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BEFORE

THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In Re: R-00974104, R00974104C0001-C0002 Pennsylvania Public Utility Commission v. Duquesne Light Company Application for approval of a Restructuring Plan and A-00110150F0015 Joint Application of DOE, Inc., Allegheny Power Systems, Inc., and AYP Sub, Inc. for Approval of the transfer by Merger of The Property and Rights of Duquesne Light Company to Allegheny Power Systems, Inc. Public Input Hearing

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Beaver Falls, Pennsylvania  
November 12, 1997

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BEFORE

## THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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4 In Re: R-00974104, R00974104C0001-C0002 Pennsylvania Public  
5 Utility Commission v. Duquesne Light Company  
6 Application for approval of a Restructuring Plan and  
7 A-00110150F0015 Joint Application of DQE, Inc.,  
8 Allegheny Power Systems, Inc., and AYP Sub, Inc. for  
9 Approval of the transfer by Merger of The Property  
10 and Rights of Duquesne Light Company to Allegheny  
11 Power Systems, Inc. Public Input Hearing

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14 Stenographic report of hearing held at the  
15 Holiday Inn, Route 18, North, Beaver Falls  
16 Pennsylvania

17  
18  
19 Wednesday  
20 November 12, 1997  
21 at 7:00 *A*.m.

BEFORE

JOHN H. CORBETT, JR., ADMINISTRATIVE LAW JUDGE

## APPEARANCES:

22  
23 LARRY R. CRAYNE, ESQUIRE  
24 RICHARD S. HERSKOVITZ, ESQUIRE  
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For - Duquesne Light Co.

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Harrisburg, PA 17105-3265  
For - Office of Trial Staff

## 1 APPEARANCES: (Cont.)

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4 Harrisburg, PA 17101  
5 For - Office of Small Business Advocate

6 MARISA A. SIFONTES, ESQUIRE  
7 1425 Strawberry Square  
8 Harrisburg, PA 17120  
9 For - Office of Consumer Advocate

10 DARLENE WESTFALL, ESQUIRE  
11 Office of Attorney General  
12 564 Forbes Avenue  
13 Pittsburgh, PA 15219  
14 For - Commonwealth of Pennsylvania

## 15 Also present:

16 Edward McGovern for  
17 Office of John Hanger, Commissioner  
18  
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20  
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1 JUDGE CORBETT: This is the date the Pennsylvania  
2 Public Utility Commission has set to receive public comments  
3 upon Duquesne Light Company's restructuring plan to implement  
4 customer choice and the company's proposed merger with  
5 Allegheny Power Systems, Incorporated.

6 I am John Corbett, the Administrative Law Judge the  
7 Commission has assigned to preside over the hearings and to  
8 render a recommended decision to the Commission on the re-  
9 structuring proposal proposed by Duquesne Light Company.  
10 Administrative Law Judge Larry Gesoff and I will jointly  
11 preside over the hearings and render a recommended decision  
12 to the Commission on the proposed merger.

13 At this time, I would like to introduce some of the  
14 people involved in these cases. To my immediate left is  
15 Larry Crayne, attorney for Duquesne Light Company. Beginning  
16 on my extreme right would be Mr. Wayne Scott from the  
17 Commission's Office of Trial Staff. Next to Mr. Scott would  
18 be Angela Jones, representing the Office of Small Business  
19 Advocate. Next to Ms. Jones would be Marisa Sifontes, repre-  
20 senting the Office of Consumer Advocate. And to my immediate  
21 right would be Darlene Westfall, here on behalf of the Office  
22 of Attorney General of Pennsylvania.

23 The Commission's regulations require that I provide  
24 some information to you about these two proceedings. The  
25 restructuring plan includes proposals for providing all PUC

1 licensed electric generating suppliers with access to  
2 Duquesne's transmission and distribution systems. The plan  
3 also proposes redesigned rates, recovery of stranded costs,  
4 consumer education and assistance for low income customers.

5 Under the merger proposal, Duquesne's parent, DQE  
6 Incorporated, would become a wholly owned subsidiary of  
7 Allegheny Power Systems, which is to be renamed Allegheny  
8 Energy, Incorporated. Each share of DQE common stock would  
9 be converted to 1.12 shares of Allegheny Power common stock.  
10 The two utilities would retain their separate service terri-  
11 tories and rates.

12 Duquesne filed a restructuring plan on August 1, 1997  
13 to comply with the Electricity Generation Customer Choice and  
14 Competition Act. Under this legislation, all customers will  
15 be able to choose their supplier of electricity by the year  
16 2001 at the conclusion of the three-year phase in. While the  
17 Act deregulates electric generation service, Duquesne and the  
18 other electric utilities will continue to provide regulated  
19 transmission and distribution services.

20 Under its restructure proposal, Duquesne would unbundle  
21 or separate its rates into transmission, distribution, gener-  
22 ation and transition charges. Customers increasing their  
23 usage of electricity would receive discounts averaging 25  
24 percent on the price of additional power under the plan.

25 Duquesne proposed to use a competitive transition

1 charge or CTC to collect its stranded costs. These are  
2 generation related costs currently included in rates, which  
3 may not be recoverable in a competitive market place.

4           Instead of making a claim for stranded costs in this  
5 filing, Duquesne has asked the Commission to approve a mech-  
6 anism under which stranded costs and the CTC would be calcu-  
7 lated annually starting in 1999. The CTC would be collected  
8 through the year 2005. The company has estimated that  
9 stranded costs will range between \$850,000,000 and 1.4 bil-  
10 lion dollars depending upon the market price and power at the  
11 time calculations are made. Duquesne presently furnishes  
12 services to 580,000 customers in Allegheny and Beaver  
13 Counties.

14           Five days of technical evidentiary hearings on  
15 Duquesne's restructuring plan will be held in the  
16 Commission's office in Pittsburgh beginning on Monday, Decem-  
17 ber 15, 1997. Additional technical evidentiary hearings will  
18 be held in the same location during the week of January 5,  
19 1998. On the merger case two weeks of technical evidentiary  
20 hearings will be held in the Commission's office in  
21 Pittsburgh commencing January 13, 1998.

22           By law, the Commission must render its decision on  
23 Duquesne's restructuring plan by May 29, 1998. The  
24 Commission has indicated it will decide the merger applica-  
25 tion at the same time as the restructuring filing.

