4. Comcast proposed, and the Company adopted in its Settlement proposal, a more equitable revenue allocation that results from correcting the inconsistencies in how the Company applied its revenue allocation criteria. Pursuant to Comcast's revenue allocation proposal, contained in Exhibit PHR-2 of Comcast's direct testimony of Paul H. Raab, every Duquesne Light customer will have a targeted distribution rate of return between 1% and 25%. Because the classes that had rates of return in excess of 25% were relatively small in the Company's original revenue allocation proposal, the total amount of the distribution revenue requirement that has been reassigned from the Company's proposal is only \$669,000. The result is a more equitable assignment that does not result in excessively large increases to other classes.

5. The proposed Settlement also reflects a significant reduction in the revenue increase sought by the Company, from approximately \$143 million to \$117 million.

6. Taken together, the placing of power supplies in the MTS class, the more equitable revenue allocation, and the reduction in the overall revenue increase sought equates to future tangible cost savings for Comcast that will not result in excessively large increases to any of the other classes, which is ultimately in the public interest.

7. In addition, because the parties have reached a negotiated resolution that is satisfactory to all parties at a relatively early stage in the litigation process, approval of the Settlement will permit the parties to avoid the substantial costs of litigating this matter further, which only increases the future cost savings to Comcast and the other parties, which in turn, further benefits the public interest.

### CONCLUSION

For the foregoing reasons, Comcast supports the proposed Settlement and respectfully requests that the Commission approve the Settlement.

Respectfully submitted,

COMCAST OF  
CALIFORNIA/PENNSYLVANIA/  
UTAH/WASHINGTON, INC.



Geoffrey A. Sawyer III (PA BAR #95019)  
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Telephone: (302) 351-9417  
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*Attorneys for Comcast of California/  
Pennsylvania/Utah/Washington, Inc.*

September 14, 2006

53646

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
Duquesne Industrial Intervenors And	:	Docket No. R-00061346
Industrial Energy Consumers Of	:	
Pennsylvania	:	
	:	
Irwin A. Popowsky, Consumer Advocate	:	Docket No. R-00061346C0001
	:	
Office Of Small Business Advocate	:	Docket No. R-00061346C0002
	:	
Pennsylvania Large Energy Users Coalition	:	Docket No. R-00061346C0005
	:	
V.	:	
	:	
Duquesne Light Company	:	Docket No. R-00061346C0007
	:	

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**WAL-MART STORES EAST, L.P. STATEMENT IN SUPPORT  
OF THE  
JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

---

**TO THE HONORABLE LARRY GESOFF, ADMINISTRATIVE LAW JUDGE:**

Wal-Mart Stores East, L.P. ("Wal-Mart"), by and through its Counsel, submits that the terms of the foregoing Joint Petition, are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Duquesne Light Company ("Duquesne Light") and their customers. After settlement discussions, Wal-Mart, Duquesne Light, and the other parties of record, have agreed upon the terms embodied in the foregoing Joint Petition.

The Joint Petition is in the public interest for the following reasons:

1. The Parties have agreed that the Settlement provides for increases in rates, as set forth in the form of tariff supplement attached as Appendix "A" and the proof of revenues attached as Appendix "B" to this Petition, designed to produce a net increase in annual distribution operating revenues of **\$117,000,000**, based upon the level of operation for the twelve months ended December 31, 2006, as adjusted for ratemaking purposes. This net increase in the Proposed Settlement reflects a significant reduction in the revenue increase sought by Duquesne Light from approximately \$143 Million to \$117 Million.

2. The Stipulation reflects compromises on all sides, and is presented without prejudice to any position any parties may have advanced and without prejudice to any position any party may advance in future proceedings involving Duquesne Light on the merits of the issues contained herein.

3. The settlement includes the following terms and conditions:

a. The revenue allocation scales back Duquesne Light's proposed distribution increases to the classes in a non-proportional manner to provide for further movement of the classes toward system average return.

b. All Other Classes – The increase for each other class (other than residential) will be recovered first from the proposed customer charge. The remaining revenue increase will be recovered using the rate design for demand and energy charges as originally proposed.

c. Duquesne Light will continue Rule 4 under its current terms with the exception that it will be revised to apply only to distribution charges.

d. In its next general rate proceeding, Duquesne Light will present an evaluation of the potential for separating the GS/GM rate schedule and, if deemed appropriate, propose a separation.

e. Rider 20, DSIC is withdrawn.

