



**Duquesne Light**

*Our Energy...Your Power*

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**Gary A. Jack**  
Assistant General Counsel

September 23, 2010

**VIA E-FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2<sup>nd</sup> Floor  
400 North Street  
Harrisburg, PA 17120

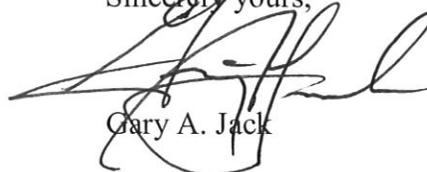
**Re: Pennsylvania Public Utility Commission, et al v. Duquesne Light Company**  
**Docket Nos. R-2010-2179522, C-2010-2193322, C-2010-2194660, C-2010-2196479, C-2010-2196790, C-2010-2199926, C-2010-2199945**

Dear Secretary Chiavetta:

Enclosed for electronic filing is Duquesne Light Company's Prehearing Conference Memorandum in the above-referenced proceeding.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,



Gary A. Jack

cc: Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2010-2179522
Office of Small Business Advocate	:		C-2010-2193322
Office of Consumer Advocate	:		C-2010-2194660
Janet Vento	:		C-2010-2196479
Mary Chestnut	:		C-2010-2196790
Donald Killmeyer	:		C-2010-2199926
Sarah Divilly	:		C-2010-2199945
	:		
v.	:		
	:		
Duquesne Light Company	:		

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of Duquesne Light Company's Prehearing Conference Memorandum 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):

**VIA FIRST-CLASS MAIL AND/OR E-MAIL**

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*C-2010-2199926*

Sarah Divilly  
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(304) 381-0011  
*C-2010-2199945*

Dated this 23<sup>th</sup> day of September 2010.



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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No.	R-2010-2179522
Office of Small Business Advocate	:		C-2010-2193322
Office of Consumer Advocate	:		C-2010-2194660
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Mary Chestnut	:		C-2010-2196790
Donald Killmeyer	:		C-2010-2199926
Sarah Divilly	:		C-2010-2199945
	:		
v.	:		
	:		
Duquesne Light Company	:		

**PREHEARING CONFERENCE MEMORANDUM  
OF DUQUESNE LIGHT COMPANY**

Pursuant to 52 Pa. Code § 5.224(c) and Administrative Law Judges Hoyer’s and Johnson’s (the “ALJs”) First Prehearing Conference Order dated September 17, 2010, Duquesne Light Company (“Duquesne Light” or the “Company”) hereby submits this Prehearing Conference Memorandum.

**I. SERVICE OF DOCUMENTS**

1. Duquesne Light requests that all documents be served on:

Gary A. Jack (ID # 95066)  
Assistant General Counsel

Duquesne Light Company  
411 Seventh Avenue, 16-4  
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Phone: 412-393-1541  
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Michael W. Gang (ID # 25670)  
Anthony Kanagy (ID # 85522)  
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Duquesne Light agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon David B. MacGregor at dmacgregor@postschell.com.

## **II. PROCEDURAL HISTORY**

2. This proceeding was initiated on July 23, 2010, when Duquesne Light filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 35 to Duquesne Light’s Tariff – Electric Pa. P.U.C. No. 24 (“Supplement No. 35”). Supplement 35, issued to be effective September 21, 2010, proposes changes to Duquesne Light’s base retail distribution rates designed to produce an increase in revenues of approximately \$87.3 million, based upon data for a *pro forma* future test year ending March 31, 2011. The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. On August 3, 2010, a Petition to Intervene was filed by the International Brotherhood of Electrical Workers, Local 29.

4. On August 12, 2010, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance and Formal Complaint at Docket No. C-2010-2193322.

5. On August 20, 2010, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance and a Formal Complaint at Docket No. C-2010-2194660.

6. On September 16, 2010, the Office of Trial Staff (“OTS”) filed a Notice of Appearance.

7. Duquesne Light has been served with Formal Complaints by the following customers: Janet Vento, Docket No. C-2010-2196479; Mary M. Chestnut, Docket No. C-2010-2196790; Donald Killmeyer, Docket No. C-2010-2199926; and Sarah Divilly, Docket No. C-2010-2199945.

