

PENNSYLVANIA PUBLIC UTILITY COMMISSION

NOTICE TO BE PUBLISHED

Application of Duquesne Light Company and DQE Communications Network Services, LLC, for approval of the acquisition of their parent company, Duquesne Light Holdings, Inc, by merger. Docket Numbers: A-110150F0035 and A-311233F0002.

Formal protests and petitions to intervene must be filed in accordance with Title 52 of the Pennsylvania Code. All filings must be made with the Secretary of the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on the Applicant, on or before October 2, 2006. The documents filed in support of the Application are available for inspection and copying at the Office of the Secretary between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, and at the Applicant's business address.

Applicant:

Duquesne Light Company
DQE Communications Network Services, LLC

Through and By Counsel:

Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post & Schell, PC
12th Floor
17 North Second Street
Harrisburg, PA 17101-1601

DOCUMENT
FOLDER

RECEIVED
LEGISLATIVE REFERENCE
BUREAU

06 SEP -6 PM 12: 53

PA. CODE & BULLETIN

DOCKETED

SEP 07 2006

BY THE COMMISSION

James J. McNulty

James J. McNulty
Secretary

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

IN REPLY PLEASE
REFER TO OUR FILE
Secretary
717-772-7777

September 7, 2006

A-110150F0035
A-311233F0002

MICHAEL W GANG ESQUIRE
ANDREW S TUBBS ESQUIRE
POST & SCHELL PC
12TH FLOOR
17 NORTH SECOND STREET
HARRISBURG PA 17101-1601

DOCUMENT
FOLDER

Dear Mr. Gang:

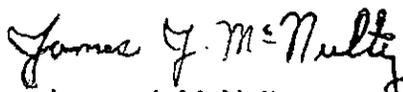
Receipt is acknowledged of the Application of Duquesne Light Company and DQE Communications Network Services, LLC, for approval of the Acquisition of its parent company, Duquesne Light Holdings, Inc, by merger, which has been captioned and docketed to the above numbers.

Publication in a local newspaper is not required.

Enclosed is a copy of the Publication Notice that will appear in the Saturday, September 16, 2006 edition of the Pennsylvania Bulletin. This notice is being sent to you for informational purposes only.

This matter will receive the attention of the Commission and you will be advised of any further necessary procedure.

Sincerely,


James J. McNulty
Secretary

JJM:ddt

Enclosure

Cc: David B. MacGregor, Esquire

DOCKETED
SEP 07 2006

DATE: September 7, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *ddt*

DOCUMENT
FOLDER

**APPLICATION OF DUQUESNE LIGHT COMPANY AND
DQE COMMUNICATIONS NETWORK SERVICES LLC**

We attach hereto a copy of the Application of Duquesne Light Company and DQE Communications Network Services, LLC, for approval of the Acquisition of its parent, Duquesne Light Holdings, Inc, by merger, which has been captioned and docketed to the above numbers.

Notice will be published in the Saturday, September 16, 2006 edition of the Pennsylvania Bulletin.

If no protests are received by Monday, October 2, 2006, will your Bureau please prepare a report for the attention of the Commission or instruct the Secretary's Bureau to re-assign this matter to the Office of Administrative Law Judge for hearing.

Attachment

cc: Law Bureau

ddt

DOCKETED

SEP 07 2006

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIPT

The addressee named here has paid the PA P.U.C. for the following bill:

DATE: 9/7/2006
RECEIPT NO: 250230

MICHAEL W. GANG
POST & SCHELL, P.C.
240 GRANDVIEW AVENUE
CAMP HILL PA 17011

**DOCUMENT
FOLDER**

IN RE: Electrical Generation fees for DUQUESNE LIGHT COMPANY & DQE COMMUNICATIONS NETWORK SERVICES LLC

Docket Number A-110150F0035 AND A-311233F0002.....\$350.00

REVENUE ACCOUNT: 001780-017601-107

CHECK NUMBER: 12706
CHECK AMOUNT: \$350.00

Michael Sobolesky
(for Department of Revenue)

KJR

DOCKETED
OCT 03 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for :
a Certificate of Public Convenience Under : Docket No. A-110150F0035
Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holdings, Inc. by Merger :

ORIGINAL

Application of DQE Communications :
Network Services LLC for a Certificate of : Docket No. A-311233F0002
Public Convenience Under Section :
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holdings, Inc. by Merger :

NOTICE OF APPEARANCE

TO THE SECRETARY:

Please enter the appearance of the Office of Trial Staff of the Pennsylvania
Public Utility Commission in the above-captioned proceeding. Prosecutor(s) for the
Office of Trial Staff, in addition to the undersigned will be:

CHARLES DANIEL SHIELDS, ESQUIRE
Pa. Public Utility Commission
Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17105-3265
chshields@state.pa.us
(717) 787-1976

DOCUMENT
FOLDER

ROBERT V. ECKENROD, ESQUIRE
Pa. Public Utility Commission
Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17105-3265
roeckenrod@state.pa.us
(717) 787-1976

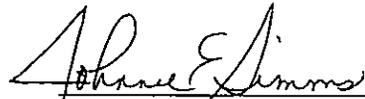
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2006 SEP 12 AM 10:44
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SECRETARY'S BUREAU

RECEIVED

19

On the basis of this notice, I request a copy of each document hereafter issued by
the Commission in this matter.