f. Duquesne Light will provide a contribution of \$1.5 million per year for each of the four years 2007 through 2010 to be administered by the Pennsylvania Energy Development Authority (PEDA) to fund renewable energy projects that meet the requirements of Tier 1 technologies specified in the Alternative Energy Portfolio Standards Act (Act 213) and/or to fund energy efficiency and energy education projects.

g. Duquesne Light, to strengthen its commitment to the development of the competitive market, will:

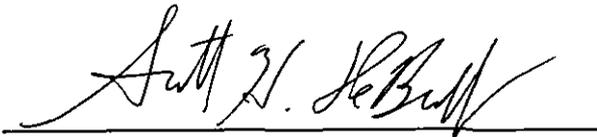
(1) Convene meetings including (i) biannual service meetings with interested EGSs, and include participation from Duquesne Light's Supplier Service Center and the operational personnel of EGSs that are serving customers in Duquesne Light's service territory, to discuss retail supplier issues, and (ii) one additional meeting per calendar year among Duquesne Light, all interested EGSs, and interested Commercial and Industrial customers to discuss customer choice issues.

4. Adoption of the Joint Petition would avoid the necessity of further litigation before this Commission (and possible appeals) thereby avoiding substantial costs to Duquesne Light, Wal-Mart and all of the other parties to this case.

5. The foregoing Joint Petition addresses and adjusts all substantial issues which are the subject of dispute. It appears unlikely that full litigation of these matters would result in Wal-Mart obtaining a superior result.

Wal-Mart supports the foregoing Joint Petition because it believes it is in the public interest. However, in the event this matter proceeds to full litigation, Wal-Mart is prepared to take litigation positions which may differ from the terms of this settlement.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Scott H. DeBroff", is written over a horizontal line.

**Scott H. DeBroff, Esquire**

Counsel for Wal-Mart Stores East, L.P.

Smigel, Anderson & Sacks  
River Chase Office Center  
4431 North Front Street  
Harrisburg, PA 17110

(717) 234-2401 [Office]  
(717) 234-3611 [Fax]

DATED: September 11, 2006

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION,</b>	<b>:</b>	<b>Docket No. R-00061346</b>
	<b>:</b>	
<b>DUQUESNE INDUSTRIAL INTERVENORS AND INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA</b>	<b>:</b>	<b>Docket No. R-00061346C0001</b>
	<b>:</b>	
<b>IRWIN A. POPOWSKY, CONSUMER ADVOCATE</b>	<b>:</b>	<b>Docket No. R-00061346C0002</b>
	<b>:</b>	
<b>OFFICE OF SMALL BUSINESS ADVOCATE</b>	<b>:</b>	<b>Docket No. R-00061346C0005</b>
	<b>:</b>	
<b>PENNSYLVANIA LARGE ENERGY USERS COALITION</b>	<b>:</b>	<b>Docket No. R-00061346C0007</b>
	<b>:</b>	
<b>v.</b>	<b>:</b>	
	<b>:</b>	
<b>DUQUESNE LIGHT COMPANY</b>	<b>:</b>	

**TO: THE HONORABLE LARRY GESOFF  
PRESIDING ADMINISTRATIVE LAW JUDGE**

**STATEMENT OF THE  
PENNSYLVANIA LARGE ENERGY USERS COALITION  
IN SUPPORT OF SETTLEMENT**

Pursuant to the procedures specified by Presiding Administrative Law Judge Gesoff, the Pennsylvania Large Energy Users Coalition ("PALEUC") hereby submits its Statement in Support of the Settlement submitted in the captioned proceedings. For the following reasons, PALEUC respectfully urges approval of the proposed Settlement without modification:

1. As the Settlement notes, PALEUC filed a complaint against the general rate increase originally proposed in this case by Duquesne Light Company (“Duquesne Light”). PALEUC also participated actively in the negotiations that produced the Settlement.

2. As a general matter, PALEUC can attest that vigorous litigation and hard bargaining have produced a Settlement that acceptably balances the competing interests of multiple parties.

3. More specifically, the proposed Settlement reflects a significant reduction in the revenue increase sought by Duquesne Light, from approximately \$143 million to \$117 million.

4. Of importance to PALEUC, the Settlement also takes a first step toward eliminating interclass distribution rate subsidies by allocating the proposed revenue increase in a manner that reduces existing rate subsidies.

5. In addition, because the parties have reached a negotiated resolution at a relatively early stage in the litigation process, approval of the Settlement will permit the parties to avoid the substantial investments of time and money that additional testimony, evidentiary hearings, and the preparation of briefs would have required.