8. On September 16, 2010, the Commission opened an investigation of Duquesne Light's proposed rate increase and suspended the effective date of that increase by operation of law until April 21, 2011.

9. On September 17, 2010, Administrative Law Judges Mark A. Hoyer and Conrad A. Johnson issued the First Prehearing Order, scheduling a prehearing conference in the above-captioned matter at 10:00 a.m. Friday, September 24, in Hearing Room #5, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA; and in the 2<sup>nd</sup> Floor Hearing Room, Piatt Place, 301 Fifth Avenue, Pittsburgh PA.

10. On or about September 21, 2010, Citizen Power filed a Motion to Intervene.

### **III. ISSUES**

11. Duquesne Light intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$87.3 million, based on a future test year ending March 31, 2011, and proposed allowed rate of return on equity of 11.25 percent is just and reasonable and should be approved by the Commission. If granted by the Commission, this request will produce an average increase in distribution rates of approximately 22.6 percent which equates to an average increase in total rates (distribution, transmission and generation charges) of approximately 6.7 percent.

12. Duquesne Light intends to demonstrate that its proposed distribution rate increase is appropriate. It reflects Duquesne Light's status as a transmission and distribution utility and is based on financial and operating data for its distribution business. The requested rate increase reflects the business environment the Company currently faces, particularly the national financial crisis and its significant adverse impact on the performance of the pension fund assets and the expected continued growth of low income customers needing assistance as well as the need to

continue to maintain very high levels of service and reliability and invest in distribution infrastructure.

13. Duquesne Light intends to demonstrate that its proposed 11.25 percent return on equity is necessary for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers and fully fund the various plans described above. Duquesne Light intends to demonstrate that the proposed return on equity is particularly appropriate in light of Duquesne Light's management effectiveness and exemplary levels of customer service and reliability in the face of challenging economic conditions.

14. Duquesne Light further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Commonwealth Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

15. Duquesne Light also intends to demonstrate that its proposal to restructure a number of the rate schedules in its tariff to more closely follow cost-of-service signals is appropriate, just and reasonable, and should be approved by the Commission.

16. Duquesne Light intends to show that its test year revenue and expense claims are accurate and support the requested revenue increase.

17. Duquesne Light intends to demonstrate that the level of capital investment appearing in its rate base claim was prudently made, and that any utility plant acquired is necessary, used and useful to the provision of electric distribution service.

18. Duquesne Light intends to illustrate that its proposed revenue allocation is just and reasonable.

19. Duquesne Light intends to demonstrate that its proposal to redesign the rate structure of residential heating and add-on heat pump customers is just and reasonable.

20. Duquesne Light intends to show how its proposal to separate rate schedule GS/GM into three new rate schedules is just and reasonable.

21. Duquesne Light intends to show that its proposals to redesign the rate schedules for large commercial and industrial customers through the conversion to demand only rates, the elimination of variable demand charges and/or the elimination of declining block demand charges is just and reasonable.

22. Duquesne Light intends to demonstrate that its cost allocation methodologies used in the class cost-of-service study supports Duquesne Light’s proposed rate design changes.

23. Duquesne Light intends to show that its methodology for calculating its health care expenses is accurate.

**IV. WITNESSES**

24. Duquesne Light presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement Number	Witness	Subject Matter
1	Frederick J. Eichenmiller, Director of External Affairs Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Overview of the Company and its requested base rate increase</li> <li>• Company’s current financial condition and initiatives to manage costs</li> <li>• Reasons for requesting rate relief</li> </ul>
2	Andrew M. Chapman Interim Chief Executive Officer (February 2010 to August 2, 2010) Duquesne Light Company 411 Seventh Ave Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Recapitalization of Duquesne Light Holdings and Duquesne Light Company by its owners to respond to the recent financial crisis</li> </ul>
3	David B. Bordo Director of Finance 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Duquesne Light’s financial records, budget, and capital structure</li> </ul>

