

DUQUESNE SETTLEMENT INFORMATION

Key Requirements of Settlement Agreement:

- Duquesne Light Company (“Duquesne”) submits a single 2011/12 DY Out-of-Time FRR Plan for the entire load in the DUQ zone by December 31, 2009.
- An LSE in the DUQ zone may elect to opt-out and procure their own capacity to satisfy their 2011/12 DY unforced capacity obligation. Written notice of such an election must be provided to Duquesne by April 1, 2009.
- The capacity resources that an Opt-out LSE procures are to become a part of Duquesne’s overall FRR Plan for the entire DUQ zone.
- Duquesne must disclose the average cost of procurement to LSEs in DUQ zone by December 31, 2009.
- A Special Incremental Auction may be held at the request of Duquesne or other LSEs in the Duquesne zone to obtain all or part of the 2011/2012 DY obligations in the DUQ zone. Written request for a Special Incremental Auction must be provided to PJM by September 1, 2009.
- If requested, a Special Incremental Auction is to be conducted on October 15, 2009.
- All PJM tariff and/or RAA provisions governing Incremental Auctions shall be applicable to the Special Incremental Auction.

Implementation Plan:

- An LSE in the DUQ zone that desires to opt-out and procure their own capacity to satisfy a 2011/12 DY unforced capacity obligation must provide written notice of such an election to Mr. Gary Jack, Assistant General Counsel, Duquesne Light Company, at gjack@duqlight.com by April 1, 2009.
- Duquesne must submit a single FRR Capacity Plan to satisfy the 2011/12 DY Preliminary Daily UCAP Obligation for the entire DUQ zone through the eRPM system by December 31, 2009.

Preliminary Daily UCAP Obligation for DUQ zone for 2011/2012 DY = 3155.7 MW

Preliminary Zonal Peak Load Forecast = 2913 MW (based on 2008 Forecast)

2007 Summer W/N Zonal Coincident Peak = 2800 MW

DUQUESNE SETTLEMENT INFORMATION

Base Zonal FRR Scaling Factor for DUQ zone= 1.04036

Forecast Pool Requirement (FPR) = 1.0833

Preliminary Daily UCAP Obligation = 3155.7 MW

- Cleared Buy Bids from a 2011/12 DY Incremental Auction or Locational UCAP purchased through a Locational UCAP Transaction may be used as UCAP resources in Duquesne's Out-of-Time FRR Capacity Plan.
- LSEs that elect to procure their own capacity may transfer Cleared Buy Bids from the 2011/12 DY First Incremental Auction conducted in June 2009, Cleared Buy Bids from 2011/12 DY Special Incremental Auction conducted in October 2009 (if held), or Locational UCAP for the 2011/12 DY to Duquesne so that Duquesne can register the unforced capacity in the Out-of-Time FRR Capacity Plan.
- Cleared Buy Bid Transactions or Locational UCAP Transactions between an Opt-Out LSE and Duquesne must be submitted and approved in the eRPM system by December 21, 2009, in order for Duquesne to register the unforced capacity in the Out-of-Time FRR Capacity Plan.
- If the unforced capacity transferred in a Cleared Buy Bid Transaction is intended to be used in the Out-of-Time FRR Capacity Plan, the Opt-Out LSE and Duquesne must email the rpm_hotline@pjm.com of such an intention. PJM will take action to ensure that the transfer of Cleared Buy Bid will not result in the Seller of Cleared Buy Bid (Opt-Out LSE) receiving an Auction Credit and Buyer of Cleared Buy Bid (Duquesne) receiving an Auction Charge.
- If an Opt-Out LSE wishes to transfer unforced capacity through a Locational UCAP Transaction to Duquesne, one of the parties must email the rpm-hotline@pjm.com with the details of the Locational UCAP Transaction. PJM will confirm the details of the Locational UCAP Transaction with the opposite party and enter the Locational UCAP Transaction in the eRPM system in order to bypass the existing restrictions on submitting Locational UCAP Transactions for the 2011/12 DY prior to the locking of the EFORds for the 2011/12 DY.
- Duquesne will continue to upload the obligation peak load values in the eRPM system to all LSEs serving load in the DUQ zone. The eRPM system will continue to calculate a Daily UCAP Obligation for all LSEs serving load in DUQ zone during the 2011/12 DY.

DUQUESNE SETTLEMENT INFORMATION

- The Daily UCAP Obligation for an LSE in the DUQ Zone for the 2011/12 DY will equal LSE's Obligation Peak Load in DUQ Zone * Final Zonal FRR Scaling Factor * Forecast Pool Requirement. The Final Zonal FRR Scaling Factor will be posted by February 1, 2011.
- PJM will assess a Daily DUQ Zone Reliability Charge to all LSEs (including Duquesne) serving load in the 2011/12 Delivery Year based on the Average Cost of Procurement (ACP) disclosed by Duquesne. An LSE's Daily DUQ Zone Reliability Charge will equal the LSE's Daily UCAP Obligation times the ACP. All of the charges collected will be allocated to Duquesne through a Daily DUQ Zone Reliability Credit.
- Since the Opt-Out LSE will be assessed a Daily DUQ Zone Reliability Charge, Duquesne and an Opt- Out LSE should enter into a Non-Unit Specific Capacity Transaction such that the Opt-Out LSE can offset the Daily DUQ Zone Reliability Charge. For example, if the LSE opted-out and covered 100 MWs of a UCAP obligation in the DUQ zone for the 2011/12 DY, Duquesne would transfer 100 MW of non-unit specific capacity at the DUQ_ACP pricing point to the Opt-Out LSE for the 2011/12 DY in order to create an offset. As a result of this transaction, Duquesne (the Seller in the Non-Unit Specific Capacity Transaction) would receive a Non-Unit Specific Capacity Transaction Charge for the 100 MWs at the Average Cost of Procurement (ACP) for the DUQ zone. The Opt-Out LSE (the Buyer in the Non-Unit Specific Capacity Transaction) would receive a corresponding Non-Unit Specific Capacity Transaction Credit for the 100 MWs at Average Cost of Procurement (ACP) for the DUQ zone. If the LSE's Daily UCAP Obligation was 100 MWs during the 2011/12 DY, the LSE's Daily Non-Unit Specific Capacity Transaction Credit will wholly offset the LSE's Daily DUQ Zone Reliability Charge.
- Two new Non-Unit Specific Capacity Transaction pricing points (DUQ_ACP and DUQ_SIA) will be available for the 2011/12 DY. DUQ_ACP is based on the Average Cost of Procurement (ACP) for the DUQ zone. DUQ_SIA is based on the Resource Clearing Price in the Special Incremental Auction.
- Requests for a Special Incremental Auction must be emailed to rpm_hotline@pjm.com by September 1, 2009.
- If a Special Incremental Auction is conducted, the Special Incremental Auction bidding window will open on October 15, 2009 and close on October 21, 2009. The Special Incremental Auction results will be posted on October 29, 2009.

DUQUESNE SETTLEMENT INFORMATION

Contacts:

Duquesne Light Company:

Gary A. Jack
Assistant General Counsel
411 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-393-1541
gjack@duqlight.com

PJM Contact:

Terri Esterly
Sr. Lead Engineer
Forward Market Operations
Phone: 610-666-4758
estert@pjm.com