1           Therefore, in order to provide the Commission and the  
2 parties with sufficient time to review the Judges' decision  
3 before the Commission enters its final orders, the Judges  
4 anticipates anticipate the recommended decision on these two  
5 cases will be issued by March 30, 1998.

6           With that background, let me ask any of the individuals  
7 whom I introduced earlier whether they desire to make a  
8 statement before proceeding further with this hearing? Mr.  
9 Crayne?

10           MR. CRAYNE: Yes, I have a short statement. On August  
11 one Duquesne filed its restructuring and merger plan. The  
12 provisions of the Electricity Generation Customer Choice and  
13 Competition Act required all Pennsylvania utilities to file  
14 restructuring plans.

15           Duquesne's restructuring plans incorporate the expected  
16 benefits of the proposed merger with Allegheny Energy. The  
17 opportunity for the Duquesne and Allegheny Energy merger  
18 presents a compelling strategic rationale. The merger cre-  
19 ates a diversified energy company with 2,000,000 customers in  
20 five states and generating capacity of more than 11,000  
21 megawatts. The companies anticipate a combination of related  
22 savings of approximately \$1,000,000,000 over a 10-year per-  
23 iod.

24           The regulated local utility companies will continue to  
25 exist as separate legal entities. Allegheny Energy will be

1 operated as an integrated electric utility holding company.  
2 Savings are projected from the elimination of duplicate  
3 activities, improved operating efficiencies and lower capi-  
4 tal costs. Anticipated savings to Duquesne alone amount to  
5 \$365,000,000 in generation related costs over 20 years, nine  
6 million dollars in transmission related costs and one hundred  
7 seventy-three million dollars in distribution related costs  
8 over 10 years.

9 Duquesne plans to use the generation related portion of  
10 its share of savings to shorten the transition period under  
11 the Competition Act to increase depreciation and amortiza-  
12 tion, and to reduce the distribution rates. The merger  
13 related savings are expected to assist in the transition to  
14 competition mandated by the legislature last year in the  
15 Competition Act.

16 The purpose of public input hearings is to provide an  
17 opportunity for the complete airing of concerns expressed or  
18 issues raised. These proceedings present issues of tremend-  
19 ous significance to consumers, shareholders, employees, the  
20 business community and members of the public in western  
21 Pennsylvania.

22 Everyone should have an opportunity to be heard. These  
23 proceedings will determine whether this merger is to be suc-  
24 cessfully implemented and the benefits are to be realized for  
25 all interested parties. Please take the opportunity to

1 express your concerns and opinions.

2 JUDGE CORBETT: Thank you. Mr. Scott, do you have any  
3 statement to make?

4 MR. SCOTT: Yes, your Honor, thank you. Good evening.  
5 My name is Wayne Scott and I represent the Office of Trial  
6 Staff and the Commission. My office's function is to repre-  
7 sent the public interest. And we are assigned to prosecute  
8 and investigate each one of these restructuring cases to make  
9 sure that the public interest is served and that whatever  
10 happens through the restructuring comes out to be the best  
11 possible scenario for the public at large.

12 I would just simply encourage each and everyone of you  
13 that have an opinion or if you have a question not to be  
14 bashful or shy. Come up, take the oath, and be sworn in.  
15 That way, we can use your testimony in our hearings later on.

16 We're not from this area; at least, most of us aren't.  
17 The only way we can find out what your opinions are is for  
18 you to come up and tell us. So please come up.

19 JUDGE CORBETT: Thank you. Ms. Jones?

20 MS. JONES: Thank you. Rather than be redundant as to  
21 why we're here, I'll tell you a little bit about my office.  
22 My name is Angela Jones. I represent the Office of Small  
23 Business Advocate. The legislature saw fit to establish the  
24 office in 1991. We have been serving since then the  
25 Commonwealth of Pennsylvania for the specific interests of

1 small businesses with utilities.

2 My office is very interested in your opinions. I echo  
3 the sentiments of Mr. Scott. We would like for you, if you  
4 have concerns or questions and/or comments or opinions,  
5 please testify under oath on the record so that we can use  
6 them for our further hearings, which the Judge has already  
7 stated will commence in December. Thank you.

8 JUDGE CORBETT: Ms. Sifontes?

9 MS. SIFONTES: Thank you. Good evening. My name is  
10 Marisa Sifontes. I'm with the Office of Consumer Advocate.  
11 The Office of Consumer advocate is a state agency charged  
12 with representing the interests of Pennsylvania's residential  
13 ratepayers before the Public Utility Commission. We are in-  
14 volved in both the restructuring and merger proceedings in  
15 this case and have hired a team of experts to evaluate every  
16 aspect of the filing.

17 Our goal is that Duquesne's ratepayers have access to a  
18 wide range of competitive alternatives and that the rates  
19 that you pay for electric generation services are less expen-  
20 sive or, at least, not more expensive than the rates you're  
21 currently paying.

22 And once again, I reiterate the words of those who have  
23 gone before me, please testify on the record so that we may  
24 use your statements in our briefs. Thank you very much for  
25 coming out.

1 JUDGE CORBETT: Ms. Westfall?

2 MS. WESTFALL: No comments.

3 JUDGE CORBETT: We have placed in the back of the room  
4 a tablet for people to print their names and addresses if  
5 they wish to speak at this hearing. As ratepayers attending  
6 this hearing, you have several choices.

7 One, you may take the oath or affirmation and testify  
8 as a witness, as you've already heard. If you take the wit-  
9 ness's oath or affirmation, then the court reporter will  
10 transcribe your statement. Your statement will then become a  
11 part of the official record of these two cases and may be  
12 considered by me as well as by the Commission in deciding  
13 these cases. As a witness, you may be asked questions con-  
14 cerning your testimony by any of the attorneys here repre-  
15 senting any of the parties.

16 Two, you may choose to make an unsworn statement. In  
17 this case your remarks will not be transcribed by the report-  
18 er and will not be part of the official record. Your remarks  
19 cannot be considered by me or the Commission in deciding  
20 these cases.