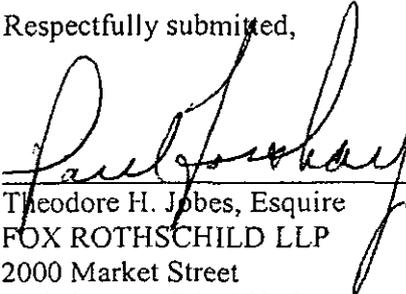
6. PALEUC further observes that the proposed Settlement is either supported or unopposed by all active parties to this proceeding. These parties run the gamut of regulatory, rate class and energy market interests, and the absence of opposition from such a diverse array of participants strongly suggests that the proposed Settlement serves the public interest and should be adopted.

CONCLUSION

For the foregoing reasons, PALEUC supports the proposed Settlement, and respectfully urges its adoption without modification.

Respectfully submitted,

By:

  
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Attorneys for the  
Pennsylvania Large Energy Users Coalition

August 31, 2006

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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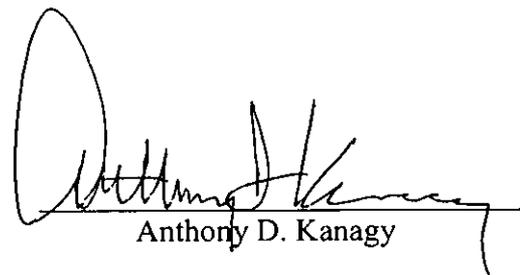
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**VIA FIRST CLASS MAIL**

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Date: September 14, 2006



Anthony D. Kanagy

Anthony D. Kanagy

akanagy@postschell.com  
717-612-6034 Direct  
File #: 2267-126932

September 20, 2006

VIA HAND DELIVERY

James J. McNulty  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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ORIGINAL

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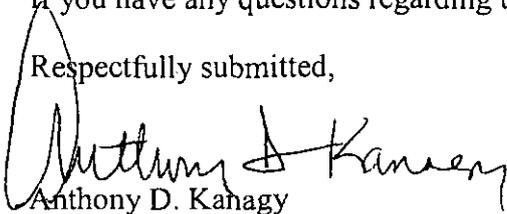
**RE: Pennsylvania Public Utility Commission v. Duquesne Light Company**  
**Docket No. R-00061346**

Dear Secretary McNulty:

Enclosed, for filing, are an original and three copies of the All Parties Stipulation for the Admission of Testimony and Exhibits into the Record ("Stipulation") in the above-referenced proceeding. Upon approval of the Stipulation, we will deliver two copies of the testimony and exhibits of the Parties to the Pennsylvania Public Utility Commission for the file and one copy to Administrative Law Judge Larry Gesoff unless advised otherwise.

If you have any questions regarding this matter, please contact the undersigned.

Respectfully submitted,

  
Anthony D. Kanagy

ADK/jl

Enclosures

cc: Administrative Law Judge Larry Gesoff  
Certificate of Service

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**ORIGINAL**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket No. R-00061346
	:	
Duquesne Industrial Intervenors and Industrial Energy Consumers of Pennsylvania,	:	Docket No. R-00061346C0001
	:	
Irwin A. Popowsky, Consumer Advocate,	:	Docket No. R-00061346C0002
	:	
Office of Small Business Advocate	:	Docket No. R-00061346C0005
	:	
Richard O. Tommarello	:	Docket No. R-00061346C0006
	:	
v.	:	
	:	
Duquesne Light Company	:	

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**ALL PARTIES  
STIPULATION FOR THE ADMISSION  
OF TESTIMONY AND EXHIBITS  
INTO THE RECORD**

---

TO THE HONORABLE LARRY GESOFF, ADMINISTRATIVE LAW JUDGE:

Duquesne Light Company (“Duquesne Light”), the Office of Trial Staff (“OTS”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Duquesne Industrial Intervenors (“DII”), Industrial Energy Consumers of PA (“IECPA”), Pennsylvania Large Energy Users Coalition (“PLEUC”), International Brotherhood of Electrical Workers Local 29 (“IBEW”), Constellation NewEnergy, Inc. (“CNE”), NRG Energy Center Pittsburgh LLC (“NRG”), Reliant Energy, Inc. (“Reliant Energy”), Citizen Power, Inc. (“Citizen Power”), Citizens for Pennsylvania’s Future (“PennFuture”), Community Action Association of Pennsylvania (“CAAP”), Retail Energy Supply Association (“RESA”), Strategic Energy, LLC (“Strategic

