

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 2, 2013

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

RE: Pennsylvania Public Utility Commission,
et al. v. Duquesne Light Company
Docket No. R-2013-2372129

Dear Secretary Chiavetta:

Enclosed 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 that reads "Amy E. Hidakis".

Amy E. Hidakis
Assistant Consumer Advocate
PA Attorney I.D. # 310094

Enclosures

cc: Honorable Conrad A. Johnson
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2013-2372129
Office of Consumer Advocate	:	C-2013-2379084
Office of Small Business Advocate	:	C-2013-2380474
Jacquelyn and Robert Miller	:	C-2013-2383835
Gwendolyn L. LeVert	:	C-2013-2383980
	:	
v.	:	
	:	
Duquesne Light Company	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to the Prehearing Conference Order of Administrative Law Judge Conrad A. Johnson, Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in anticipation of the Prehearing Conference scheduled for Friday, October 4, 2013, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION AND BACKGROUND

On August 2, 2013, Duquesne Light Company (DLC or Company) filed Tariff Supplement No. 81 to Tariff Electric - Pa. P.U.C. No. 24 (Supplement No. 81) at Docket No. R-2013-2372129. The Company is engaged in the business of furnishing electric utility service to approximately 588,000 customers in the greater Pittsburgh region, specifically in Allegheny and Beaver Counties. Through Supplement No. 81, DLC proposes to increase rates to produce additional annual operating revenues of \$76.3 million per year, or an overall increase of approximately 17% in annual distribution revenues. For the residential customer class, DLC is

proposing an overall increase in rates of \$53.1 million, or approximately 70% of the requested increase. A residential customer using an average of 600 kWh per month will see their total bill increase from \$77.77 per month to \$86.00 per month, an increase of \$8.23 per month or 10.58% on a total bill basis (distribution, transmission, generation).

As part of this increase, the Company is proposing to increase the residential customer charge from \$7.00 to \$15.00. The Company's proposed rate increase, if approved, would produce an 8.36% overall rate of return on its original cost rate base, including an 11.25% rate of return on common equity.

On August 9, 2013, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On August 16, 2013, the OCA filed a Formal Complaint, Public Statement and Notice of Appearance. The Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement and Notice of Appearance on August 22, 2013. Petitions to Intervene have been filed by the International Brotherhood of Electrical Workers, Local 29, on August 14, 2013; United States Steel Corporation on September 6, 2013; Citizen Power, Inc. on September 10, 2013; Community Action Association of Pennsylvania on September 23, 2013; CAUSE-PA on September 25, 2013; and Interstate Gas Supply, Inc. on September 27, 2013.

By Order entered September 26, 2013, the Commission suspended the Company's proposed Supplement No. 81 until May 1, 2014, and referred this proceeding to the Commission's Office of Administrative Law Judge for hearings. The proceeding was assigned to Administrative Law Judge (ALJ) Conrad A. Johnson, and a prehearing conference is scheduled for Friday, October 4, 2013.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of DLC's base rate filing, the Office of Consumer Advocate has compiled a list of issues, which it anticipates will be included in its investigation of the Company's request. It is anticipated that issues in addition to those enumerated below may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed. The OCA reserves the right to present any new or unanticipated issues at such time.

As soon as the OCA has had the opportunity to review the answers to interrogatories, the OCA anticipates that informal discovery meetings may be scheduled. At those meetings and discussions, the OCA will be able to narrow the scope of additional information requests. Once the discovery process is complete, the OCA will file direct testimony setting forth the specific issues to be addressed in this proceeding. At that time the OCA will also be able to make and quantify its specific recommendations.

The list of issues and sub-issues set forth below will be analyzed and presented as appropriate by the OCA with the assistance of OCA's expert witnesses:

A. Rate of Return

The OCA will perform a detailed analysis of the cost of common equity claimed by DLC. The OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim of 11.25%. In particular, the OCA will review the cost of equity models and how they have been utilized. DLC's investment risk relative to that of the electric industry barometer group will also be evaluated. The OCA will examine the capital structure and long-term and short-term debt cost rates proposed by DLC so as to determine if they are accurate and appropriate.

B. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of the projections of DLC pertaining to the utility plant in service during the periods relevant to this proceeding including, but not limited to, whether the fully forecasted test year plant will be completed as claimed and whether retirements are accurately reflected. The OCA will review the Company's claim for plant additions during the projected rate year to determine if the Company has demonstrated that all such costs are prudently incurred and whether the claimed plant is a proper reflection of that which will be in service during the rate year. The OCA will investigate whether the Company's claimed depreciation reserve reduction of rate base is appropriate. The OCA will examine the Company's claims of cash working capital, deferred income taxes, and customer deposits to determine whether they are at levels appropriate for use in setting base rates for DLC. Further, the OCA will examine the Company's use of a fully forecasted future test year in its filing.

