

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

March 24, 2011

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Joint Application for All of the Authority and the Necessary Certificate(s) of Public Convenience to Transfer the Interests and Shares in DQE Holdings LLC, currently owned by DUET Investment Holdings Limited, to Epsom Investment Pte Ltd, a subsidiary of GIC Infra Holdings Pte Ltd, and to Approve the Resulting Change in Control of Duquesne Light Company and DQE Communications Network Services LLC

Docket Nos. A-2010-2213369
A-2011-2221461

Dear Secretary Chiavetta:

Enclosed for filing please find the Office of Consumer Advocate's Prehearing Memorandum, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read 'J. S. Johnson'.

Kennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098

Enclosures

cc: Hon. Mark A. Hoyer/ALJ
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application for All of the Authority	:		
and the Necessary Certificate(s) of Public	:		
Convenience to Transfer the Interests and	:		
Shares in DQE Holdings LLC, currently	:	Docket No.	A-2010-2213369
owned by DUET Investment Holdings	:		A-2011-2221461
Limited, to Epsom Investment Pte Ltd, a	:		
subsidiary of GIC Infra Holdings Pte Ltd,	:		
and to Approve the Resulting Change in	:		
Control of Duquesne Light Company and	:		
DQE Communications Network Services LLC	:		

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in response to the prehearing conference notice issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

Through its Application filed on December 2, 2010, Duquesne Light Company (Duquesne), Epsom Investment Pte Ltd (Epsom), DUET Investment Holdings Limited (DUET) and Diversified Utility and Energy Trust No. 3 (DUET3) (collectively, Applicants) requested all necessary approvals from the Commission authorizing the transfer by sale of all DUET and DUET3 interests and shares in DQE Holdings LLC (DQE) to Epsom, a direct wholly-owned subsidiary of GIC Infra Holdings Pte Ltd (GIC Infra) and an indirect wholly-owned subsidiary of Government of Singapore Investment Corporation Pte Ltd (GIC Ventures).

Duquesne Light is a certificated electric distribution company (EDC) and a default service provider (DSP) serving customers in western Pennsylvania. Duquesne Light is wholly-owned by Duquesne Light Holdings (DLH). DQE Holdings, LLC (DQE) is the owner of DLH and consists of a group of six investment entities (collectively, the Investor Consortium). DUET is a member of the Investment Consortium and is the largest individual shareholder in DQE with a 28.95% Class A ownership interest. DUET's affiliate, DUET 3, owns rights as a lender to DQE under a \$201 million promissory note. The Macquarie Group (Macquarie) manages 64.3% of the equity interests in DQE, including those held by DUET. If the proposed Application is approved, Epsom would acquire DUET's 28.95% equity interest in DQE as well the promissory note held by DUET3. As a result, the Government of Singapore would become the indirect owner of the largest individual equity interest in Duquesne Light, and Macquarie would no longer manage this interest.

The OCA filed a Protest and Notice of Intervention on December 29, 2010 requesting that the Pennsylvania Public Utility Commission investigate and hold full hearings regarding the Application. The OCA further requested that the Commission not approve the Application unless it finds that the Application complies with applicable legal standards. Additionally, the OCA requested that the Commission impose such terms and conditions upon the proposed acquisition as are necessary to ensure that the Application meets the above requirements. A Protest was also filed by the Office of Small Business Advocate and a Notice of Appearance was filed by Charles Shields and Carrie Wright on behalf of the Office of Trial Staff.

The Office of Administrative Law Judge issued a Prehearing Conference Notice, and Administrative Law Judge Mark A. Hoyer was assigned to this proceeding. This Prehearing Memorandum is being served in accordance with the Notice of Prehearing Conference.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary review of the Application, the OCA has identified issues which it anticipates will be included in its investigation of this transaction. It is anticipated that other issues may arise and may be pursued as answers to discovery are received and analyzed. As soon as the OCA has had the opportunity to review the answers to the interrogatories, it is anticipated that informal discovery meetings can be scheduled. At those meetings, the OCA will be able to narrow the scope of additional information requests, and the OCA will file direct testimony which will set forth the specific issues to be addressed in this proceeding.