Energy”), Direct Energy, LLC (“Direct Energy”), Comcast of California/Pennsylvania/Utah/Washington, Inc. (“Comcast”), and Wal-Mart Stores East, LP (“Wal-Mart”) (collectively referred to as the “Parties”), file this All Parties Stipulation for the Admission of Testimony and Exhibits into the Record in the above-captioned proceeding (“Stipulation”). In support of this Stipulation, the Parties represent as follows:

1. On April 7, 2006, Duquesne Light filed Tariff Electric - Pa. P.U.C. No. 24 (“Tariff No. 24”), to become effective June 6, 2006. Duquesne Light requested an increase of approximately \$143.7 million in distribution rates and notified the Commission of an anticipated \$19 million increase in retail transmission rates. Duquesne Light’s direct testimony and exhibits are included in the filing.

2. Tariff No. 24 was docketed by the Commission at Docket No. R-00061346 and was assigned to Administrative Law Judge Larry Gesoff (the “ALJ”).

3. A prehearing conference was held on May 12, 2006, at which time a litigation schedule was established, including dates for submitting other parties’ direct testimony, rebuttal testimony and surrebuttal testimony. Hearings to present written and oral testimony and exhibits and to cross examine witnesses for all Parties were also scheduled.

4. OTS, OCA, OSBA, PennFuture, Comcast, CAAP, CNE, Direct Energy, DII, NRG, Strategic and Wal-Mart submitted direct testimony on July 7, 2006. In addition, Duquesne Light, OTS, OCA, OSBA, DII, Direct Energy and Strategic submitted rebuttal testimony on August 2, 2006. Also, OTS, OCA, OSBA, PennFuture, Direct Energy, DII and Strategic filed Surrebuttal Testimony on August 16, 2006

5. Settlement discussions were held that produced a settlement in principle of all issues eliminating the need for evidentiary hearings. The settlement is embodied in the

Settlement Petition and was submitted to the ALJ and filed with the Commission on September 14, 2006. In support of the Settlement Petition, the Parties have entered into this Stipulation to offer into the record without hearing the following previously distributed testimony and exhibits, organized by submitting party and listed as Sections A through M:

**A. Duquesne Light Company Statements and Exhibits**

Direct Testimony

Duquesne Light Company Statement No. 1	Direct Testimony of Morgan K. O'Brien including Exhibits MKO-1 and MKO-2
Duquesne Light Company Statement No. 2	Direct Testimony of Susan S. Betta including Exhibits SSB-1 through SSB-6
Duquesne Light Company Statement No. 3	Direct Testimony of Jeffrey L. Coward including Exhibit JLC-1
Duquesne Light Company Statement No. 4	Direct Testimony of Stephen A. Wreschnig including Exhibit SAW-1
Duquesne Light Company Statement No. 5	Direct Testimony of Mauro L. Macioce including Exhibits MLM-1 and MLM-2
Duquesne Light Company Statement No. 6	Direct Testimony of Paul R. Moul including Exhibit PRM-1
Duquesne Light Company Statement No. 7	Direct Testimony of Julie M. Cannell including Exhibit JMC-1
Duquesne Light Company Statement No. 8	Direct Testimony of Robert L. O'Brien
Duquesne Light Company Statement No. 9	Direct Testimony of Larry A. Crowley including Exhibits LAC-1 through LAC-7
Duquesne Light Company Statement No. 10	Direct Testimony of John J. Spanos including Exhibit JJS1
Duquesne Light Company Statement No. 11	Direct Testimony of Howard S. Gorman including Exhibits HSG-1 through HSG-8B

Duquesne Light Company  
Statement No. 12

Direct Testimony of William V. Pfrommer  
including Exhibit WVP-1

Duquesne Light Company  
Statement No. 13

Direct Testimony of Michele R. Sandoe  
including Exhibits MRS-1 and MRS-2

Duquesne Light Company  
Statement No. 14

Direct Testimony of Nancy J.D. Krajovic  
including Exhibits NJDK-1 and NJDK-2

Direct Case Exhibits

Duquesne Light Company  
Exhibit DLC 1

Financial Statements, Cost of Capital, Rate of  
Return, Measures of Value and Operating  
Income & Adjustments 12 Months ending  
December 31, 2006