21 Three, you may choose not to testify or make a state-  
22 ment. However, if you believe that you have information per-  
23 taining to these cases or there are particular items or areas  
24 that you believe should be examined in this case or you have  
25 questions concerning these cases, you should discuss your

1 concerns or questions with the attorney from the Office of  
2 Consumer Advocate, the Office of Small Business Advocate or  
3 the Commission's Office of Trial Staff.

4 You may also choose to sit and watch the hearing with-  
5 out testifying or making a statement. I would strongly urge  
6 you, however, if you wish to speak at this hearing, that you  
7 take the oath or affirmation as a witness. This is the only  
8 way to be certain that your statement may be considered in  
9 making a decision in these cases.

10 At this time, I will call the names of those who signed  
11 the witness list. As I call your name, please stand and  
12 remain standing until I have called the last name. I will  
13 then ask you to take the oath or affirmation of a witness.  
14 If I mispronounce your name, please correct me.

15 Bruce Sisson, Paul Spickerman, Robert Pieffer, Betty  
16 Schaughency, Peggy Williams, Gene Pash, Mike Desimone, Jeff  
17 Davis, Dr. Paul Dinello, Michael Clancy, Dennis Rousseau, and  
18 Bob Dismukes.

19 (Witnesses sworn en masse.)

20 JUDGE CORBETT: All right; a few more observations  
21 before I call the first witness. First, if you are reading  
22 from a prepared statement and you have an extra copy of your  
23 statement with you, please give it to the reporter before you  
24 start to testify. The reporter is to my far left.

25 Second, this is a public input hearing. Everyone who's

1 called to testify is a member of the public. Each witness  
2 has the right to give testimony free from any interruptions  
3 or comments from others and the like.

4 If there is any interruption of the testimony of any  
5 witness, I will admonish you. If you persist, I'll take a  
6 recess. If after we resume the hearing, it continues, then  
7 I'll terminate the hearing.

8 Third, I have not as yet imposed any time limit on the  
9 testimony of the witnesses. In light of the number of people  
10 who desire to testify at this proceeding, I do request that  
11 each person limit themselves to 10 minutes. Depending on how  
12 well this request is honored and the number of witnesses able  
13 to testify at this evening's proceedings, I will strictly en-  
14 force the time limit.

15 Fourth, when testifying, please do not repeat testimony  
16 that has already been given by another witness. Your testi-  
17 mony is just as valid by stating that your concerns about a  
18 particular issue are the same concerns expressed by others  
19 who have already testified. I can and I will stop a witness  
20 from giving testimony that is repetitious or duplicates test-  
21 imony already given by others.

22 Fifth, asking questions of a witness by any party will  
23 be limited to questions from parties with a position adverse  
24 to the particular witness. For example, parties for the  
25 applicant will not be permitted to cross examine witnesses

1     testifying in support of the application. Similarly, parties  
2     opposed to the applicant will not be permitted to cross  
3     examine witnesses who oppose the application.

4             With that, I'll call the first witness for this hear-  
5     ing. When I call your name, please come up to the podium and  
6     to the microphone. You'll be required under Section 331-D-5  
7     of the Public Utility Code to state your name, address and  
8     occupation and place of employment for the record. I would  
9     also ask you to spell your name for the court reporter.

10            With that, Mr. Bruce Sisson, come forward, please.

11            BRUCE SISSON, previously sworn, testified as follows:

12            JUDGE CORBETT: Would you please begin by giving us  
13     your name and spell your last name?

14            MR. SISSON: Good evening. My name is Bruce Sisson,  
15     S-i-s-s-o-n. And I'm a life long resident of Beaver County.  
16     I live at 100 North Brodhead Road, Aliquippa.

17            JUDGE CORBETT: What is your occupation, sir?

18            MR. SISSON: I'm a former construction employee at the  
19     Beaver Valley Nuclear Power Station. I'm currently general  
20     manager of Sargent Electric's Utility Division. I'm certain-  
21     ly concerned about the changes in the utility restructuring.

22            If you're not aware and if you're not from this side of  
23     the state, election day saw the defeat of a regional referen-  
24     dum targeted at enticing industries back to our area. It was  
25     defeated because of how it was to be funded, not that we

1 don't need to bring good jobs back to the area.

2 Manufacturing jobs with decent wages, we do need to  
3 attract them back here. We also need to protect the ones we  
4 already have. And our existing utility infrastructure repre-  
5 sents solid long term manufacturing facilities whose product  
6 is electricity.

7 In support of the APS-Duquesne Light Company merger, I  
8 feel a new company will be viable in a re-regulated market  
9 place. Duquesne, I believe, is a summer peak utility. APS  
10 is a winter peak company and the merger of the two should  
11 represent a company that can more efficiently utilize their  
12 facilities. This will allow the new company to compete on a  
13 more level playing field with the larger national power  
14 market.

15 In support of customer choice, competition is certainly  
16 good. How it is implemented must strengthen, not weaken, the  
17 local economy. Please be reminded that in Beaver County the  
18 local utilities represented at the Beaver Valley Power  
19 Station are an important part of our local economy. Thank  
20 you very much for your attention.

21 JUDGE CORBETT: Thank you. Any questions?

22 (No response.)

23 JUDGE CORBETT: No questions. Thank you very much, Mr.  
24 Sisson.

25 I neglected to introduce one person who is here this

1 evening from Commissioner Hanger's office and I apologize for  
2 that. That was an oversight that was not on my prepared re-  
3 marks. Mr. Ed McGovern is here from Commissioner John  
4 Hanger's office.

5 MR. McGOVERN: Thank you. My name is Ed McGovern,  
6 M-c-G-o-v-e-rn. I'm here representing Commissioner Hanger.  
7 The Commissioner could not be here this evening. But he usu-  
8 ally attends a lot of these public input hearings. What he  
9 likes to hear is your testimony, your sworn testimony, so  
10 that he may include that testimony in his deliberations, as  
11 may all the Commissioners then use that testimony. It is  
12 important.

13 In my 10 years with the Commission there hasn't been  
14 one public input hearing that hasn't added something very  
15 important to the testimony and to the record in that particu-  
16 lar case. And it seems that this one will be no different.  
17 So I would encourage all of you to participate by giving  
18 testimony tonight.

19 If you haven't signed up, I believe the Judge is going  
20 to give you another opportunity. If I'm wrong, I apologize.  
21 Thank you very much.