Johnnie E. Simms
Chief Prosecutor
PA Attorney I.D. #33911

Charles Daniel Shields
PA Attorney I.D. #29363
Robert V. Eckenrod
PA Attorney I.D. #84889
Prosecutors for: Johnnie E. Simms
Office of Trial Staff.

Dated: September 12, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company :
for a Certificate of Public Convenience : Docket No. A-110150F0035
Under Section 1102(a)(3) of the Public :
Utility Code Approving the Acquisition :
of Duquesne Light Holdings, Inc. by :
Merger :

Application of DQE Communications : Docket No. A-311233F0002
Network Services LLC for a Certificate :
of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holdings, Inc. by Merger :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Notice of Appearance**,
dated September 12, 2006, either personally, by first class mail, electronic mail, express
mail and/or by fax upon the persons listed below:

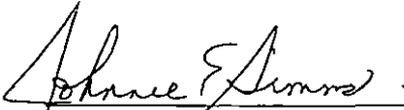
Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post & Schell PC
12th Floor, 17 North Second Street
Harrisburg, PA 17101-1601

David B. MacGregor, Esquire
Post & Schell PC
Four Penn Center
1600 John F. Kennedy Boulevard

William R. Lloyd, Jr., Esquire
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

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Irwin A. Popowsky, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923



Johnnie E. Simms
Chief Prosecutor
Office of Trial Staff
PA Attorney I.D. #33911

Dated: September 12, 2006
Docket Nos. A-110150F0035
A-311233F0002

Scott J. Rubin
Attorney ♦ Consultant

3 Lost Creek Drive ♦ Selinsgrove, PA 17870 ♦ (570)743-2233 ♦ Fax: (570)743-8145 ♦ scott@publicutilityhome.com

September 14, 2006

James McNulty, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg PA 17105-3265

Re: Application of Duquesne Light Company
Docket No. A-110150F0035

Application of DQE Communications Network
Services LLC, Docket No. A-311233F0002

Dear Secretary McNulty:

Enclosed for filing please find an original and three copies of the Petition to Intervene of International Brotherhood of Electrical Workers Local 29 in the above-referenced matter.

I have served a copy of this document on all parties of record, as shown on the attached Certificate of Service, as well as on the Chief Administrative Law Judge.

I also have enclosed an extra copy of the document that I would appreciate having time-stamped and returned in the enclosed envelope.

Sincerely,



Scott J. Rubin

Enclosure

cc: Veronica Smith, Chief Administrative Law Judge
All parties

PROPERTY
2006 SEP 15 AM 10:20
SECRETARY'S BUREAU

DOCUMENT
FOLDER

24

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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2005 SEP 15 AM 10:20
SECRETARY'S BUREAU

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public :
Utility Code Approving the Acquisition of :
Duquesne Light Holdings, Inc. by Merger :

Docket No. A-110150F0035

DOCUMENT
FOLDER

Application of DQE Communications :
Network Services LLC for a Certificate of :
Public Convenience Under Section :
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holdings, Inc. by Merger :

Docket No. A-311233F0002

LOCKETED

SEP 19 2006

PETITION TO INTERVENE OF
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL 29

Pursuant to 52 Pa. Code §§ 5.71, *et seq.*, the International Brotherhood of Electrical Workers Local 29 (Local 29) hereby petitions to intervene in the above-captioned proceeding. In support of this Petition, Local 29 states as follows:

1. Local 29 is the authorized collective bargaining representative for approximately 1,000 employees of Duquesne Light Company (Duquesne), most of whom are also customers of Duquesne.
2. In addition, Local 29 is a customer of Duquesne at Local 29's office located at 986 Greentree Rd., Pittsburgh PA 15220.
3. This proceeding concerns the request of Duquesne and DQE Communications Network Services LLC for approval of the merger of their parent company with and into DQE Holdings LLC (DQE Holdings). DQE Holdings is owned and controlled by various affiliates and members of the Macquarie Group, as set forth in the Application.

4. Local 29 desires to participate in this proceeding to ensure that its interests and the interests of its members, as employees and/or customers of Duquesne, are fully protected and represented in this matter. Local 29 anticipates issues being raised in this proceeding that will or may affect its interests as a Duquesne customer and as a representatives of its members' interests, including but not limited to the impact of the proposed transaction on Duquesne's employees.

5. No other party represents the interests of Local 29 in this proceeding.

6. Local 29 intends to actively participate in this proceeding on such matters that affect its interests. Such participation may include conducting discovery, presenting testimony, cross-examining witnesses, and filing briefs and other pleadings.

7. Local 29 will be represented in this case by, and all documents should be served upon, its undersigned attorney.

WHEREFORE, International Brotherhood of Electrical Workers Local 29 respectfully requests the right to intervene in this proceeding.

Respectfully submitted,



Scott J. Rubin, Esq.
Pa. Supreme Court ID: 34536
3 Lost Creek Drive
Selinsgrove, PA 17870

Phone: 570-743-2233
Fax: 570-743-8145
email: scott@publicutilityhome.com

Counsel for:
International Brotherhood of Electrical Workers
Local 29

Dated: September 14, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing upon the following parties to this proceeding by first class mail.