Duquesne Light Company  
Exhibit DLC 1  
Part I

Summary of Filing

Duquesne Light Company  
Exhibit DLC 1  
Part II

Primary Statements of Rate Base & Operating  
Income

Duquesne Light Company  
Exhibit DLC 1  
Part III

Rate of Return

Duquesne Light Company  
Exhibit DLC 1  
Part IV

Rate Structure & Cost Allocation

Duquesne Light Company  
Exhibit DLC 1  
Part V

Plant & Depreciation Supporting Data

Duquesne Light Company  
Exhibit DLC 1  
Part VI

Unadjusted Comparative Balance Sheets &  
Operating Income Statements

Duquesne Light Company  
Exhibit DLC 2  
(Future)

Summary of Measures of Value & Rate of  
Return

Duquesne Light Company  
Exhibit DLC 3  
(Historic)

Summary of Measures of Value & Rate of  
Return

Rebuttal Testimony

Duquesne Light Company  
Statement No. 2R

Rebuttal Testimony of Susan S. Betta  
including Exhibits SSB-7 through SSB-20

Duquesne Light Company  
Statement No. 3R

Rebuttal Testimony of Jeffrey L. Coward  
including Exhibit JLC-1

Duquesne Light Company  
Statement No. 6R

Rebuttal Testimony of Paul R. Moul  
including Exhibits PRM-2 through PRM-6.

Duquesne Light Company  
Statement No. 7R

Rebuttal Testimony of Julie M. Cannell

Duquesne Light Company  
Statement No. 8R

Rebuttal Testimony of Robert L. O'Brien  
including Schedules RLO-1 through RLO-7

Duquesne Light Company  
Statement No. 9R

Rebuttal Testimony of Larry A. Crowley  
including revised Exhibits LAC-1 through  
LAC-3

Duquesne Light Company  
Statement No. 11R

Rebuttal Testimony of Howard S. Gorman

Duquesne Light Company  
Statement No. 12R

Rebuttal Testimony of William V. Pfrommer

Duquesne Light Company  
Statement No. 13R

Rebuttal Testimony of Michele R. Sandoe

Duquesne Light Company  
Statement No. 15R

Rebuttal Testimony of Neil S. Fisher  
including Exhibits NSF-1 through NSF-3

Duquesne Light Company –  
Witness: Various – DLC Exhibit 2R  
(Future)

Summary of Measures of Value & Rate of  
Return

**B. OTS Statements and Exhibits**

Direct Testimony

OTS Statement No. 1	Direct Testimony of Robert Plonski including Appendix A and OTS Exhibit No. 1, Schedules 1-10
OTS Statement No. 2	Direct Testimony of Janet M. Markovich including Appendix A and OTS Exhibit No. 2, Schedules 1-6
OTS Statement No. 3	Direct Testimony of Michael J. Gruber including Appendix A.

Rebuttal Testimony

OTS Statement No. 3-R	Rebuttal Testimony of Michael J. Gruber
-----------------------	---

Surrebuttal Testimony

OTS Statement No. 1-SR	Surrebuttal Testimony of Robert Plonski including OTS Exhibit 1-SR, Schedules 1-4
OTS Statement No. 2-SR	Surrebuttal Testimony of Janet M. Markovich including OTS Exhibit 2-SR, Schedules 1-3
OTS Statement No. 3-SR	Surrebuttal Testimony of Michael J. Gruber

**C. OCA Statements and Exhibits**

Direct Testimony

OCA Statement No. 1 (CORRECTED)	Direct Testimony of Lafayette K. Morgan, Jr. including Schedules LKM-1 through LKM-26
OCA Statement No. 2	Direct Testimony of Stephen G. Hill including Appendices A-D and Exhibit SGH-1, Schedules 1-13

OCA Statement No. 3

Direct Testimony of Richard A. Galligan  
including Schedules RAG-1 through RAG-4

OCA Statement No. 4

Direct Testimony of Roger D. Colton  
including Attachment A

Rebuttal Testimony

OCA Statement No. 3R

Rebuttal Testimony of Richard A. Galligan

OCA Statement No. 4R

Rebuttal Testimony of Roger D. Colton

Surrebuttal Testimony

OCA Statement No. 1S

Surrebuttal Testimony of Lafayette K.  
Morgan, Jr. including Appendices A-C and  
Schedules LKM-1 through LKM-26

OCA Statement No. 2S

Surrebuttal Testimony of Stephen G. Hill

OCA Statement No. 3S

Surrebuttal Testimony of Richard A. Galligan

OCA Statement No. 4S

Surrebuttal Testimony of Roger D. Colton

**D. OSBA Statements and Exhibits**

Direct Testimony

OSBA Statement No. 1

Direct Testimony of Brian Kalcic including  
Appendix

Rebuttal Testimony

OSBA Statement No. 2

Rebuttal Testimony of Brian Kalcic

Surrebuttal Testimony

OSBA Statement No. 3

Surrebuttal Testimony of Brian Kalcic including Schedules BK-1S and BK-2S.