22 JUDGE CORBETT: Thank you, Mr. McGovern. You will have  
23 a chance to sign up if you have not already done so.

24 The next will be Paul Spickerman.

25 PAUL SPICKERMAN, previously sworn, testified as

1 follows:

2 JUDGE CORBETT: Would you begin by giving us your full  
3 name and spelling your last name?

4 MR. SPICKERMAN: Paul H. Spickerman,  
5 S-p-i-c-k-e-r-m-a-n. I live at 235 North Mercer Avenue, New  
6 Brighton, 15066.

7 JUDGE CORBETT: And your occupation, sir?

8 MR. SPICKERMAN: I'm a retired lineman from Duquesne  
9 Light. And I'm also the Mayor of New Brighton, the Borough  
10 of New Brighton. And I have served for 24 years as the mayor  
11 of our community.

12 JUDGE CORBETT: Very good. You may continue.

13 MR. SPICKERMAN: I would like to say that I have worked  
14 for Duquesne Light my entire career, which covered 38 years.  
15 I've been retired nine years so I'm a senior citizen.

16 It was and is a good company which provided me and many  
17 others in Beaver County the opportunity to earn a good living  
18 wage and to support our family.

19 I'm here tonight to support the merger between Duquesne  
20 Light and Allegheny Power Systems. I think the merger will  
21 benefit our community in some important ways. Duquesne Light  
22 is a significant employer in Beaver County. And I think the  
23 merged company will continue to maintain a large number of  
24 our employees in our community.

25 I think the community support and economic activity

1 that Duquesne Light has provided in many years of employment  
2 and as mayor will continue. This support is important to our  
3 community and development programs and in our efforts to  
4 create jobs.

5 From my personal experience, I know they have worked  
6 closely with our largest employer in our community,  
7 Tuscarora Plastics. And I know that the relationship will  
8 continue after this merger.

9 As a life long resident of New Brighton Borough and  
10 Beaver County and a retired employee of Duquesne Light, I  
11 believe the merged company offers the greatest opportunity to  
12 the region to keep these utility jobs in our community. It  
13 will offer our children the same quality of employment oppor-  
14 tunity that I have had and many others in the county have  
15 had.

16 If I could make one other comment about mergers and  
17 consolidations; we in our community about four or five years  
18 ago talked about merging our police departments. And we  
19 heard the same old cry from a lot of people, from young  
20 people, from senior citizen. They're afraid of changes.  
21 Changes are good if they're put in the right perspective.

22 But, anyhow, we went ahead and we tried to get this  
23 merger with our police departments. And the people came. We  
24 had hearings and they complained, "We won't get good serv-  
25 ice." We won't get this."

1 Well, our elected officials in the Borough of New  
2 Brighton, Daugherty Township and Pulaski went ahead and we  
3 did just a merger with our police departments. If you went  
4 to the people in all three communities today, they would tell  
5 you it's one of the greatest things that happened in our New  
6 Brighton area.

7 I just wanted to relate that to you. And I thank you  
8 for giving me the opportunity to participate tonight.

9 JUDGE CORBETT: Thank you, sir. Any questions?

10 (No response.)

11 JUDGE CORBETT: Robert Pieffer.

12 ROBERT PIEFFER, previously sworn, testified as follows:

13 MR. PIEFFER: My name is Robert Pieffer, P-i-e-f-f-e-r.  
14 I'm the county coordinator for the Salvation Army in Beaver  
15 County. I gave you, your Honor, my business address. But my  
16 home address is 306 Ridge View Drive, Darlington,  
17 Pennsylvania.

18 I guess I'm here to speak on a different issue. I'm  
19 here to support the merger on behalf of the 22 social agen-  
20 cies of the United Way of Beaver County. However, I would  
21 like to go on record stating that Duquesne Light has been a  
22 tremendous support to this community in the human service  
23 area.

24 I would hope that in any merger between Duquesne and  
25 Allegheny Power, that the presence would be maintained as it

1 is now with so many of the important people who are placed in  
2 this community.

3 Not only do the employees of Duquesne Light participate  
4 in this community in many activities that involve the human  
5 service community but they serve on the Board of United Way,  
6 the boards of the human service community. They are very  
7 active participants in the United Way drive. And they are  
8 also members of many of our own donor bases throughout the  
9 human service community.

10 The loss of any of these jobs would be critical to this  
11 community. It doesn't take much, as you already know as you  
12 go through western Pennsylvania, to realize within the last  
13 twenty years tens of thousands of jobs have been lost in this  
14 region.

15 It certainly would be my hope that if a merger was to  
16 take place, that deep consideration would be given to main-  
17 taining some corporate presence here in Beaver County as  
18 already exists, and that the tremendous presence of Duquesne  
19 Light which already plays a major role in our social service  
20 fabric would continue.

21 I want to say on behalf of the 22 agencies of the  
22 United Way that this is vital to us. We certainly know that  
23 the people we serve will benefit from any reduction of utili-  
24 ty costs. And so it's in that sphere that we're in favor of  
25 this proposal.

1           We certainly hope that as we move into the 21st centu-  
2 ry, that this merger will not only create perhaps new jobs  
3 for our community but will enable the constituency that we  
4 serve, in many cases the poorest of the poor, to be able to  
5 afford electricity and to be able to continue to live in this  
6 region. Thank you.

7           JUDGE CORBETT: Any questions?

8           (No response.)

9           JUDGE CORBETT: Thank you very much. Betty  
10 Schaughency.

11           BETTY SUE SCHAUGHENCY, previously sworn, testified as  
12 follows:

13           MS. SCHAUGHENCY: Good evening.

14           JUDGE CORBETT: Good evening.

15           MS. SCHAUGHENCY: My name is Betty Sue Schaughency,  
16 S-c-h-a-u-g-h-e-n-c-y. I live at 1031 Fourth Street in  
17 Beaver. I'm superintendent of the Beaver Area School  
18 District.

19           I'm here this evening to strongly support the merger.  
20 And I would like to speak on the human side, about the human  
21 side of Duquesne Light and about their role as a fine corpor-  
22 ate neighbor and a friend to education.

23           Beaver Area School District's relationship with  
24 Duquesne Light began in the summer of 1990 when as the new  
25 superintendent, I needed help to convince local educators

1 that writing was important. And so I thought if I could get  
2 the corporate community behind them and everybody would pitch  
3 in a little bit, we could bring a fine partnership to Beaver  
4 County educators.