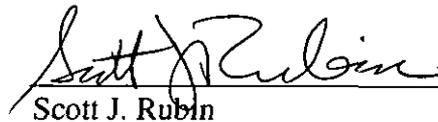
David MacGregor
Post & Schell PC
Four Penn Center
1600 John F. Kennedy Blvd
Philadelphia PA 19103

Michael Gang
Post & Schell PC
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Johnnie Simms
Office of Trial Staff
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

William Lloyd
Office of Small Business Advocate
300 North Second St., Suite 1102
Harrisburg, PA 17101

Irwin A. Popowsky
Office of Consumer Advocate
555 Walnut St., 5th Floor, Forum Place
Harrisburg, PA 17101-1923



Scott J. Rubin
Counsel for UWUA Local 29

Dated: September 14, 2006

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

Michael W. Gang

mgang@postschell.com
717-612-6026 Direct
File #: 2267-128609

September 15, 2006

VIA HAND DELIVERY

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

ORIGINAL

DOCUMENT
FOLDER

PA PUC
SECRETARY'S BUREAU

2006 SEP 15 PM 4: 11

RECEIVED

**RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holdings, Inc. by Merger
Docket No. A-110150F0035**

**Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holdings, Inc. by Merger
Docket No. A-311233F0002**

Dear Secretary McNulty:

Enclosed, for filing, are an original and eight (8) copies of the Testimony and Exhibits of Christopher J. Leslie and Morgan K. O'Brien in the above-referenced proceeding. As indicated on the enclosed certificate of service, copies have been served as noted.

Respectfully submitted,

Michael W. Gang

MWG/skr
Enclosures

cc: Certificate of Service

85

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

SEP 15 2006
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Docket No. A-110150F0035

Docket No. A-311233F0002

Duquesne Light Company
DQE Communications Network Services, LLC

Statement No. 1

DIRECT TESTIMONY OF MORGAN K. O'BRIEN

DIRECT TESTIMONY OF MORGAN K. O'BRIEN

1 **Q. Please state your full name and business address.**

2 A. My name is Morgan K. O'Brien. My business address is 411 Seventh Avenue,
3 Pittsburgh, Pennsylvania 15219.

4 **Q. What is your position at Duquesne Light Company ("Duquesne Light" or**
5 **"Company")?**

6 A. I am President and Chief Executive Officer.

7 **Q. How long have you worked at Duquesne Light?**

8 A. I have worked at the Company for the past 14 years in various executive positions in
9 the Finance and Corporate Development areas. I have been Chief Executive Officer
10 of Duquesne Light since 2001.

11 **Q. What are your qualifications, work experience and educational background?**

12 A. These are attached as Exhibit MKO-1.

13 **Q. Please briefly describe the subject matter for your testimony in this proceeding.**

14 A. The purpose of my testimony is to provide an overview of Duquesne Light and the
15 company's operations. I will also describe internal programs employed by Duquesne
16 Light in response to current market conditions and what led to our decision to find a
17 strategic partner. I will then provide the reasons for Duquesne Light's decision to
18 secure the Macquarie Consortium as its long-term strategic partner and outline the
19 terms of the proposed acquisition. Next I will discuss Duquesne Light's management
20 and operations after the completion of the transaction including our ongoing
21 infrastructure capital construction program. Finally, I will explain the benefits to be

1 gained through the approval of this transaction and its importance to Duquesne Light,
2 its employees, its customers and to Southwestern Pennsylvania.

3 **Q. Mr. O'Brien, please provide a brief description of Duquesne Light and its role in**
4 **the Pittsburgh region.**

5 A. Duquesne Light has a 125-year history with the Pittsburgh region. Duquesne Light
6 has experienced and been an important part of the Pittsburgh economy through the
7 rise and eventual decline of the steel industry. The importance of Duquesne Light
8 and its operations remaining in Pittsburgh can not be overstated. Pittsburgh is a city
9 still recovering form the loss of the steel industry. When we look back on how much
10 of the region's economy was directly tied to the steel industry, it is not surprising that
11 it has been such a long and challenging climb back. However, as a region, we have
12 made incredible economic progress. In the areas of health care and with our
13 universities, we are recognized as a national leader. At the same time, the importance
14 of Duquesne to this community has grown larger as the region's overall corporate
15 citizenship has greatly been reduced. Historically, large corporations have not only
16 been the backbone of the economy of the region but also critical support for social
17 and human services. With losses of large multi-national companies, such as Gulf Oil,
18 Rockwell International and Westinghouse, there are fewer and fewer good corporate
19 citizens that serve and support our community's needs.

20 At a time when fewer corporations were available to address the community's
21 needs, Duquesne was stepping up its commitment. We have established Duquesne as
22 one of the leading companies in the region in proactively dealing with important

1 social and human-services and economic development issues. Our dollars, our people
2 and our energy truly go to serving this community.

3 Duquesne and its employees are committed community partners that support a
4 wide array of community activities designed to strengthen the economic and cultural
5 vitality of its service territory. These efforts have included sponsoring Pittsburgh
6 traditions, such as Light Up Night and the Arts Festival. The approval of this
7 transaction will benefit the Pittsburgh region by ensuring the future viability of a
8 Pennsylvania-based good corporate citizen and its employees.

