



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

March 25, 2011

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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 please find a copy of the **Prehearing Memorandum** of the Office of Trial Staff (OTS). As evidenced by the enclosed Certificate of Service, copies have been served on all active parties.

If you have any questions, please contact me at (717) 783-6151.

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Sincerely,

Charles Daniel Shields
Senior Prosecutor
Office of Trial Staff
PA Attorney I.D. #29363

Enclosure
CDS/edc

cc: Parties of Record
Hon. Mark A. Hoyer

**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 : Docket Nos. A-2010-2213369
Shares in DQE Holdings LLC, currently : A-2011-2221461
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 :

**PREHEARING MEMORANDUM
OF THE
OFFICE OF TRIAL STAFF**

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TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

The Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission ("Commission") respectfully submits the following Prehearing Memorandum in the above-captioned proceeding pursuant to the Notice from the Office of Administrative Law Judge dated March 2, 2011, and Your Honor's Prehearing Conference Order issued March 4, 2011. The Office of Trial Staff Prosecutors in this proceeding are Charles Daniel Shields and Carrie Wright. All correspondence directed to the Office of Trial Staff regarding this instant base rate proceeding should be addressed as follows:

**Charles Daniel Shields, Senior Prosecutor
Carrie Wright, Prosecutor
Office of Trial Staff
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265**

The OTS fax number is (717) 772-2677. Senior Prosecutor Shields can be contacted directly by telephone at (717) 783-6151 and by electronic mail at *chshields@state.pa.us*. Prosecutor Wright can be contacted directly by telephone at (717) 783-6156 and by electronic mail at *carwright@state.pa.us*. Per said OALJ Notice, the Prehearing Conference is scheduled for 10:00 a.m. on Tuesday, March 29, 2011, with the Harrisburg parties participating from Hearing Room 5 in the Keystone Building and Your Honor and the Pittsburgh parties participating from Suite 220 in the Piatt Place in Pittsburgh.

I. INTRODUCTION

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, “Joint Applicants”) filed a Joint Application requesting all necessary Commission approvals for 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”). On January 20, 2011, the Joint Applicants filed an Amendment to the Joint Application to include DQE Communications Network

Services LLC (“Network Services”).¹ Network Services, like Duquesne Light Company, is a wholly-owned subsidiary of Duquesne Light Holdings, Inc.

On December 23, 2010, OTS filed its Notice of Appearance. OTS is charged with representing the public interest in Commission proceedings having an impact upon rates and other matters as directed to participate by the Commission. This OTS representation of the public interest includes balancing the interests of both ratepayers and the utilities. OTS expects to be actively involved in this proceeding because, *inter alia*, the proposal, if authorized, will result in a change of the "controlling interest" in Duquesne as defined by the Commission's Policy Statement at 52 Pa. Code § 69.901 and could eventually have an effect upon the rates charged to customers. The Office of Small Business Advocate (“OSBA”) and the Office of Consumer Advocate (“OCA”) have filed their respective Protests to the Joint Application and have intervened in the proceeding.

II. ISSUES

The following list represents OTS’s preliminary determination of the potential issues in this case. This listing is as complete as can be made at this time. OTS specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. Among the issues identified by OTS that need to be addressed in this proceeding include the following:

¹ DQE Communications Network Services LLC (“Network Services”) holds a Certificate of Public Convenience to provide telecommunication service as a Competitive Access Provider throughout the Commonwealth. *Application of DQE Communications Network Services LLC for approval to offer, render, furnish or supply telecommunication services as a Competitive Access Provider to the Public in the Commonwealth of Pennsylvania*, Docket No. A-311233 (Order entered on November 23, 2004).