**E. Duquesne Industrial Intervenors and Industrial Energy Consumers of Pennsylvania Statements and Exhibits**

Direct Testimony

DII Statement No. 1

Direct Testimony of Stephen J. Baron including Exhibits SJB-1 through SJB-7

DII Statement No. 2

Direct Testimony of Larry Stalica

DII Statement No. 3

Direct Testimony of Ronald D. Cerminaro

DII Statement No. 4

Direct Testimony of James S. Anderson

DII Statement No. 5

Direct Testimony of Gerard Johnson

Rebuttal Testimony

DII Statement No. 1R

Rebuttal Testimony Stephen J. Baron including Exhibits SJB-1R and SJB-2R

Surrebuttal Testimony

DII Statement No. 1S

Surrebuttal Testimony Stephen J. Baron

**F. Citizens for Pennsylvania's Future Statements and Exhibits**

Direct Testimony

Citizens for Pennsylvania's Future Statement No. 1

Direct Testimony of John Hanger including Exhibit PF-JH\_1

Citizens for Pennsylvania's Future Statement No. 2

Direct Testimony of John J. Plunkett including Exhibits PF-JP\_1 through PF-JP\_4

Citizens for Pennsylvania's Future  
Statement No. 3

Direct Testimony of Paul L. Chernick  
including Exhibit PF-PC\_1

Surrebuttal Testimony

Citizens for Pennsylvania's Future

Surrebuttal Testimony of John Hanger

Citizens for Pennsylvania's Future

Surrebuttal Testimony of John J. Plunkett

Citizens for Pennsylvania's Future

Surrebuttal Testimony of Paul L. Chernick

**G. Community Action Association of Pennsylvania Statements and Exhibits**

Direct Testimony

CAAP Statement No. 1

Direct Testimony of John A. Wilson

**H. Constellation NewEnergy, Inc. Statements and Exhibits**

Direct Testimony

CNE Statement No. 1

Direct Testimony of Martha A. Duggan

**I. Direct Energy Statements and Exhibits**

Direct Testimony

Direct Statement No. 1

Direct Testimony of Frank P. Lacey including  
Appendix A and Exhibits FPL-1 through  
FPL-5

Rebuttal Testimony

Direct Statement No. 1R

Rebuttal Testimony of Frank P. Lacey

Surrebuttal Testimony

Direct Statement No. 1SR

Surrebuttal Testimony of Frank P. Lacey  
including Exhibit FPL-2

**J. NRG Energy Center Pittsburgh LLC Statements and Exhibits**

Direct Testimony

NRG Statement No. 1

Direct Testimony of Timothy W. Merrill

**K. Strategic Energy Statements and Exhibits**

Direct Testimony

Strategic Statement No. 1

Direct Testimony of Ronald Carrier including  
Exhibit RC-1

Rebuttal Testimony

Strategic Statement No. 1R

Rebuttal Testimony of Ronald Carrier

Surrebuttal Testimony

*Strategic* Statement No. 1SR

Rebuttal Testimony of Ronald Carrier  
including Exhibits RC-2 and RC-3

**L. Wal-Mart Stores East, LP Statements and Exhibits**

Direct Testimony

Wal-Mart Stores East, LP

Direct Testimony of James T. Selecky  
including Appendix A and Exhibits JTS-1  
through JTS-3

M. Comcast of California/Pennsylvania/Utah/Washington, Inc. Statements and Exhibits

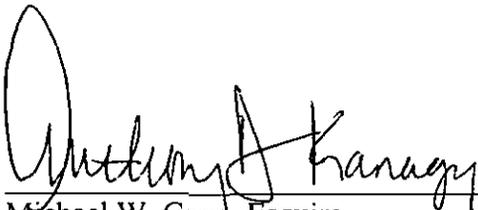
Direct Testimony

Comcast California/Pennsylvania/  
Utah/Washington, Inc.

Direct Testimony of Paul H. Raab including  
Exhibits PHR-1 through PHR-3

6. The Parties stipulation of the foregoing testimony and exhibits into the instant record is subject to and contingent upon the Commission's approval of the Settlement Petition without modification. As set forth in the Settlement Petition, the Parties reserve their respective rights to withdraw from the settlement and submit surrebuttal testimony and to cross examine witnesses in the event the Settlement Petition is not approved without modification.

