



17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
717-731-1970 Main  
717-731-1985 Main Fax  
www.postschell.com

---

Anthony D. Kanagy

akanagy@postschell.com  
717-612-6034 Direct  
717-731-1985 Direct Fax  
File #: 152193

October 2, 2013

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

Enclosed please find the Prehearing Memorandum of Duquesne Light Company in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Sincerely,



Anthony D. Kanagy

ADK/skr  
Enclosure

cc: Certificate of Service  
Honorable Conrad A. Johnson

## CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

### VIA E-MAIL AND FIRST CLASS MAIL

Charles Daniel Shields, Esquire  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

Candis A. Tunilo, Esquire  
David T. Evrard, Esquire  
Amy E. Hirakis, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Sharon E. Webb, Esquire  
Small Business Advocate  
Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Scott J. Rubin, Esquire  
Public Utility Consulting  
333 Oak Lane  
Bloomsburg, PA 17815  
*Counsel for International Brotherhood  
Of Electrical Workers, Local 29*

Derrick P. Williamson, Esquire  
Barry A. Naum, Esquire  
Spilman Thomas & Battle  
1100 Bent Creek Boulevard, Suite 101  
Mechanicsburg, PA 17050  
*Counsel for United States Steel Corporation*

Charlie King  
Edward D. Christian  
Snavelly King Majoros & Assoc., Inc.  
4351 Garden City Drive, Suite 350  
Landover, MD 20785  
*Consultants on behalf of the  
Office of Consumer Advocate*

Theodore S. Robinson  
Citizen Power Inc.  
2121 Murray Avenue  
Pittsburgh, PA 15217  
*Counsel for Citizen Power*

Pamela C. Polacek, Esquire  
Teresa K. Schmittberger, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street  
PO Box 1166  
Harrisburg, PA 17108-1166  
*Counsel for Duquesne Industrial Intervenors*

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak LLP  
100 N. 10th Street  
PO Box 1778  
Harrisburg, PA 17101  
*Counsel for Interstate Gas Supply, Inc.*

Harry S. Geller, Esquire  
Patrick Cicero, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101-1414  
*Counsel for Coalition for Affordable Utility  
Services and Energy Efficiency in PA*

Joseph L. Vullo, Esquire  
Burke Vullo Reilly Roberts  
1460 Wyoming Avenue  
Forty Fort, PA 18704  
*Counsel for Community Action Association  
of PA*

**VIA FIRST CLASS MAIL:**

Jacquelyn and Robert Miller  
3011 May Street Exit  
Pittsburgh, PA 15234

Gwendolyn Levert  
431 Kenmawr Avenue  
Apartment 1  
Rankin, PA 15104

Date: October 2, 2013

  
Anthony D. Kanagy

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No.	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
Duquesne Industrial Intervenors	:		C-2013-2385292
	:		
v.	:		
	:		
Duquesne Light Company	:		

**PREHEARING CONFERENCE MEMORANDUM  
OF DUQUESNE LIGHT COMPANY**

Pursuant to 52 Pa. Code § 5.224(c) and Administrative Law Judge Conrad A. Johnson’s (the “ALJ”) Prehearing Conference Order dated September 26, 2013, Duquesne Light Company (“Duquesne Light” or the “Company”) hereby submits this Prehearing Conference Memorandum.

**I. PROCEDURAL HISTORY**

1. This proceeding was initiated on August 2, 2013, when Duquesne Light filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 81 to Duquesne Light’s Tariff – Electric Pa. P.U.C. No. 24 (“Supplement No. 81”). Supplement 81, issued to be effective October 1, 2013, proposes changes to Duquesne Light’s base retail distribution rates designed to produce an increase in revenues of approximately \$76.3 million, based upon data for a fully projected future test year ending April 30, 2015. The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

2. On August 9, 2013, the Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

3. On August 14, 2013, a Petition to Intervene was filed by the International Brotherhood of Electrical Workers, Local 29.

4. On August 16, 2013, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance and Formal Complaint at Docket No. C-2013-2379084. Duquesne Light filed an Answer on August 29, 2013.

5. On August 26, 2013, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint at Docket No. C-2013-2380474. Duquesne Light filed an Answer on September 5, 2013.

6. On September 6, 2013, a Petition to Intervene was filed by the United States Steel Corporation (“U.S. Steel”).

7. On September 10, 2013, a Petition to Intervene was filed by Citizen Power, Inc.

8. On September 23, 2013, a Petition to Intervene was filed by the Community Action Association of Pennsylvania (“CAAP”).

9. On September 25, 2013, a Petition to Intervene was filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”).

10. Duquesne Light has been served with Formal Complaints by the following customers: Jacquelyn and Robert Miller, Docket No. C-2013-2383835; and Gwendolyn L. LeVert, Docket No. C-2013-2383980.

11. On September 26, 2013, the Commission opened an investigation of Duquesne Light’s proposed rate increase and suspended the effective date of that increase by operation of law from October 1, 2013, until May 1, 2014, unless permitted by Commission Order to become effective at an earlier date.