9 **Q. Mr. O'Brien, please provide a brief description of Duquesne Light's current**
10 **operations.**

11 A. Duquesne's restructuring plan pursuant to the Electricity Generation Customer
12 Choice and Competition Act was approved by the Commission on December 17,
13 1998. The centerpiece of Duquesne's restructuring plan was the divestiture of our
14 generation to mitigate stranded costs. Our successful divestiture resulted in
15 substantially reduced stranded costs. However, to ensure that we met our obligations
16 as Provider of Last Resort ("POLR") for customers, we entered into supply
17 arrangement to ensure that Duquesne and its customers would be protected from the
18 volatility of wholesale markets and the risk of Duquesne being unhedged for its
19 POLR obligations.

20 The success of Duquesne's divestiture reduced stranded costs to be collected
21 and the effect of shortening the "transition period" by five years from 2007 to 2002
22 for most rate classes. The elimination of stranded costs recovery reduced rates to
23 customers and Duquesne became the first major utility in the Commonwealth to

1 address post-transition period POLR service. In fact Duquesne currently is working
2 on its POLR IV plan. Our principal objective in developing our earlier POLR plans
3 was to lock in a substantial portion of the generation rate savings to be realized by
4 customers from earlier termination of CTC payments by fixing generation costs to
5 customers. Since that time Duquesne has striven to ensure that our POLR customers
6 receive reliable generation supply at reasonable rates.

7 Prior to our base rate filing earlier this year, Duquesne had not had a rate case
8 since 1987. Despite the lack of transmission and distribution ("T&D") rate increases,
9 Duquesne has continued to invest in its system to ensure that we maintain our historic
10 high levels of service and reliability. To this end, in 2004 we initiated a significant
11 and ongoing T&D capital investment program to enhance our electric infrastructure
12 which I will discuss later. In response to these financial pressures, Duquesne also
13 undertook a critical look at its operations to identify ways to manage our costs.

14 **Q. Please explain the actions taken to ameliorate Duquesne's declining financial**
15 **condition and support the infrastructure development program?**

16 A. On April 7, 2006, Duquesne filed tariffs proposing to increase distribution rates by
17 \$143.7 million and to pass through to customers approximately \$19 million in
18 transmission costs. On September 14, 2006, Duquesne and all other active parties in
19 this proceeding filed a Joint Petition for Settlement of all issues in this proceeding.
20 Some of the solvent features of this Settlement are as follows:

- 21 • Duquesne's distribution rates will be increased to produce \$117 million
22 increase in revenues per year.

- 1 • Duquesne will be permitted to employ a Transmission Service Charge
2 Mechanism which will adjust retail rates charged to POLR customers for
3 recovery of transmission costs.
- 4 • Duquesne's CAP customers will see no increase in their bills as a result of the
5 T&D increase.
- 6 • Duquesne has committed to continue to work with Electric Generation
7 Suppliers to further enhance what is by far the most successful customer
8 choice program in the Commonwealth and one of the most successful in the
9 nation.
- 10 • Duquesne has committed to contribute \$1.5 million for four years
11 commencing in 2007 to the Pennsylvania Energy Development Agency to
12 support sustainable energy and conservation projects.

13 The Settlement is subject to review by the presiding Administrative Law Judge and the
14 Commission. Nevertheless, achieving a settlement in a major electric rate proceeding
15 among OTS, OCA, OSBA, industrial customers, electric generation suppliers and public
16 interest groups is an extraordinary achievement by Duquesne and all major stakeholders.
17 The Settlement demonstrates Duquesne's and the Parties' continuing commitment to
18 work together to advance the interests of our customers and the communities that we
19 serve.

1 Q. What will be the effect of the Settlement on the bills to a typical residential
2 customer?

3 A. To illustrate the effect on the total bill to typical residential customers, I will assume
4 that the customer (600 kw/month) receives generation service from Duquesne under
5 POLR services.

Typical Monthly Bill in 1991	Typical Monthly Bill Before Rate Increase	Typical Monthly Bill After Rate Increase
\$85.65/month	\$63.87/month	\$74.23/month

6
7 The rate case will cause the bills of customers to increase to support the
8 significant infrastructure improvements necessary to maintain Duquesne's very high
9 levels of service. However, despite the increase, the first since 1987, Duquesne's
10 actions have produced about an 11% reduction in bills in nominal terms since 1991.
11 The reduction in real dollars (inflation adjusted) is, of course, even more significant,
12 and is in the range of a 50% reduction.

13 Q. Please describe the Company's infrastructure improvement plan.

14 A. Utility infrastructure is all around us, but most people do not really think about it or
15 even realize it is there, unless they are experiencing a problem. However, recent
16 events, such as the water main break in downtown Pittsburgh last summer, the bridge
17 collapse on Interstate 70 in Washington County in December, and the
18 Northeast/Midwest Blackout in 2003, dramatically illustrate the importance of utility
19 infrastructure. Last summer's major water main break in downtown Pittsburgh
20 resulted in flooding, extensive damage to property, closed many businesses for more
21 than a week, and displaced residents for an even longer period of time. Similarly, this

1 Commission is well aware of the economic and personal toll resulting from the
2 Blackout of 2003, which reinforced the need for adequate electric infrastructure and
3 proper vegetation control.