5 So I called Joe Zagorski, who at that time was a vice-  
6 president at Duquesne Light and has since retired. But I  
7 sort of picked his brains and ran the idea by him about  
8 bringing in the writer, William Zinser.

9 That started a chain of events. So when I called  
10 Tuscarora Plastics, another firm in Beaver County, and when I  
11 called Michael Baker and I told them that I had talked with  
12 Joe Zagorski from Duquesne Light and Duquesne Light was  
13 willing to pitch in \$500.00 and would they be willing to  
14 pitch in \$500.00, they did. It was like the respect that  
15 Duquesne Light has and its leadership in the corporate com-  
16 munity that I experienced first hand.

17 And so any time that I really needed corporate help,  
18 the whole notion being everybody pitches in a little bit, it  
19 wouldn't cost anybody a lot and we could bring speakers to  
20 Beaver County. We could bring experienced educators to  
21 Beaver County that otherwise we wouldn't have been able to do  
22 with Duquesne Light the principal player in all of those  
23 projects.

24 The other is that in 1991 we became - Beaver Area  
25 School District and, I think, Big Beaver Falls and Aliquippa

1 became partnership schools with Duquesne Light. We were  
2 particularly interested in improving math and science in-  
3 struction.

4 Also, knowing that education is the key to the revital-  
5 ization of any region, over the years Duquesne Light did pro-  
6 vide us with a lot of many important things. They provided  
7 us with networking. They helped us collaborate with other  
8 organizations and other institutions, their Department of  
9 Public Relations.

10 But they helped support our initiative in mathematics  
11 and science. There was tree planting in relation to conser-  
12 vation at one of our elementary schools. They've sponsored  
13 students to attend conservation leadership schools at Penn  
14 State. They sponsored technology clubs in our middle school  
15 and our high school.

16 They connected us with the University of Duquesne in a  
17 program called Duquesne Too Cares. It's a joint project of  
18 Duquesne Light and the University of Duquesne where they  
19 bring elements of science teaching together in courses. Each  
20 semester really helps them on how to teach a hands-on ap-  
21 proach in science.

22 They have given scholarships each year, I think, since  
23 1992 to one of our minority students. They've helped us pur-  
24 chase TI calculators for our math department. They've pro-  
25 vided conflict mediation training for our middle school high

1 school teachers.

2 And this summer they again, as one of the corporate  
3 sponsors, provided local support to bring the University of  
4 Pittsburgh Writing Institute for Teachers to Beaver County.

5 I believe that Duquesne Light cares about the communi-  
6 ty. They recognize - and I'll reiterate they recognize how  
7 critical education is to the revitalization of this region.  
8 With this merger. I understand Duquesne Light will remain a  
9 vital presence in our community. Therefore, I strongly  
10 support the merger.

11 JUDGE CORBETT: Thank you. Any questions?

12 (No response.)

13 JUDGE CORBETT: Thank you very much. The next witness  
14 is Peggy Williams.

15 PEGGY W. BETLYN, previously sworn, testified as  
16 follows:

17 MS. BETLYN: My name is Peggy Williams Betlyn,  
18 B-e-t-l-y-n. My address is 103 Nottingham Drive in  
19 Coraopolis. I am president of the Community College of  
20 Beaver County. However, tonight I'm speaking as the pres-  
21 ident of the Beaver County Chamber of Commerce.

22 The Chamber of Commerce has passed a resolution sup-  
23 porting the merger between Duquesne Light and Allegheny  
24 Power. And I'd like to read that resolution.

25 "Whereas, the introduction of competition into

1 regulated industries, such as telephone, airline, banking, et  
2 cetera, has resulted in lower prices, equal or improved  
3 service and innovations that will benefit Beaver County  
4 businesses and customers, and,

5 "Whereas, the deregulation of the production of elec-  
6 tric power is designed to create a system that fosters the  
7 development of advanced economic and operational efficiencies  
8 for Beaver County, and,

9 "Whereas, the Pennsylvania Public Utility Commission  
10 and the Pennsylvania Legislature have studied the impact of  
11 the deregulation of supplying power and enacted the  
12 Electricity Generation Customer Choice and Competition Act to  
13 expedite the implementation of electric power competition,  
14 and,

15 "Whereas, Pennsylvania's Customer Choice law recognizes  
16 that for a fair and orderly transition to competition, utili-  
17 ties should be provided the opportunity to recover prudent  
18 transition costs as determined by the PUC, and,

19 "Whereas, the deregulation of power supply will open  
20 opportunities for the four local power producers in Beaver  
21 County to compete in the emerging regional national market-  
22 place for electricity, and,

23 "Whereas, the expanded marketplace will provide new and  
24 expanded opportunity and direct benefits for the Beaver  
25 County area, and,

1           "Whereas, additional job opportunities will be added to  
2 the estimated 2,000 directly existing jobs which will result  
3 in revenue and economic development for the Beaver County  
4 area, and,

5           "Whereas, Pennsylvania's Customer Choice law recognizes  
6 in the emerging national marketplace the merger of comple-  
7 mentary companies with neighboring utilities will enable  
8 Pennsylvania companies to effectively compete to achieve  
9 optimum cost efficiencies and economies of scale,

10           "Be it resolved, that the Beaver County Chamber of  
11 Commerce does hereby:

12           "Support the expeditious restructuring of the electric  
13 utility industry to provide competitive electric power prices  
14 to Beaver County businesses and residences, and,

15           "Encourages the PUC to carefully consider the interests  
16 of all stakeholders in their decisions related to the recov-  
17 ery of stranded costs and all other terms and conditions dur-  
18 ing the transition to Customer Choice, and,

19           "Supports the merger of Allegheny Power and Duquesne  
20 Light so that with the combined strengths of these two local  
21 companies, the Beaver County area will be able to compete and  
22 benefit from increased national competition."

23           Thank you.

24           JUDGE CORBETT: Thank you. Any questions?

25           (No response.)

