

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy for an Evidentiary :
Hearing on the Energy Efficiency Benchmarks : Docket No: P-2012-2320344
Established For the Period June 1, 2013 :
through May 31, 2016 :

**PREHEARING CONFERENCE MEMORANDUM OF
DUQUESNE LIGHT COMPANY**

TO ADMINISTRATIVE LAW JUDGE (“ALJ”) ELIZABETH H. BARNES:

Duquesne Light Company (“Duquesne Light”), in accordance with 52 Pa. Code § 5.222 and the Prehearing Conference Order August 29, 2012, respectfully files this Prehearing Conference Memorandum for use in the September 10, 2012 prehearing conference.

I. Introduction and Background

On October 15, 2008 Governor Rendell signed into law Act 129 of 2008 (“Act 129”) which took effect on November 14, 2008. Among other things, Act 129 requires electric distribution companies (“EDCs”) in Pennsylvania with at least 100,000 customers to file energy efficiency and conservation (“EE&C”) plans. *See* 66 Pa.C.S. § 2806.1(b).

Pursuant to 66 Pa. C.S. § 2806.1(a), the Pennsylvania Public Utility Commission (“Commission”) is required to establish an EE&C Program, including a procedure for approving EDC EE&C plans, a process to evaluate the EE&C Program as a whole and each EDC EE&C plan, and a process by which recommendations can be made for additional consumption reduction measures, among other things. The Commission is also required to evaluate the costs and benefits of the EE&C Program by November 30, 2013, and every five years thereafter. 66 Pa. C.S. § 2806.1(e)(3).

On March 1, 2012 the Commission issued a Secretarial Letter soliciting comments on a variety of issues related to the development and implementation of Phase II of the EE&C Program. The Commission also held a stakeholder meeting on March 16, 2012 to provide parties an opportunity to address issues presented in the March 1, 2012 Secretarial Letter.

On May 10, 2012 the Commission issued a Tentative Implementation Order ("Tentative Order") in this docket outlining its proposed standards for Phase II of the EE&C program, which will begin June 1, 2013. Interested parties, including each Pennsylvania EDC subject to the EE&C provisions of Act 129, filed comments to the Tentative Order.

On August 3, 2012 the Commission entered its Implementation Order, which establishes binding guidelines and standards for Phase II EE&C programs. In response to due process concerns raised by PECO Energy Company ("PECO Energy") in its comments to the Tentative Order, the Implementation Order permits EDCs to petition the Commission for an evidentiary hearing. Specifically, the Implementation Order (pages 30-31) provides:

...the Commission will tentatively adopt the EDC specific consumption reduction targets set forth in Table 1 above, subject to challenge by an EDC in accordance with the process described below. These consumption reduction targets will become final for any EDC that does not petition the Commission for an evidentiary hearing by August 20, 2012. ...The scope of any such proceeding will be narrow and limited to the consumption reduction requirement issue.

On or about August 20, 2012 PECO Energy filed a petition with the Commission requesting an evidentiary hearing ("Petition"). In the Petition, PECO Energy alleges that the Commission made a number of errors in its Implementation Order. Consistent

with the Implementation Order, PECO Energy requested an evidentiary hearing to address the two issues that impact its individual consumption reduction targets: (i) allocation of funds for direct load control and other Demand Response programs; and (ii) the Commission's alleged overstatement of allowable spending.

Because Duquesne Light has a direct interest in the allowable spending issue that is not adequately represented by others parties, it filed a Petition to Intervene in this proceeding on August 30, 2012. In particular, Duquesne Light has a significant interest in the outcome of PECO Energy's argument that the Commission improperly interpreted sections 2806.1(g) and 2806.1(m) of Act 129, or exceeded the scope of the powers granted by the statute. Petition at ¶ 18. PECO Energy essentially contends that dollars paid by shopping customers to electric generation suppliers should not be included in EDC EE&C Phase II plan budgets, and the consumption targets should be reduced proportionately because the Phase II formula employed to set consumption reduction targets makes the targets directly dependent on available funding. Petition at ¶¶ 8 and 15. It is likely that any determination made by the Commission in response to PECO Energy's allegations regarding allowable spending would be binding on Duquesne Light.

II. Counsel

Duquesne Light requests that communications to its attorneys be addressed as follows:

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Duquesne Light respectfully requests that all communications to it concerning this proceeding be directed to its above-identified counsel.

III. Issues, Sub-Issues and Positions

Duquesne Light currently intends to address the allowable spending issue described above. However, Duquesne Light reserves the right to identify such issues/positions as may develop during the course of this proceeding and/or modify the scope and nature of its participation, without prejudicing the due process rights of any parties or otherwise impacting the procedural schedule established for this proceeding.

IV. Hearing and Procedural Schedule

Given the current limited scope and nature of its participation in this proceeding, Duquesne Light is amenable to the procedural schedule proposed in PECO Energy's Petition and will work with all parties to establish a mutually acceptable hearing and

procedural schedule. In connection with the ALJ's request that the parties address issues relating to the coordination of this proceeding with other petitions for evidentiary hearing, Duquesne has no objection to these various proceeding running concurrently.

V. Discovery

To the extent Duquesne Light intends to engage in discovery, it will commence and conduct discovery consistent with the any protocols and time periods established by the parties and the ALJ.

VI. Witnesses

At this time, Duquesne Light has not identified any witnesses in this proceeding. If that position changes, Duquesne Light will promptly advise the ALJ and all parties, and will comply with any protocols and time periods previously established by the ALJ for the identification of witnesses and the submission of testimony. However, for the limited issue Duquesne Light desires to address in this proceeding, the matter can be decided solely on the briefs submitted by the parties in lieu of formal evidentiary hearings.

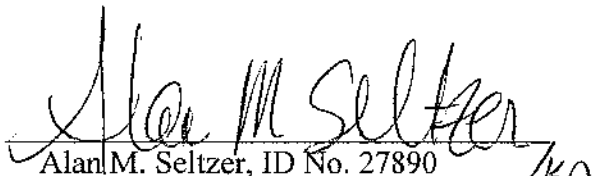
VII. Settlement

Duquesne Light is not currently aware of settlement opportunities, but will participate in such discussions, if any, consistent with the scope and nature of its participation in this proceeding.

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY, P.C.

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Dated: September 7, 2012