4 Governor Rendell has stated that one of the critical elements of his Plan for a
5 New Pennsylvania is economic development. Critical to the state's economic
6 development is its infrastructure. We live and work in a state that is aging – both in
7 terms of our people and our infrastructure. To address this issue, the governor has set
8 aside significant funding to support needed upgrading of the state's infrastructure.
9 However, he also recognizes that the private sector must provide a significant portion
10 of the required investment. Our plan is to invest more than \$500 million in our
11 electrical infrastructure and supporting facilities for our employees during the three-
12 year period 2005 through 2007. We believe this will provide Allegheny and Beaver
13 counties with the electric delivery system required to serve our customers and support
14 economic development.

15 Duquesne Light's customers rely on continuous and efficient utility service.
16 To meet that commitment, we systematically analyze circuits that carry electricity
17 across our service territory. Through the years, the Company has regularly replaced
18 existing wires, poles and other equipment with new facilities in order to keep
19 customers connected to a secure, reliable source of electricity.

1 While Duquesne Light's transmission and distribution system has served
2 customers well for decades, significant capital investment is necessary to meet the
3 following service obligations:

- 4 • to replace equipment that is damaged by factors such as wind, ice or heat,
5 and to replace equipment that fails in service;
- 6 • to add or modify our system as a result of specific requests by customers
7 and to meet our obligations to local, state and federal agencies to relocate
8 our facilities;
- 9 • to ensure distribution system service capacity and reliability to meet the
10 needs of our customers, including circuit conversions, the installation of
11 new equipment to replace deteriorated, obsolete, or failed equipment, and
12 additions that may be necessary to improve operations; and
- 13 • to provide supporting infrastructure, such as new vehicles, information
14 technologies and a new service center and training facility being built in
15 Pittsburgh to ensure our customers will continue to be served by a highly
16 skilled, properly trained and efficient workforce in the future.

17 These and other projects also will help to meet growing concerns about safety and
18 security, which have become even more important after September 11, 2001, and the
19 Blackout of 2003.

20 To address these service obligations, we have instituted a plan that will invest
21 more than \$500 million in capital expenditures during the 2005 through 2007 period
22 in our infrastructure in order to ensure that Duquesne Light continues to provide the

1 levels of service and reliability our customers expect. This capital investment will
2 take place throughout our service territory. Major projects include:

- 3 • upgrading underground lines and equipment that have been in service in
4 some suburban neighborhoods as far back as the 1960s;
- 5 • improving power capacity to serve the expanding electricity needs of
6 hospitals and universities in the Oakland area;
- 7 • refurbishing and reinforcing the aging underground systems that provide
8 service to sections of downtown Pittsburgh and surrounding urban and
9 commercial areas;
- 10 • upgrading transmission lines that will improve the flow of electricity in
11 the eastern part of our service territory, better balance the load throughout
12 our service territory, and provide voltage support to this part of our
13 system; and
- 14 • converting older distribution circuits to make use of newer technology to
15 improve reliability.

16 Investing in our infrastructure not only provides the necessary services and reliability
17 to meet our obligation as a regulated utility, but also will result in new employment,
18 wages, tax receipts and *spin-off economic development for our area*. To help us
19 complete these projects, we added approximately 150 full-time employees to the
20 Duquesne Light workforce. In addition, approximately 150 project-specific positions
21 will be available to skilled trades people in the region over the next several years.
22 Increased employment resulting from the infrastructure work will have a positive
23 impact on the economy of Pennsylvania.

1 Since 1880, Duquesne Light has been part of the fabric of Pittsburgh, working
2 hard to enhance the quality of life for our customers. Maintaining the integrity and
3 *strength of the electrical service we provide through the infrastructure investment*
4 program is the latest example of that commitment.

5 **Q. Please describe Duquesne Light’s response to these increased cost of service.**

6 A. We have been proactive and aggressive in managing our costs while maintaining and
7 improving reliability and customer service. We have implemented significant process
8 improvements, most notably our “Best in Class” initiative. This initiative entailed
9 Duquesne undertaking an aggressive review and restructuring of key internal
10 operating processes which focused on costs, reliability, customer satisfaction and
11 safety. The initiative resulted in significant changes in how we do business and with
12 corresponding reductions in costs and improvements in customer satisfaction.

13 **Q. Mr. O’Brien, please describe the Company’s “Back to Basics” strategy.**

14 A. Over the past several years, Duquesne Light has implemented a “Back to Basics”
15 strategy, which was designed to tighten our focus around our electric utility business
16 while resolving a number of *legacy issues by divesting our non-core businesses*. The
17 strategy required the alteration in management philosophy to accurately reflect our
18 new role as a “wires” company. One of the primary drivers for implementing this
19 strategy was the recognition that the success of Duquesne Light directly tied to the
20 success of the communities where we serve. By realigning our focus on our role as
21 the electric service provider for the Pittsburgh region, we are now better positioned to
22 continue to provide safe, reliable and efficient electric service, remain as a well
23 *respected employer and serve as an active community partner.*

1 The Back to Basics strategy accomplished several key goals including
2 reducing our business risk, providing a platform for future growth, and further
3 enhancing customer satisfaction and shareholder value.