1 The next witness is Gene Pash.

2 GENE PASH, previously sworn, testified as follows:

3 MR. PASH: My name is Gene Pash, P-a-s-h. I live at  
4 307 Beadling Road, Mt. Lebanon, Pennsylvania, 15228. I'm  
5 here tonight as the general manager of the Ambridge Regional  
6 Distribution and Manufacturing Center located in Beaver  
7 County. I represent Value Properties, a New York developer  
8 and owner of the Ambridge Center.

9 And speaking as their general manager, I'd like to  
10 impart to you the cooperation that we found when we came to  
11 this region and began the development of a former steel mill,  
12 now classified as a brown field site.

13 It's been our experience through the economic develop-  
14 ment program here in this region that Duquesne Light has  
15 played a vital role in the resurgence of this community. We  
16 look forward to working with them in their new position as  
17 Allegheny Energy Systems with this merger taking place.

18 The merger assures us of continued reliable, highly  
19 stable electric power, which we find is vital to the tenants  
20 and manufacturers that come to our business park to conduct  
21 their business. Duquesne Light has a very highly reliable  
22 source of electricity. Their outages are minimal and their  
23 tight tolerance of providing stable electric power is next to  
24 none in this region.

25 We believe also that the merger, when it takes place,

1 will allow Duquesne Light and Allegheny Energy to become more  
2 competitive and lower their rates by blending the two strong  
3 points and the assets of both companies; one being a suburban  
4 winter supplier of electricity, the other being an urban  
5 summer load supplier of electricity. We find this is best  
6 utilizing the equipment and manpower currently in place in  
7 both organizations.

8 We also support this merger to promote the stable work  
9 force that we now have in the Beaver County region. We find  
10 that the generating stations here employ a large group of  
11 people and residents. And we'd love to see that continue.

12 We also feel with the resurgence of this region and  
13 this region being centered in the City of Pittsburgh, a major  
14 city of this size, with the diffusion we all have, the econ-  
15 omic development, the revitalization, it's only right and  
16 fitting that we have our own strong stable generating facil-  
17 ities and manpower to staff them.

18 Duquesne Light has already displayed a concern for the  
19 environmental issues we're all concerned with today. And  
20 they are leaders in clean air-clean water programs. They're  
21 actually setting new standards for this industry.

22 We very much support the merger to go forward, your  
23 Honor. Thank you for your time.

24 JUDGE CORBETT: Any questions?

25 (No response.)

1 JUDGE CORBETT: Thank you very much. Michael Desimone.

2 MICHAEL DESIMONE, previously sworn, testified as

3 follows:

4 MR. DESIMONE: I'm Mike Desimone, D-e-s-i-m-o-n-e. I  
5 live at 18 Farm Crest Drive, Cecil, Pa. I'm the vice-presi-  
6 dent of Foster Wheeler, a utility contractor. We work across  
7 the United States. And I believe that competition is good  
8 for the consumer and that Pennsylvania utilities need to be  
9 ahead of the other states before they deregulate. And our  
10 utilities need to be able to restructure to compete. And I  
11 support Duquesne Light's restructuring.

12 Our utilities will be in competition with larger util-  
13 ities across the country. And I believe that the smaller  
14 utilities will not survive. Duquesne Light and Allegheny  
15 Power should be allowed to merge so that we can retain a  
16 strong regional utility.

17 Duquesne Light and Allegheny Power are both good com-  
18 panies. They spur our local growth. They provide jobs  
19 through their own employees, through the construction indus-  
20 try, through manufacturing and many satellite industries.

21 I support the merger between Duquesne Light and  
22 Allegheny Power. I think it's good for our local utilities  
23 and I think it's good for us. Thank you.

24 JUDGE CORBETT: Thank you, sir. Any questions?

25 (No response.)

1 JUDGE CORBETT: Jeff Davis.

2 JEFF DAVIS, previously sworn, testified as follows:

3 MR. DAVIS: Good evening, your Honor.

4 JUDGE CORBETT: Good evening.

5 MR. DAVIS: My name is Jeff Davis. My address is 313  
6 Leatherbark, L-e-a-t-h-e-r-b-a-r-k Road, Cranberry Township,  
7 Pennsylvania. I am president of the Labor Council of Beaver  
8 County. I'm also president of Local Union 140, International  
9 Brotherhood of Electrical Workers.

10 My local union along with five other IBEW local unions  
11 represent approximately 2,000 employees of Duquesne Light, of  
12 which I'm also an employee. I'm here tonight to speak on  
13 behalf of the employees and on behalf of my union to tell you  
14 our position on this merger between Duquesne Light and  
15 Allegheny Power Systems.

16 Some background; in 1994 Congress passed the Energy  
17 Policy Act that began to create changes across the country.  
18 The international union has kept us well informed of what  
19 these changes are. We've seen going on mergers, buyouts,  
20 acquisitions, even sometimes some attempts at hostile merg-  
21 ers.

22 We also feel, as we heard a moment ago, that Duquesne  
23 Light was not large enough to survive in the industry.  
24 Inevitably it was going to be part of some type of merger.  
25 And potentially if they didn't try to merge with somebody

1 friendly, it could be a hostile merger, which we felt would  
2 be harmful undoubtedly to our union membership as well as the  
3 employees of Duquesne Light.

4 For these reasons, we do support this merger. We feel  
5 that Duquesne Light cannot manage to keep a generation that's  
6 a separate entity. It would not be able to survive as a  
7 generation company. Size matters in the new world of elec-  
8 tric utilities. And it needed to be partners with somebody  
9 that wanted to be in the generation business.

10 We know that one of our neighboring utilities, GPU,  
11 commonly called Penelec, has decided to sell off its genera-  
12 tion, for example. We didn't want to see that happen. It  
13 would create uncertainties for the members that we represent.

14 We realize that our plant is vital to the community.  
15 As you've heard, our union members along with the other em-  
16 ployees of the company have been vital in the community in  
17 all sort of things besides the social service agencies. Our  
18 employees in the company are involved in the school district.  
19 They're involved with their children through the schools,  
20 through the Little Leagues, soccer games and so on.

21 It's important to realize that they pay taxes in their  
22 local communities, that they frequent the businesses in their  
23 local communities, and that they are, as we heard, the fabric  
24 of their local communities.

25 I would be remiss if I didn't mention the fact that

1 tonight I've been lucky enough not to hear anything negative  
2 about this merger but we do know that there are groups op-  
3 posed that we will be hearing. We know that the City of  
4 Pittsburgh has decided to fight this merger. We know that  
5 their written testimony asks some things that we can't live  
6 with as a union.