4	James Habberfield Forecasting and Risk Management Specialist Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Sales forecast</li> </ul>
5	Scott R. Ward Manager of Major Construction and Scheduling Duquesne Light Company 2825 New Beaver Avenue Pittsburgh, PA 15233	<ul style="list-style-type: none"> <li>• Duquesne Light's proposed capital additions, including replacing and enhancing its physical infrastructure</li> </ul>
6	Robert L. O'Brien Principal Innovative Regulatory Solutions, LLC 1753 Via Mazatlan Rio Rico, Arizona 85648	<ul style="list-style-type: none"> <li>• Analyze revenue requirements, ratemaking adjustments and cash working capital study</li> </ul>
7	Larry A. Crowley Principal The Energy Strategies Institute 5549 South Cliffsedge Avenue Boise, ID 83716	<ul style="list-style-type: none"> <li>• Jurisdictional Separation Study</li> </ul>
8	John J. Spanos Vice President Gannett Fleming 207 Senate Avenue Camp Hill, Pennsylvania 17011	<ul style="list-style-type: none"> <li>• Depreciation</li> </ul>
9	Richard J. Matchett Manager of Tax Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Taxes</li> </ul>
10	Michele R. Sandoe Director of Customer Care Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Duquesne Light's programs for low-income customers</li> </ul>
11	Byron Beebe Actuary and Retirement Principal Hewitt Associates	<ul style="list-style-type: none"> <li>• Status of Duquesne Light's Pension Fund</li> </ul>

	5005 Rockside Road Suite 1000 Independence, OH 44131	
12	Paul R. Moul Managing Consultant Moul & Associates 251 Hopkins Road Haddonfield, New Jersey 08033	<ul style="list-style-type: none"> <li>• Rate of Return and Capitalization</li> </ul>
13	Howard S. Gorman President of HSG Group HSG Group, Inc. 45 Hillpark Avenue Great Neck, NY 11021	<ul style="list-style-type: none"> <li>• Class Cost of Service Study</li> </ul>
14	William V. Pfrommer Manager of Rates and Tariff Services Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Proposed allocation of increase to the customer classes</li> <li>• Rate Design</li> <li>• Tariffs and new rates proposed in the base rate proceeding</li> </ul>

Duquesne Light Company has previously filed copies of these statements. The testimony and exhibits fully support Duquesne Light's proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

25. Duquesne Light also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

**V. DISCOVERY**

26. To date, the Office of Consumer Advocate, Office of Trial Staff, and the International Brotherhood of Electrical Workers Local 29 have served interrogatories on Duquesne Light Company. As of this date, 337 interrogatories, many with multiple subparts, have been served on Duquesne and a vast majority have been answered and served upon the parties. In addition, Duquesne Light has offered to conduct informal discovery sessions with parties. Duquesne Light is not aware of any need to enter any special order regarding discovery. Based on the nature and scope of these interrogatories, Duquesne Light does not believe that any

change or modification in the standard timelines for discovery set forth in the Commission's regulations is necessary or appropriate. Duquesne Light encourages the use of informal discovery to expedite the discovery process.

**VI. LITIGATION SCHEDULE**

27. Duquesne Light proposes the following schedule for resolution of this proceeding:

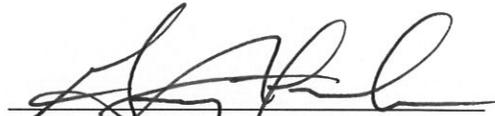
Filing date	July 23, 2010
Other Parties Direct Testimony	October 19, 2010
Rebuttal Testimony	November 18, 2010
Surrebuttal Testimony	November 30, 2010
Hearings (Oral Rejoinder permitted at hearing)	December 7 - 9, 2010 December 10, 2010, if necessary
Main Briefs	December 23, 2010
Reply Briefs	January 7, 2011

Duquesne Light will continue to attempt to work with parties to develop a mutually agreeable schedule.

**VII. SETTLEMENT**

28. As of this time, no settlement discussions have been held as the parties are still reviewing the filing and preparing their positions. Duquesne Light remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



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Dated: September 23, 2010

*Attorneys for Duquesne Light Company*