4 **Q. What factors led to Duquesne’s determination that securing a strategic partner**
5 **was necessary?**

6 A. Through the development and implementation of our Back to Basics strategy, we
7 reviewed a broad range of strategic alternatives. The process led to our determination
8 that in a consolidating electric utility industry, and with current competitive electric
9 and financial market environments, Duquesne does not possess sufficient size and
10 financial strength to remain independent and to attract ample capital on attractive
11 terms. In this regard, I note that Lehman Brothers’ fairness opinion, as contained in
12 the Proxy Statement filed as a result of the transaction, concludes that the implied
13 equity value of DLH stock, based upon a Companies Analysis, was in the range of
14 \$15.24 to \$18.71. In addition, Lehman Brothers performed a comparable transaction
15 Analysis, which looked at other utility transactions, and concluded that the range of
16 implied value per share was \$17.54 to \$21.00. Lehman Brothers observed that
17 DLH’s stock price had declined by approximately 13% from the period March 2,
18 2004 through June 29, 2006 to about \$16 per share. Given the implicit value of the
19 shares relative to this settling price, it is clear that DLH was a potential acquisition
20 target for entities seeking to expand their holdings of operating utilities. Investor
21 analysts have believed that Duquesne was an acquisition target due to its size. JP
22 Morgan, in a February 14, 2006 analysis of Duquesne, stated, “DQE may be
23 perceived as an acquisition candidate, although we believe it is unlikely that the

1 company will be acquired at current price levels.” At the time of this report,
2 Duquesne Light Holdings was trading at \$17.51. In the months that followed there
3 was a steady decline in Duquesne Light Holdings’ stock price levels, reaching a low
4 of \$15.67 during the Second Quarter of 2006.

5 To ensure that we remain a Pittsburgh based utility, Duquesne sought to find a
6 strategic partner to provide it with the ability to access capital at reasonable terms
7 while maintaining its 125 year connection to Pittsburgh. The Macquarie Consortium
8 was identified as the right partner at the right time to secure our current position as
9 committed public service providers, key employers and long-time community
10 partners.

11 **Q. What led to Duquesne Light to determine that the Macquarie Consortium was**
12 **the right strategic partner?**

13 A. As part of our ongoing evaluation of our business, Duquesne has regularly considered
14 our long-term strategic alternatives and prospects for continued operations as an
15 independent company. Duquesne and Macquarie had engaged in discussions in 2003
16 regarding Duquesne’s transmission assets. While that sale was never consummated,
17 subsequent discussions between the companies ensued about other potential projects
18 ultimately leading to the present transaction.

19 From our discussions with the Macquarie Group, we identified that they
20 would be a strong, long-term partner for Duquesne going forward. The Macquarie
21 Group is one of the world’s largest owners and managers of infrastructure assets,
22 managing more than \$27 billion in infrastructure equity and has significant
23 experience managing numerous energy and utility investments around the world.

1 Further, the general philosophy of the Macquarie Group's infrastructure funds is to
2 focus its efforts on owning, operating and investing in a diversified group of
3 infrastructure businesses for the long-term. These funds generally seek out
4 investments on behalf of investors that produce steady, long-term cash flow streams
5 and do not require a sale or defined exit strategy to achieve their investment goals.
6 These types of investments are consistent with the often long-term liabilities of public
7 sector corporate pension plans who are large investors in the Macquarie infrastructure
8 funds. Duquesne was not interested in a partner that was looking for a private equity
9 investment to achieve a quick return. Instead, we sought a partner that was looking
10 for a long-term investment and would commit to investing in Duquesne, its
11 employees and the Pittsburgh region. We found such a partner in the Macquarie
12 Group.

13 **Q. Please describe the proposed transaction.**

14 A. On July 5, 2006, DLH announced that it had entered into an Agreement and Plan of
15 Merger ("Merger Agreement"), with a consortium led by Macquarie Infrastructure
16 Partners and Diversified Utility and Energy Trusts and DQE Holdings LLC a
17 Delaware limited liability company and DQE Merger Sub, Inc., a Pennsylvania
18 corporation and wholly owned subsidiary of DQE Holdings LLC. Under the terms of
19 the Merger Agreement, the Macquarie Consortium will cause DQE Merger Sub, Inc.
20 to merge with and into DLH with DLH continuing as the surviving corporation and as
21 the sole wholly-owned subsidiary of DQE Holdings LLC.

22 Pursuant to the Merger Agreement, the merger consideration will be \$20.00
23 per share in cash, representing a 21.7% premium based upon DLH's closing share

1 price on July 3, 2006 and a premium of 24.0% over DLH's average 30-day closing
2 price ending July 3, 2006. The transaction has a total equity market value of
3 approximately \$1.59 billion, based on the approximately 79.6 million of Duquesne
4 Light Holdings' common shares currently outstanding. At closing, the Macquarie
5 Consortium through DQE Holdings LLC, also will assume \$148 million of Duquesne
6 Light Company's outstanding preferred and preference shares as well as assuming
7 approximately \$1.26 billion of Duquesne Light Holdings' long-term debt (estimated).

8 Certain members of the Macquarie Consortium, namely DUET and IFM, have
9 already invested approximately \$141 million in newly issued Duquesne Light
10 Holdings' equity, under private placement, priced at \$16 per share. The proceeds
11 were used to repay bank borrowings used for capital expenditures, working capital
12 requirements and for Duquesne Light's infrastructure investment program. The
13 equity sale was a prerequisite for obtaining the loan used to finance the acquisition of
14 a minority interest in the Keystone and Conemaugh generation stations.