Preliminarily, the OCA has identified the following areas that require further consideration:

- a. Commission Questions: The OCA will investigate the items listed by the Commission in Attachment A to its January 31, 2011 Secretarial Letter.
- b. Affirmative Ratepayer Benefits: The OCA will investigate whether this transaction will provide substantial, affirmative ratepayer benefits in accordance with Pennsylvania law.
- c. Corporate Structure: The OCA will explore several corporate structure issues, including appropriate ring fencing measures and accounting protocols, appropriate Codes of Conduct, and tax effects.

d. Continuation of PUC Jurisdiction: The OCA will investigate whether the Commission retains sufficient jurisdiction, as well as access to appropriate books and records of all subsidiaries, to ensure the continued provision of safe, adequate and reliable service in Pennsylvania, and to support workable and viable competitive markets for retail natural gas supply.

III. DISCOVERY

The OCA respectfully requests that the following discovery rules be used for this proceeding:

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of receipt of the interrogatories;
2. Responses to requests for document production, entry for inspection, or other purposes shall be served in-hand within ten (10) calendar days of receipt of the requests;
3. Requests for admission shall be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of receipt of the requests;
4. Objections to interrogatories or requests shall be communicated orally and/or in writing within three (3) calendar days of receipt of the interrogatories or requests; unresolved objections shall be served in writing on the ALJ within six (6) calendar days of receipt of interrogatories or requests;
5. Motions to dismiss objections and/or to direct the answering of interrogatories and/or to direct responses to requests shall be filed within three (3) calendar days of receipt of such objections;

6. Answers to motions to dismiss objections or to direct the answering of interrogatories or to direct responses to requests shall be filed within three (3) calendar days of receipt of such motions;

7. Rulings on motions shall be issued, if possible, within seven (7) calendar days of the filing of the motion;

8. Any document received on a Friday after 12 pm, or on a holiday, shall be treated as though it was received on the following Monday or the next business day; and

9. Any document due on a Saturday, Sunday or holiday shall be treated as though it was due on the following Monday or the next business day.

IV. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witness in this proceeding. The witness will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to its expert witness, as well as to counsel for the OCA.

Matthew I. Kahal
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
Telephone: 410-992-7500
E-mail: mkahal@exeterassociates.com

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary

for any portion of its case, the presiding Administrative Law Judge and all parties of record will be notified.

V. PROPOSED SCHEDULE

The OCA will work with the parties to develop a procedural schedule.

VI. SERVICE ON THE OCA

The OCA will be represented in this case by Tanya J. McCloskey and Jennedy S. Johnson. Two copies of all documents should be served on OCA as follows:

Tanya J. McCloskey
Senior Assistant Consumer Advocate
Jennedy S. Johnson
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
E-mail: tmccloskey@paoca.org
jjohnson@paoca.org

As a courtesy, the OCA would appreciate it if the following email address could also be included on any electronic correspondence: cshoen@paoca.org.

VII. SETTLEMENT

The OCA is willing to participate in settlement negotiations concerning all issues raised by this case.

Respectfully Submitted,



Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098
E-Mail: jjohnson@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152

DATE: March 24, 2011

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CERTIFICATE OF SERVICE

Joint Application for All of the Authority :
and the Necessary Certificate(s) of Public :
Convenience to Transfer the Interests and :
Shares in DQE Holdings LLC, currently : Docket No. A-2010-2213369
owned by DUET Investment Holdings : A-2011-2221461
Limited, to Epsom Investment Pte Ltd, a :
subsidiary of GIC Infra Holdings Pte Ltd, :
and to Approve the Resulting Change in :
Control of Duquesne Light Company and :
DQE Communications Network Services LLC :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 24th day of March 2011.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles Daniel Shields, Esquire
Carrie B. Wright, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
Counsel for: *Office of Trial Staff*

SERVICE BY E-MAIL and FIRST CLASS MAIL

David B. MacGregor, Esquire
Post & Schell, PC
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Counsel for: *Duquesne Light Company*

Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post & Schell, PC
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Counsel for: *Duquesne Light Company*

Sharon E. Webb
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
Counsel for: *Office of Small Business Advocate*



Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098
E-Mail: JJohnson@paoca.org

Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

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