C. Revenues and Expenses

The OCA will evaluate the reasonableness and accuracy of the Company's proposed revenues. The OCA will examine the appropriateness, reasonableness, and accuracy of the Company's expense claims, including but not limited to wages and benefits, rate case expenses, service company charges, outside service, uncollectible accounts, pensions and OPEBs, as well as other categories of expenses. The OCA will also review the claimed allowance for depreciation to ensure that it properly reflects plant that will be in service during the rate year and that the underlying service lives and the proposed accrual rates are reasonable.

D. Rate Structure/Cost of Service/Rate Design

The OCA will examine DLC's Class Cost of Service Study, with particular regard to appropriate and Commission-approved methods to allocate secondary lines, poles and

transformers, and the proper recognition of weighting of various Customer Service, Accounting, and Information expenses between classes. The OCA will examine the Company's Class Revenue responsibility and apportionment of the revenue increase given cost of service results, as well as recognition of other relevant factors and ratemaking principles. Also, the OCA will examine the Company's proposed rate design, including its proposed increase to the residential customer charge from \$7.00 to \$15.00.

E. Universal Service Programs

The OCA will review the Company's Customer Assistance Programs, specifically examining DLC's proposed modification to its CAP cost offsets. The OCA will also examine cost and recovery issues associated with DLC's CAP shopping plan, which the Company proposed in its Universal Services and Energy Conservation Plan proceeding at Docket No. M-2013-2350946. The OCA will also review the reasonableness of customer service, including privacy protections for personally identifiable information and the Company's communications during major storm events

F. Other Issues

The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes, any relevant issues that arise as a result of the Company's operations, and will investigate to ensure that the Company is complying with all prior orders.

III. WITNESSES

The OCA intends to present direct, rebuttal, and surrebuttal testimonies of the witnesses identified herein, as may be necessary. Each 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 hard copies of all interrogatories, testimony, and answers to interrogatories be emailed directly to the OCA's expert witnesses, as well as emailing and mailing a copy to counsel for the OCA.

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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 Officer and all parties of record will be notified promptly.

IV. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert

witnesses as well as the testimony of the other parties to the proceeding. The OCA will present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Company through discovery and cross-examination.

V. PROCEDURAL RULES / DISCOVERY

In order to effectively investigate and adequately develop a record in this matter, the OCA requests a modification of the Commission's procedural rules regarding discovery on a going-forward basis, as set forth below:

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
2. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories.
3. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.
4. Answers to motions to dismiss objections and/or answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
5. Ruling over such motions shall be issued, if possible, within seven (7) calendar days of the filing of the motion.
6. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
7. Answers to on-the-record data requests shall be served in-hand within seven (7) calendar days of the requests.
8. The OCA proposes that any discovery served after 12 noon on a Friday or the day before a holiday will be deemed to have been served on the following business day for purposes of tracking due dates.
9. The OCA proposes that all discovery due dates be "in-hand" and that electronic or fax service on the due date will satisfy the "in-hand" requirement, where such service is immediately followed by a hard copy sent by first-class mail.

VI. PUBLIC INPUT HEARINGS

The OCA requests that one public input hearing be held in the Company's service territory. The OCA believes that the amount of the proposed rate increase and the large number of customers affected necessitates a public input hearing being scheduled in this rate case. The OCA suggests that the Public Input Hearing be held in the Pittsburgh area the week of October 28-November 1, 2013.

VII. SERVICE ON THE OFFICE OF CONSUMER ADVOCATE

The OCA will be represented in this case by Assistant Consumer Advocates Candis A. Tunilo, David T. Evrard and Amy E. Hirakis. Two copies of all documents should be served on the OCA as follows:

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VIII. PROPOSED SCHEDULE

The OCA has worked with the parties to develop the following litigation schedule for the ALJ's consideration. It is the OCA's understanding that the proposed litigation schedule has been agreed to by the parties to this matter.

PROPOSED SCHEDULE

Other Parties' Direct Testimony	November 1, 2013 at noon
Rebuttal Testimony	November 26, 2013
Surrebuttal Testimony	December 9, 2013
Rejoinder Outlines	December 13, 2013 at noon
Hearings (including oral rejoinder)	December 16-17, 2013 and December 20, 2013
Main Brief	January 6, 2014
Reply Brief	January 17, 2014

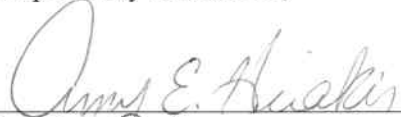
IX. SETTLEMENT

The OCA is willing to engage in settlement discussions with the Parties.

X. MISCELLANEOUS

The OCA requests that the Company be directed to serve the active parties with Main Brief attachments Tables 1 and 2 with DLC's updated rate filing calculations within seven (7) days of the close of the record. This will allow all the parties to begin with the same Company values when completing the parties' recommended adjustments in the Tables and avoid confusion for the ALJ and Commission.

Respectfully Submitted,



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October 2, 2013

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CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission, *et al.* v. Duquesne Light Company
Docket No. R-2013-2372129

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 2nd day of October 2013.

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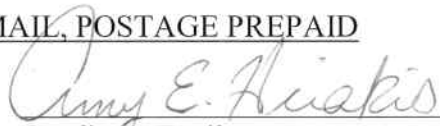
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