7 They ask that Duquesne Light suggest that PUC have  
8 Duquesne Light shut down its generation, particularly one  
9 station. And I'd have to say that for a city that's fighting  
10 to keep 750 jobs in a coke plant or they should be, they've  
11 got to realize that our generating stations are factors, too.  
12 They don't make coke. They don't make steel but they do make  
13 a product. And that product is electricity.

14 It's vital to the region. Everyone depends on it. Our  
15 membership goes out and operates the plants that generate the  
16 power. We also supply the linemen, as you've heard from one  
17 of our retirees. They go out and deliver it reliably to our  
18 customers.

19 We feel that the generating jobs to be lost if the City  
20 of Pittsburgh's request and Mayor Tom Murphy's was heard,  
21 that we would lose 1,500 jobs right there. I think it's also  
22 important to note that our headquarters in Pittsburgh employs  
23 hundreds of people and that these jobs could be in jeopardy  
24 if we were taken over by a hostile takeover that decided to  
25 operate the company remotely rather than a friendly takeover,

1 as we see this.

2 We realize we could lose some jobs but we feel any job  
3 loss incurred would be minimal with this merger versus other  
4 mergers. For these reasons, we'd like to support this merger  
5 and go on record for it.

6 JUDGE CORBETT: Mr. Davis, I just read the testimony  
7 the other day of the City of Pittsburgh. And I don't remem-  
8 ber; which power plant was it that they were referring to be  
9 shut down? Was that the Elrama?

10 MR. DAVIS: Yes, the Elrama Power Station.

11 JUDGE CORBETT: And how many jobs would you say are  
12 involved in that plant?

13 MR. DAVIS: Well, I know that between the union and  
14 management jobs, there's approximately 1,500 employees in all  
15 our generating stations. I'm not sure, I think it's 200 some  
16 at Elrama. But I can't quote a number for certain.

17 JUDGE CORBETT: Any other questions?

18 (No response.)

19 JUDGE CORBETT: Thank you very much. Dr. Paul Dinello?

20 PAUL DINELLO, JR., previously sworn, testified as  
21 follows:

22 DR. DINELLO: My name is Paul Dinello, D-i-n-e-l-l-o,  
23 Jr. I'm the superintendent of schools in the Aliquippa  
24 School District, Aliquippa, Pennsylvania. My personal home  
25 address is 705 Laughlin, L-a-u-g-h-l-i-n, Street, Aliquippa,

1 Pennsylvania, 15001.

2 Judge Corbett, ladies and gentlemen sitting here in  
3 this room this evening, speaking in regard to Duquesne Light  
4 and their procedure to move forward, I have to tell you as  
5 the superintendent of schools, the poorest school district in  
6 Beaver County with 65 percent minority student population and  
7 85 percent free or reduced lunch, when I first took on this  
8 task, I had a major, major operation to handle, strictly not  
9 only the educational situation but the poverty level.

10 Duquesne Light along with Joe Zagorski and Estella  
11 Smith became my right arm. At Aliquippa we lack academic  
12 materials. We lack things we need to keep our structure  
13 moving the way we can as far as size is concerned so we can  
14 compete.

15 And Duquesne Light came and filled my classrooms at the  
16 middle school with 30 microscopes and the slides to go with  
17 them. Duquesne Light came to our school and gave 550 kids an  
18 opportunity to go to the Science Center in Pittsburgh and  
19 paid for everything. Duquesne Light has given us computers  
20 to use. They've given us furniture to use. They have given  
21 us an opportunity to push ourselves forward.

22 I don't want to go on and on and on about how great  
23 Duquesne Light is because I think I'm giving you the picture.  
24 Duquesne Light is good for our community. We need them more  
25 than we need any other organization. They've helped us

1 because they've always been there for us. The need is there  
2 and Duquesne Light has been there for us.

3 And I'm here to tell you, ladies and gentlemen, we're  
4 dealing with a first class operation. They've treated us  
5 first class. And whatever venture that they choose to take  
6 I, along with the Board of Education and the entire Aliquippa  
7 population support Duquesne Light in their venture with their  
8 merger. Thank you.

9 JUDGE CORBETT: Thank you, sir. Any questions?

10 (No response.)

11 JUDGE CORBETT: Thank you very much. Michael Clancy?

12 MICHAEL CLANCY, previously sworn, testified as follows:

13 MR. CLANCY: Good evening. My name is Michael Clancy,  
14 C-l-a-n-c-y. My home address is R. D. Two, Box 476,  
15 Aliquippa, Pa., 15001. I'm an employee of Duquesne Light and  
16 I'm also the mayor of Shippingport even though I have an  
17 Aliquippa address.

18 I'm here in support of the merger, not only as an  
19 employee but also as an elected official. These plants, par-  
20 ticularly the two nuclear power plants, have brought a tax  
21 base in for our community. They have supported our community  
22 in many, many ways. They support our fire department, they  
23 support our Emergency Management Commission. I'm also the  
24 Emergency Management Coordinator.

25 I would just like to go on record in agreement with

1 everyone else without repeating that I am in support of the  
2 merger 100 percent. Thank you.

3 JUDGE CORBETT: Thank you. Any questions?

4 (No response.)

5 JUDGE CORBETT: Thank you very much. Dennis Rousseau.

6 DENNIS ROUSSEAU, previously sworn, testified as

7 follows:

8 MR. ROUSSEAU: Good evening. I'm Dennis Rousseau, 2062  
9 Darlington Road, Beaver Falls. I'm the business agent for  
10 the Carpenter's Regional District Council of Western  
11 Pennsylvania. And I cover Beaver and Butler Counties. I'm  
12 also president of Beaver County Building Trades.

13 Beaver County Building Trades wants to go on record as  
14 supporting this merger. We've been very fortunate to have an  
15 employer, even though we do not work directly for Duquesne  
16 Light. We work at their site. We've worked at their site  
17 approximately 25 odd years.

18 In the late '80s, approximately 1986, we were fortunate  
19 enough to sign a national maintenance agreement. What this  
20 agreement basically says is that we've taken a pay cut, a 10  
21 percent pay cut to work at this site. But it guarantees us  
22 one hundred percent union building trades workers at this  
23 site.