15 **Q. Please describe the benefits you see for Duquesne Light, its employees, its**
16 **customers and the Pittsburgh region from this transaction.**

17 A. Duquesne Light is a well-run public utility that provides excellent service to its
18 customers through its plant, equipment and operations. Our ability to provide safe,
19 reliable and efficient service will be maintained and enhanced by this transaction as
20 we will have improved access to local and global resources for raising capital, for
21 information sharing and the ability to share best practices between Duquesne Light
22 and the Macquarie Group members.

1 The Macquarie Consortium will also pursue new and existing strategic
2 initiatives with us to further drive ratepayer satisfaction; continue to focus on product
3 quality and operational efficiency, and continually improve Duquesne Light over
4 time, including by way of additional capital investment. Specifically, the Macquarie
5 Consortium is committed to fund necessary maintenance and infrastructure upgrades
6 to Duquesne Light's electric system. Continuing to provide high levels of service and
7 reliability to customers throughout Allegheny and Beaver counties will remain a
8 priority.

9 As I noted earlier, the Macquarie Consortium has already demonstrated its
10 commitment to Duquesne Light's future, as its investments paved the way for our
11 continued infrastructure investment program and our working capital needs.

12 Finally, and perhaps most importantly, this transaction will maintain
13 Duquesne's role as a committed public service provider, a key employer and a long-
14 time community partner in the Pittsburgh region. The transaction maintains
15 Duquesne Light's headquarters in Pittsburgh. The Macquarie Consortium also has
16 agreed to maintain Duquesne Light's long-standing commitment to providing
17 reliable, safe and efficient electric service its more than 580,000 customers. Finally,
18 the Macquarie Consortium has committed to continue the current management of
19 Duquesne and to honor the current collective bargaining agreement in place for the
20 Company's represented employees. The transaction also provides wage and benefit
21 protections for non-represented employees. These commitments provide additional
22 substantial benefits to be realized by the approval of this transaction.

1 **Q. What protections are provided to union employees under the current union**
2 **contract?**

3 A. The union contract provides as follows:

4 No regular full time employee hired on or before June 1, 2005,
5 shall be laid off except under extraordinary circumstances, such as
6 acts of God, catastrophic events, bankruptcy, sale or shut down of
7 a plant, revocation of a nuclear operating license, or shut down of a
8 portion of the transmission or distribution business.

9 I note that current term of the union contract continues through September 30, 2010,
10 and that 70% of all full-time employees are union and thereby covered by the above
11 quoted contract provision.

12 **Q. How will your role as CEO of Duquesne and DLH change as a result of the**
13 **transaction?**

14 A. The Macquarie Consortium is committed to Duquesne's Back to Basics strategy, as
15 it fits very well with the goals of Consortium members to invest in long-lived assets
16 that produce secure income streams. I believe that the Back to Basics strategy and
17 our execution of the strategy was one of the reasons the Macquarie Consortium was
18 attracted to our company. As a result, I do not think there will be any significant
19 change in the direction of our business.

20 As to my role on an operating basis, I currently report to the Board of
21 Directors of DLH, who sets the direction of DLH and Duquesne and approve capital
22 and operating budgets within which I am expected to manage the Company. The
23 current Board of DLH will be replaced by representatives of the Consortium members
24 and led by Chris Leslie of MIP who will be Chairman of the Board of DLH. As a
25 result, my role will not change dramatically, and I will continue to have direct access
26 to the representatives of the owners of our business.

1 **Q. Mr. O'Brien, please explain the reasons that Duquesne and the Macquarie**
2 **Consortium are committing funds to the proposed economic development**
3 **program.**

4 A. The rising cost of electricity and the volatility of the wholesale energy markets
5 significantly impact the economic viability of Southwestern Pennsylvania. This is
6 particularly true as Duquesne's retail competition transition period has concluded and
7 our commercial and industrial customers need to acquire their generation in the
8 competitive markets. While the vast majority of Pennsylvania's electric utilities
9 remain under transition period rate caps, Duquesne's commercial and industrial
10 customers find themselves seeking generation service in a competitive market place
11 with escalating wholesale prices. During Pennsylvania's continued transition to
12 competitive retail markets, it is imperative for our region, that Duquesne have the
13 ability to offer competitively priced electricity prices to encourage existing
14 manufacturers and to attract new industries to the service area.

15 To this end, Duquesne, as further justification for approval of this transaction,
16 will establish an economic development program that utilizes the reliable, low cost
17 generation from its share of the Keystone and Conemaugh units to attract and support
18 expanding Pennsylvania industrial employers. The framework of this economic
19 development plan is as follows:

- 20 • Duquesne will offer a flat 50 MW block (7 days by 24 hours) of energy
21 delivered to the Duquesne Zone within PJM sourced from the Keystone and
22 Conemaugh power plants or alternative sources. This flat block of 50 MW
23 can be sliced into smaller blocks for different economic development projects.

- 1 • The economic development offering will be a \$3 per MWh discount below
2 market.
- 3 • Offering will be for 3 years per project.
- 4 • Offered to those commercial/industrial customers on Duquesne's Schedule
5 HVPS or Schedule L in order to create new load or plan to expand existing
6 load by at least 10 MW demand.
- 7 • Associated with such increased load, such expanded project must create at
8 least two (2) new full-time jobs per MW of economic development power
9 granted. For example, if a 10 MW industrial expansion is proposed, it must
10 create at least 20 new full-time jobs to be eligible for the economic
11 development discount program.
- 12 • Duquesne will meet with prospective candidates to discuss each project so as
13 to tailor this offering to each customer's needs. Duquesne would be willing to
14 consider enhancements to the economic development rider, on a case-by-case
15 basis, if the expansion could utilize off peak power to a greater extent than on
16 peak power and its load factors and power factors for the expansion were
17 attractive for load management.
- 18 • Termination of program would be March 1, 2013.