12. Also on September 26, 2013, Administrative Law Judge Conrad A. Johnson issued the Prehearing Conference Order, scheduling a prehearing conference in the above-captioned matter at 10:00 a.m. Friday, October 4, in Hearing Room #4, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120; and in the 2<sup>nd</sup> Floor Hearing Room, Piatt Place, 301 Fifth Avenue, Pittsburgh, PA 15222.

13. On September 27, 2013, Interstate Gas Supply, Inc. filed a Petition to Intervene.

14. Also on September 27, 2013, Duquesne Industrial Intervenors filed a Formal Complaint at Docket No. C-2013-2385292.

## **II. SERVICE OF DOCUMENTS**

15. Duquesne Light requests that all documents be served on:

Robert H. Hoaglund, II (ID # 313383)  
Assistant General Counsel  
Duquesne Light Company  
411 Seventh Avenue, 16th FL  
Pittsburgh, PA 15219  
Phone: 412-393-1058  
Fax: 412-393-5695  
E-mail: [rhoaglund@duqlight.com](mailto:rhoaglund@duqlight.com)

Tishekia E. Williams (ID # 208997)  
Sr. Counsel, Regulatory  
Duquesne Light Company  
411 Seventh Avenue, 16th FL  
Pittsburgh, PA 15219  
Phone: 412-393-1541  
Fax: 412-393-5757  
E-mail: [twilliams@duqlight.com](mailto:twilliams@duqlight.com)

Michael W. Gang (ID # 25670)  
Anthony Kanagy (ID # 85522)  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101  
Phone: 717-731-1970  
Fax: 717-731-1985  
E-mail: [mgang@postschell.com](mailto:mgang@postschell.com)  
E-mail: [akanagy@postschell.com](mailto:akanagy@postschell.com)

Duquesne Light agrees to receive service of documents electronically in this proceeding.

## **III. ISSUES**

16. Duquesne Light intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$76.3 million, based on a fully projected future test year ending April 30, 2015, and proposed allowed rate of return on equity of 11.25 percent is

just and reasonable and should be approved by the Commission. If granted by the Commission, this request will produce an average increase in distribution rates of approximately 17.6 percent which equates to an average increase in total rates (distribution, transmission and generation charges) of approximately 10.6 percent for a typical residential default service customer.

17. Duquesne Light intends to demonstrate that its proposed distribution rate increase is appropriate. It reflects Duquesne Light's status as a transmission and distribution utility and is based on financial and operating data for its distribution business. The requested rate increase reflects the Company's maintenance of an appropriate level of ongoing investment in its distribution system to support high levels of customer service and reliability, increased investments in Information Technology, expansion of its cyber security capabilities in the wake of increasing cyber-attacks on the electric grid and an expanded vegetation management program.

18. Duquesne Light intends to demonstrate that its proposed 11.25 percent return on equity is necessary for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers and fully fund the various plans described above.

19. Duquesne Light intends to demonstrate that the level of capital investment appearing in its rate base claim is prudent, and that its utility plant is necessary for the provision of electric distribution service.

20. Duquesne Light further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Commonwealth Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

21. Duquesne Light intends to illustrate that its proposed revenue allocation is just and reasonable.

22. Duquesne Light intends to demonstrate that its proposed pension adjustment mechanism is just and reasonable.

**IV. WITNESSES**

23. Duquesne Light presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement Number	Witness	Subject Matter
1	David B. Bordo, Vice President – Strategy & External Affairs Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Overview of the Company and its requested base rate increase</li> <li>• Initiatives to manage costs and provide customer support and reliable electric service</li> <li>• Rate treatment of pension contributions</li> <li>• Reasons for requesting rate relief</li> <li>• Organization of the filing, introduction of witnesses and review of the importance of the case to Duquesne Light, its customers and Southwestern Pennsylvania</li> </ul>
2	Matthew S. Ankrum Controller Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Overview of the Company’s accounting processes and actual financial results for the historic test year</li> <li>• Presentation and review of the budgeted financial results for the future test year and fully projected future test year.</li> </ul>
3	James Habberfield Forecasting and Procurement Supervisor Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Sales Forecast</li> </ul>