**WHEREFORE**, the Parties, by their respective counsel, respectfully request that Administrative Law Judge Gesoff admit the foregoing testimony and exhibits into the record in this proceeding.



Michael W. Gang, Esquire  
David B. MacGregor, Esquire  
Anthony D. Kanagy, Esquire  
Gary Jack, Esquire  
For: *Duquesne Light Company*

Respectfully submitted,

Date: 9/20/06



Charles Daniel Shields, Esquire  
Robert V. Eckenrod, Esquire  
For: *Office of Trial Staff*

Date: 9/17/06

David T. Evrard

Tanya J. McCloskey, Esquire  
David T. Evrard, Esquire  
Darryl Lawrence, Esquire  
For: *Office of Consumer Advocate*

Date:

9/15/06

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

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

\_\_\_\_\_  
Scott J. Rubin, Esquire  
For: *International Brotherhood of Electrical Workers Local 29*

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

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

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

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David M. Kleppinger, Esquire  
Pamela C. Polacek, Esquire  
Adam L. Benshoff, Esquire  
For: *Duquesne Industrial Intervenors*  
*Industrial Energy Consumers of PA*

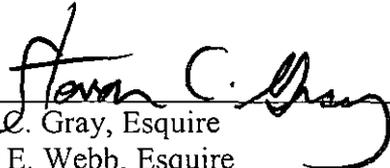
Date: \_\_\_\_\_

\_\_\_\_\_  
Thomas Brogan, Esquire  
W. Gregory Rhodes, Esquire  
Brian J. Knipe, Esquire  
For: *Constellation NewEnergy, Inc.*  
*NRG Energy Center Pittsburgh LLC*  
*Reliant Energy, Inc.*

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

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Tanya J. McCloskey, Esquire  
David T. Evrard, Esquire  
Darryl Lawrence, Esquire  
For: *Office of Consumer Advocate*

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

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

Date: 9/18/06

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Scott J. Rubin, Esquire  
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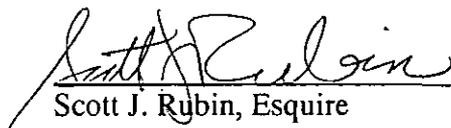
Date: \_\_\_\_\_

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

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

  
\_\_\_\_\_  
Scott J. Rubin, Esquire

For: *International Brotherhood of Electrical Workers Local 29*

Date: 9/13/06

\_\_\_\_\_  
George Jugovic, Jr., Esquire  
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Date: \_\_\_\_\_

\_\_\_\_\_  
David M. Kleppinger, Esquire  
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Date: \_\_\_\_\_

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For: *Office of Small Business Advocate*

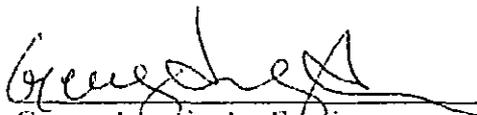
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Scott J. Rubin, Esquire  
For: *International Brotherhood of Electrical Workers Local 29*

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

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Date: 9/18/06

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Reliant Energy, Inc.*

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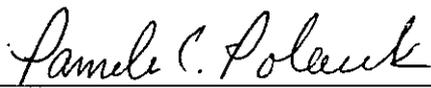
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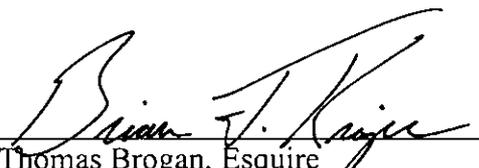
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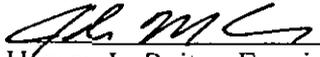
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Date: 9/14/06

  
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*NRG Energy Center Pittsburgh LLC*  
*Reliant Energy, Inc.*

Date: 9/18/06



Harvey L. Reiter, Esquire  
John E. McCaffrey, Esquire  
Jaime S. Dibble, Esquire  
For: *Citizen Power, Inc.*

Date: 9-19-06

\_\_\_\_\_  
Joseph L. Vullo, Esquire  
For: *Community Action Association of Pennsylvania*

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

\_\_\_\_\_  
Daniel Clearfield, Esquire  
Kevin J. Moody, Esquire  
For: *Strategic Energy, LLC*  
*Direct Energy, LLC*  
*Retail Energy Supply Association*

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

\_\_\_\_\_  
Geoffrey A. Sawyer, III, Esquire  
Jerry C. Harris, Jr., Esquire  
For: *Comcast of California/Pennsylvania/Utah/Washington, Inc.*

