



Duquesne Light

Our Energy...Your Power

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DUQUESNE LIGHT, CUSTOMER-FOCUSED COALITION URGING FEDS TO BLOCK SHARPLY HIGHER ELECTRICITY PRICES RESULTING FROM FLAWED PRICING MODEL

PITTSBURGH – Duquesne Light is part of a broad-based coalition of state public utility commissions (including Pennsylvania’s), consumer groups, industrial customers, municipalities, co-ops, and other distributors of electric power that formally filed a complaint with the Federal Energy Regulatory Commission (FERC) to block “shockingly higher” electricity price increases caused by a fatally flawed pricing model established by the PJM Interconnection, LLC, the independent organization responsible for coordinating the region’s electricity market.

In the complaint, the parties urge FERC to act to prevent PJM from imposing “unlawful rates” that will result in customers paying “significantly higher capacity charges than justified ... with no discernable benefit, while existing electric generation receive an unwarranted windfall.” The complaint urges FERC to “prevent the continuation of the harmful effects of PJM’s unjust and unreasonable implementation of the new capacity model, ‘RPM’ (Reliability Pricing Model), which sets prices administratively.” The requested relief would become effective June 1, 2008, and continue over the next three years.

The transition auctions of the new RPM were held by PJM in rapid-fire succession over a six-month period in 2007 and early 2008. They resulted in capacity costs to the PJM region of \$22 billion (\$450 million in Duquesne Light’s service territory) over a three-year period that began June 1, 2008. The parties to the complaint estimate that this amount is approximately 10 times the cost of building the same amount of capacity and owning it free and clear. The complainants called upon FERC to use its “broad remedial authority” to protect customers from further extreme prices and to establish just and reasonable rates.

The PJM pricing model has not meaningfully added new generation capacity, as PJM intended, but has resulted in enormous windfalls to existing generation. The parties urge the use of a transition pricing system judged by FERC to be fair and equitable that would gradually increase prices over a three-year period rather than the sudden jump that will occur if the PJM market results stand.

The complaint, which was filed by a broad coalition serving millions of consumers throughout the Mid-Atlantic states, reflects the continued angst over RPM from both suppliers and customers. Joining Duquesne Light in advocating for Pennsylvania residents through the filing are the PA Public Utility Commission, the Office of Consumer Advocate and the PJM Industrial Customer Coalition.

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Following the sweeping deregulation of the energy industry, Congress granted FERC authority over the governance structure and operating rules of the emerging independent system operators. These new entities were formed to maintain system reliability for the nation's electric grid and to ensure efficient wholesale market operations. PJM Interconnection, one of those operators, also has the responsibility to plan for adequate long-term transmission needs.

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About the RPM Buyers Group

Friday's FERC filing was made by the RPM Buyers group, which is comprised of state regulatory commissions, municipal electric utilities, joint power agencies, rural electric cooperatives, end-use customers, state consumer advocate offices, and load serving entities ("LSEs") that depend on the reliable electric service RPM is intended to support, and pay for the capacity acquired through PJM's RPM capacity mechanism. RPM Buyers contend they have suffered actual harm by paying high capacity prices resulting from the implementation of RPM auctions without receiving benefits of the same or similar magnitude.

The RPM Buyers include the Maryland Public Service Commission, the Delaware Public Service Commission, the Pennsylvania Public Utility Commission, the New Jersey Board of Public Utilities, Public the Power Association of New Jersey, the Maryland Office of People's Counsel, the Office of the People's Counsel of the District of Columbia, the Southern Maryland Electric Cooperative, Inc., the Allegheny Electric Cooperative, Inc., the Blue Ridge Power Agency, the Office of the Ohio Consumers' Counsel, the New Jersey Department of the Public Advocate, Division of Rate Counsel, the Pennsylvania Office of Consumer Advocate, the PJM Industrial Customer Coalition, the American Forest and Paper Association, the Portland Cement Association, Duquesne Light Company, the United States Department of Defense and other affected executive agencies.