4	<p>Scott R. Ward  Director of Operations  Duquesne Light Company  2839 New Beaver Avenue  Pittsburgh, PA 15233</p>	<ul style="list-style-type: none"> <li>• Capital Additions</li> <li>• Reliability Performance</li> <li>• Vegetation Management Program</li> </ul>
5	<p>Robert L. O'Brien  Principal  Innovative Regulatory Solutions, LLC  1753 Via Mazatlan  Rio Rico, Arizona 85648</p>	<ul style="list-style-type: none"> <li>• Overview of Duquesne Light's fully projected future test year revenue requirement</li> <li>• Measure of Value</li> <li>• Derivation of the Company's revenue and expense claims for the fully projected future test year</li> <li>• Future test year and historic test year data</li> </ul>
6	<p>John J. Spanos  Senior Vice President  Gannett Fleming, Inc.  207 Senate Avenue  Camp Hill, PA 17011</p>	<ul style="list-style-type: none"> <li>• Depreciation studies</li> </ul>
7	<p>Matthew L. Simpson  Senior Tax Manager  Duquesne Light Company  411 Seventh Avenue  Pittsburgh, PA 15219</p>	<ul style="list-style-type: none"> <li>• Tax expense and related tax information</li> </ul>
8	<p>Michele R. Sandoe  Vice President of Customer Care  Duquesne Light Company  411 Seventh Avenue  Pittsburgh, PA 15219</p>	<ul style="list-style-type: none"> <li>• Benefits of the Company's FOCUS Project</li> <li>• The Company's customer satisfaction and service efforts</li> </ul>
9	<p>Paul R. Moul  Managing Consultant  P. Moul &amp; Associates  251 Hopkins Road  Haddonfield, New Jersey 08033</p>	<ul style="list-style-type: none"> <li>• Cost of Capital</li> <li>• Capital Structure</li> </ul>
10	<p>James H. Milligan  Manager of Treasury Operations  Duquesne Light Company  411 Seventh Avenue MD 7-3  Pittsburgh, PA 15219</p>	<ul style="list-style-type: none"> <li>• Duquesne Light's current and future capital structure, cost of long-term debt, current credit ratings and importance of maintaining the Company's ratings</li> <li>• The Company's decision to implement a Liability Driven Investment ("LDI") strategy for its pension assets</li> </ul>

11	Howard S. Gorman President HSG Group, Inc. 45 Hillpark Avenue Great Neck, NY 11021	<ul style="list-style-type: none"> <li>• Jurisdictional separation studies</li> <li>• Unbundled allocated cost of service study</li> </ul>
12	William V. Pfrommer Senior Manager, Rates and Tariff Services Duquesne Light Company 411 Seventh Avenue Pittsburgh, PA 15219	<ul style="list-style-type: none"> <li>• Allocation of the proposed revenue among the rate classes</li> <li>• Proposed rate design for distribution charges</li> <li>• Revenue impact by rate schedule</li> <li>• Proof of revenue at current and proposed rates</li> <li>• Proposed tariff changes</li> </ul>

24. Duquesne Light Company has previously filed copies of these statements. The testimony and exhibits fully support Duquesne Light's proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

25. The subject matters listed above, as further supported by the testimony and exhibits, represent Duquesne Light's statement of the issues regarding this proceeding. Further definition of the issues will be developed by the parties during the course of this proceeding. Duquesne Light reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

**V. DISCOVERY**

26. The discovery process is currently ongoing. Duquesne Light is not aware of any need to enter any special order regarding discovery. Duquesne Light encourages the use of informal discovery to expedite the discovery process.

**VI. LITIGATION SCHEDULE**

27. Duquesne Light proposes the following schedule for resolution of this proceeding:

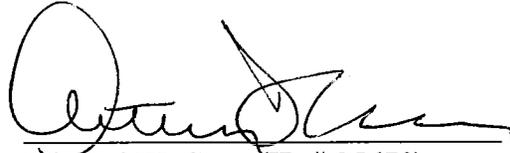
Filing date	August 2, 2013
Other Parties Direct Testimony	November 1, 2013 at noon
Rebuttal Testimony	November 26, 2013
Surrebuttal Testimony	December 9, 2013
Rejoinder outlines	December 13, 2013 at noon
Hearings (Oral Rejoinder permitted at hearing)	December 16-17 and 20, 2013
Main Briefs	January 6, 2014
Reply Briefs	January 17, 2014

At the time of this filing, no party has objected to this schedule.

**VII. SETTLEMENT**

28. As of this time, no settlement discussions have been held as the parties are still reviewing the filing and preparing their positions. Duquesne Light is open and available for settlement discussions with the other parties and will support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



Robert H. Hoaglund, II (ID # 313383)  
Assistant General Counsel  
Duquesne Light Company  
411 Seventh Avenue, 16th FL  
Pittsburgh, PA 15219  
Phone: 412-393-1058  
Fax: 412-393-5695  
E-mail: [rhoaglund@duqlight.com](mailto:rhoaglund@duqlight.com)

Tishekia E. Williams (ID # 208997)  
Sr. Counsel, Regulatory  
Duquesne Light Company  
411 Seventh Avenue, 16th FL  
Pittsburgh, PA 15219  
Phone: 412-393-1541  
Fax: 412-393-5757  
E-mail: [twilliams@duqlight.com](mailto:twilliams@duqlight.com)

Michael W. Gang (ID # 25670)  
Anthony Kanagy (ID # 85522)  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101  
Phone: 717-731-1970  
Fax: 717-731-1985  
E-mail: [mgang@postschell.com](mailto:mgang@postschell.com)  
E-mail: [akanagy@postschell.com](mailto:akanagy@postschell.com)

Dated: October 2, 2013

*Attorneys for Duquesne Light Company*