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

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Scott H. DeBroff, Esquire  
Stuart Sacks, Esquire  
For: *Wal-Mart Stores East, L.P.*

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

\_\_\_\_\_  
Theodore H. Jobes, Esquire  
Steven S. Goldenberg, Esquire  
Paul F. Forshay, Esquire  
For: *Pennsylvania Large Energy Users Coalition*

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

\_\_\_\_\_  
Harvey L. Reiter, Esquire  
John E. McCaffrey, Esquire  
Jaime S. Dibble, Esquire  
For: *Citizen Power, Inc.*

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

  
\_\_\_\_\_  
Joseph L. Vullo, Esquire  
For: *Community Action Association of Pennsylvania*

Date: 7/18/06

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Daniel Clearfield, Esquire  
Kevin J. Moody, Esquire  
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*Direct Energy, LLC*  
*Retail Energy Supply Association*

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

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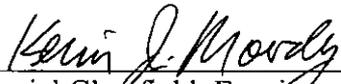
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Date: 9/14/06

\_\_\_\_\_  
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Jaime S. Dibble, Esquire  
For: *Citizen Power, Inc.*

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

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Joseph L. Vullo, Esquire  
For: *Community Action Association of Pennsylvania*

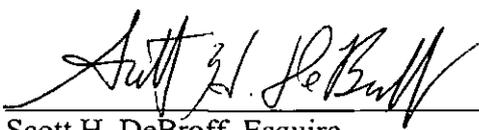
Date: \_\_\_\_\_

\_\_\_\_\_  
Daniel Clearfield, Esquire  
Kevin J. Moody, Esquire  
For: *Strategic Energy, LLC*  
*Direct Energy, LLC*  
*Retail Energy Supply Association*

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Geoffrey A. Sawyer, III, Esquire  
Jerry C. Harris, Jr., Esquire  
For: *Comcast of California/Pennsylvania/Utah/Washington, Inc.*

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

  
\_\_\_\_\_  
Scott H. DeBroff, Esquire  
Stuart Sacks, Esquire  
For: *Wal-Mart Stores East, L.P.*

Date: September 19, 2006

\_\_\_\_\_  
Theodore H. Jobses, Esquire  
Steven S. Goldenberg, Esquire  
Paul F. Forshay, Esquire  
For: *Pennsylvania Large Energy Users Coalition*

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

\_\_\_\_\_  
Harvey L. Reiter, Esquire  
John E. McCaffrey, Esquire  
Jaime S. Dibble, Esquire  
For: *Citizen Power, Inc.*

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

\_\_\_\_\_  
Joseph L. Vullo, Esquire  
For: *Community Action Association of Pennsylvania*

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

\_\_\_\_\_  
Daniel Clearfield, Esquire  
Kevin J. Moody, Esquire  
For: *Strategic Energy, LLC*  
*Direct Energy, LLC*  
*Retail Energy Supply Association*

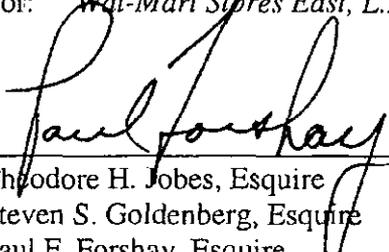
Date: \_\_\_\_\_

\_\_\_\_\_  
Geoffrey A. Sawyer, III, Esquire  
Jerry C. Harris, Jr., Esquire  
For: *Comcast of California/Pennsylvania/Utah/Washington, Inc.*

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

\_\_\_\_\_  
Scott H. DeBroff, Esquire  
Stuart Sacks, Esquire  
For: *Wal-Mart Stores East, L.P.*

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

  
\_\_\_\_\_  
Theodore H. Jobes, Esquire  
Steven S. Goldenberg, Esquire  
Paul F. Forshay, Esquire  
For: *Pennsylvania Large Energy Users Coalition*

Date: 9/18/06

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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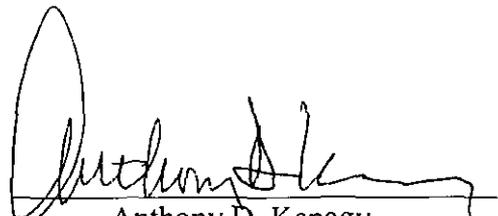
Geoffrey A. Sawyer, III  
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Paul F. Forshay  
Sutherland, Asbill & Brennan, LLP  
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Washington, DC 20004

Date: September 20, 2006



Anthony D. Kanagy

RECEIVED  
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SECRETARY'S BUREAU