- The issues **identified by the Commission's seven (7) questions in Attachment A** to the January 31, 2011 Secretarial Letter assigning the matter to the OALJ and directing the parties to address in detail in this proceeding, that provide in full as follows:
 1. Review the impact of the proposed corporate structure of the merger and how this proposed structure is in the public interest? What will be the impact on the corporate board of directors of DQE Holdings, LLC which ultimately controls Duquesne Light Company and DQE Communications Network Services LLC?
 2. What will be the impact on the corporate decision making process of the Macquarie Group as its ownership moves from a 64.3% equity interest to a collective equity interest of only 35.39%?
 3. To what extent will the Government of Singapore have an impact on the decision making process on the corporate board of directors that ultimately controls Duquesne Light Company and DQE Communications Network Services LLC?
 4. Have the conditions of the Settlement Agreement which transferred control of Duquesne Light Holdings to DQE Holdings, LLC and approved by the Commission in Docket Numbers A-110150F0035 and A-311233F0002 been met? What impact will the change of control have on this Settlement Agreement?
 5. What, if any, ring-fencing mechanisms are presently in place, or proposed as part of this transaction, to protect Duquesne Light Company and DQE Communications Network Services LLC from the business and financial risk of its parent companies and any other non-regulated affiliates? Are any changes or additions necessary to better protect the public interest and make Duquesne Light Company's regulated transmission and distribution business more bankruptcy remote?
 6. What is the financial impact of the proposed change of control on Duquesne Light Company and DQE Communications Network Services LLC? Will the change of control create a more leveraged organization? How will the availability of funds for investment in the distribution and transmission system of Duquesne Light Company be affected? How might investment in smart meters be impacted?

7. Investigate the impact the proposed merger may have on the potential for anticompetitive behavior per 66 Pa. C.S, § 2811(a). How will the change of control affect wholesale and retail competition for electric generation suppliers?

- Whether the proposal ensures substantial benefits to the public in the Commonwealth;
- Effect, if any, upon Duquesne's access to a capital on reasonable terms;
- Ultimately, whether the approval of the transaction is in the public interest.

III. EXPERT WITNESSES

It is currently expected that OTS may call any or all of the following expert witnesses, without being limited thereto:

- **Gary Yocca Morrissey, Fixed Utility Valuation Engineer Supervisor**
- **Scott Granger, Executive Policy Analyst**
- **Amanda Gordon, Fixed Utility Financial Analyst**

OTS reserves the right to call additional witnesses or delete the names of witnesses listed above. The above listing is provided without the benefit of complete discovery or analysis of the positions of other parties to this proceeding. Prepared direct testimony and brief additional live direct testimony may be submitted by any or all of the OTS witnesses in his or her area(s) of responsibility.

In addition to the direct testimony and exhibits presented by OTS witnesses and the evidence adduced through cross-examination of witnesses for the Joint Applicants and other parties, OTS intends to rely upon the Joint Application, provided testimony, answers to data requests and interrogatories, annual reports and other documents

submitted to the Commission, other relevant Commission filings, and other relevant documents and reports.

IV. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements, OTS will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

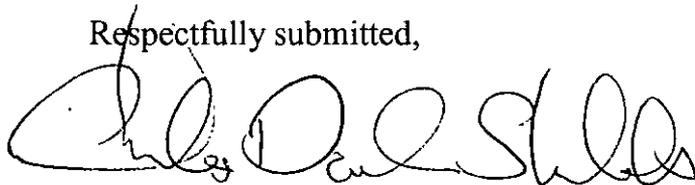
V. LITIGATION SCHEDULE

We are conferring with counsel for the other parties to attempt to agree upon a schedule to present for Your Honor's consideration at the Prehearing Conference.

VI. CONCLUSION

OTS has and will continue to scrutinize all aspects of the proposed transaction and has already submitted several sets of discovery to the Joint Petitioners. We will make a good faith effort to succinctly identify the issues and to resolve such issues through discussions and settlement. In the event the discussions fail to result in a full and complete resolution of all issues, OTS is prepared to litigate this matter to the degree necessary and appropriate.

Respectfully submitted,



Charles Daniel Shields
Senior Prosecutor

Carrie Wright
Prosecutor

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Office of Trial Staff
Pennsylvania Public Utility Commission
Post Office 3265
Harrisburg, Pennsylvania 17105-3265

Dated: March 24, 2011

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 :
owned by DUET Investment Holdings : Docket Nos. A-2010-2213369
Limited, to Epsom Investment Pte Ltd, a : A-2011-2221461
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 :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated March 25, 2011, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

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Charles Daniel Shields
Senior Prosecutor
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PA Attorney I.D. #29363

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