24 Duquesne Light is a tough customer but they're fair.  
25 That's what we like about them. We're used to dealing with

1 tough customers but none as fair as Duquesne Light.

2 At one time or another 22 trades have worked at this  
3 site, 22 union building trades. That's skilled craftsmen.  
4 We've been told many times that we're the most skilled people  
5 they've ever had on site.

6 They're good construction paying jobs. We can't afford  
7 to lose them. During the outage which is going on right now  
8 and approximately will be done maybe in a week or two, our  
9 payroll in construction alone is between 1.2 and 1.5 million  
10 dollars a week; not a month but a week. We can't afford to  
11 lose those jobs.

12 We support this merger. During a year's time we prob-  
13 ably employ 50 to 60 construction workers year round. These  
14 are jobs that the business agents don't have to worry about.  
15 These men are going to work here the year round. They're not  
16 guaranteed jobs, we obviously know, if this merger possibly  
17 doesn't go through and Duquesne is not able to sustain itself  
18 and has to shut down. We've seen what happened with the  
19 steel mills. We cannot afford to loose a contractor - I  
20 should not say contractor but an employer such as this.

21 I'm presently not a Duquesne Light customer but I was a  
22 Duquesne Light customer at one time. And one thing I do not  
23 complain about is my light bill. I've made too much money at  
24 the Duquesne Light site. I'm more than happy to pay the  
25 monthly bills I get.

1 I know that without Duquesne Light, we'd have a lot of  
2 people in the unemployment lines. We know that the steel  
3 mills are gone. They were the number one employer at one  
4 time. We cannot afford to lose any more good employers,  
5 especially ones that are as good to us as Duquesne Light.

6 On a lighter side, I'm also president of PTG Divine  
7 Mercy Academy. When you work with a Catholic grade school,  
8 you're always looking for donations and handouts. A good  
9 friend of mine - I needed computers for our school. I called  
10 Tom Woodske. He put me in touch with the right people. It  
11 took about a month or so but they donated the computers.  
12 These are the kind of people we cannot afford to lose. Thank  
13 you.

14 JUDGE CORBETT: Any questions?

15 (No response.)

16 JUDGE CORBETT: Thank you very much, sir. Bob  
17 Dismukes.

18 BOB DISMUKES, previously sworn, testified as follows:

19 MR. DISMUKES: My name is Bob Dismukes,  
20 D-i-s-m-u-k-e-s. I live at 223 Louthan, L-o-u-t-h-a-n, Road,  
21 Darlington, Pennsylvania. I'm retired.

22 JUDGE CORBETT: Before you were retired, sir, what was  
23 your occupation?

24 MR. DISMUKES: I spent 20 years in the steel mills as  
25 an industrial engineer. I spent 20 years as a purchasing

1 manager at Babcock and Wilcox in construction equipment. And  
2 I'm now on a part time basis. I spent the last 10 years as a  
3 financial planner.

4 JUDGE CORBETT: Thank you.

5 MR. DISMUKES: I do support the merger of Duquesne  
6 Light and Allegheny Power. But I do have to relate some  
7 prior history which I think will impose upon the stranded  
8 cost situation. So I guess I'm going to be the first person  
9 that's going to say something a little negative about this.

10 But, again, I support it because the prior history  
11 proves that Duquesne Light needs all the help they can to  
12 improve their costs. The information that I'm going to give  
13 to you comes out of two booklets which were in the library at  
14 Community College.

15 One is Nuclear Power Goes On Line, A History of  
16 Shippingport, written by William Beaver. It was published in  
17 1990. The other is a power manual by Richard Munson.

18 I firmly believe, again, that we should support this  
19 merger. But I do not think that in all good conscience that  
20 the PUC should carry on stranded costs because those stranded  
21 costs resulted from poor management on the part of Duquesne  
22 Light. And the ratepayers are paying for this poor manage-  
23 ment.

24 For instance, Beaver Valley Number One, they estimated  
25 that the cost would be \$147,000,000. It actually cost six

1 hundred forty million dollars, more than four times as much.  
2 Oyster Creek in New York, which is about the same size, had  
3 operating costs that were \$66,000,000 lower than Duquesne's  
4 Beaver Valley Number One. It's interesting, also, that those  
5 plants cost four times as much as our plants and they were  
6 about the same size.

7 Further, when it became clear that there wasn't a need  
8 for all the power, Duquesne sold their portion of Power  
9 Number One for two cents on the dollar. That's poor manage-  
10 ment. The ratepayers paid for that. The ratepayers paid for  
11 the extra costs.

12 And I think that we need to go ahead with this merger  
13 but I think that the PUC has to take a very hard look at  
14 passing on stranded costs which the public ratepayers have  
15 been pay since 1988.

16 Now, whether you can eliminate them or reduce them, I  
17 don't know. But with those facts and figures behind you, I  
18 don't think the public needs to support that kind of poor  
19 management in the future. I hope with the merger that there  
20 will be major improvements. Thank you very much.

21 JUDGE CORBETT: Thank you, sir. Any questions?

22 (No response.)

23 JUDGE CORBETT: Thank you very much. Is there anyone  
24 else that wishes to testify who I have not called at this  
25 time?

1 (No response.)

2 JUDGE CORBETT: Well, that appears to be all we're  
3 going to hear this evening.

4 A few comments before I adjourn the hearing. All the  
5 witnesses who testified this evening have been articulate and  
6 presented their positions very well. And I want you to know  
7 that your comments will be taken under advisement by both  
8 myself and the Commission when it sits down to decide these  
9 two cases. Everything that you said here this evening has  
10 gone into the record and will be taken into consideration.

11 I thank you for coming out this evening. I thank you  
12 for your patience and cooperation during this hearing. And  
13 the hearing is now adjourned. Thank you very much.

14 (Whereupon, at 8:05 p.m., the hearing recessed.)  
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1 I here by certify that the evidence and proceedings are  
2 contained fully and accurately in the notes taken by me  
3 during the hearing of the within cause, and that this is a  
4 true and correct transcript of the same.

5  
6 Janet A. Jackson  
7 JANET A. JACKSON,  
8 Court Reporter  
9

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11 apply to any reproduction of the same by any means unless  
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