19 This Duquesne economic development program would terminate earlier in the event
20 of a state-wide economic development program is implemented.

21 This program will serve as a means to provide long-term price offerings to all
22 new industrial customers and existing customers significantly expanding their load.
23 These customers will be able to obtain price offerings for a *portion* of their load

1 requirements at a discount to the prices available in the volatile wholesale market.
2 The establishment of such a program will enable Pennsylvania to compete with
3 neighboring states that currently are able to avail themselves of opportunities to
4 enhance their economic competitiveness through access to economical energy
5 resources.

6 Through the transaction Duquesne Light will continue to provide reliable, safe
7 and efficient electric service, maintain its role as key employer and a long-time
8 community partner thus ensuring not only Duquesne Light's continued success, but
9 also add to the ongoing success of the Pittsburgh region.

10 **Q. Do you believe that the economic development program or the transaction will**
11 **harm the competitive market for generation service?**

12 A. No, I do not. First let me explain, that Duquesne Light is supportive of the
13 competitive market for generation service. In this regard, I note that Duquesne Light
14 has, by far, the most successful competitive generation market in this
15 Commonwealth. Specifically, 17.96% of Duquesne Light's residential customers,
16 15.84% of small commercial customers and 40.85% of large commercial and
17 industrial customers are receiving service from electric generation suppliers as of July
18 1, 2006, resulting in 56% of Duquesne Light's total load being served via the
19 competitive market. To place these statistics into context, currently shopping
20 residential customers in Duquesne Light's service territory represent 93.5% of all
21 shopping residential customers in Pennsylvania; while Duquesne Light's shopping
22 industrial customers represent nearly 98% of all shopping industrial customers in the

1 Commonwealth. This is remarkable, especially when noting that Duquesne has
2 10.5% of the total number electric customers in Pennsylvania.

3 While we do not contend that Duquesne Light deserves all the credit for this
4 success, clearly the results show that Duquesne Light's actions have assisted in
5 developing competition for generation service on its system. Neither the transaction
6 nor the Economic Development program will reverse that support or impede
7 competition.

8 As to the Economic Development program, I note several additional points.
9 The program is focused on developing new sources of load from existing or new
10 manufacturers, with resulting addition of jobs to our service area. If the Economic
11 Development program is not approved, it is highly likely that this load will not
12 materialize. It is proposed as a means to help solve an ongoing problem in trying to
13 keep our industrial customers, and their related employment and tax base, here in
14 Pennsylvania, rather than their moving to competing states.

15 As a result, servicing this new load or a portion of the new load through the
16 program does not disadvantage competitive suppliers, Duquesne will not condition
17 receipt of the discounted power on use of POLR service. Second, Duquesne is
18 agreeing to sell power at less than market up to 50 MW for incremental load. It is
19 Duquesne's intention to limit the discount to the amount of power necessary to make
20 the project economic. Accordingly, projects may generate the demand for
21 incremental power over and above the amounts served at the discounted rate. This
22 additional incremental load can be served by competitive suppliers or POLR service
23 under the terms of the current POLR plan. Third, retail suppliers should support this

1 proposal as it creates additional business opportunities (new load) that would not
2 otherwise be available but for the Economic Development Program proposed as part
3 of this proceeding.

4 **Q. In addition to these benefits, do you anticipate the transaction to result in**
5 **synergy savings for Duquesne Light?**

6 A. Because the transaction does not involve a combination of operating utilities, it is not
7 expected that synergy savings will be realized as a result of the transaction. However,
8 ratepayers will benefit in the future as a result of the Macquarie Group's ability to
9 attract capital on a reasonable basis through enhanced access to capital markets,
10 increased stability and enhanced financial strength, and a greater and continuous
11 access to equity capital through the Macquarie Consortium and from institutional
12 investors.

13 **Q. Will the merger result in fewer financial reporting requirements for Duquesne**
14 **since it will not have public common stock outstanding?**

15 A. No. Both Duquesne Light Company and Duquesne Light Holdings have and hold
16 public debt such as first mortgage bonds and unsecured notes. Also, Duquesne Light
17 has publicly held preferred stock. As long as these securities remain outstanding and
18 publicly held, both Duquesne Light Company and Duquesne Light Holdings will
19 continue to be subject to public reporting requirements of the Securities and
20 Exchange Commission, including the requirement to file 10-Ks, 10-Qs, 8-Ks, etc.
21 Thus, there will be no reduction in the financial records and reports available to the
22 public or state and federal regulation commissions, as a result of the transaction.
23

1 **Q. Please summarize the benefits of this transaction.**

2 A. The transaction will combine the resources of Duquesne Light, a first class provider
3 of electric transmission and distribution service, with the world-wide capital and
4 technical resources of the *Macquarie Group and the Macquarie Consortium*. The
5 transaction will enable the continuation of Pittsburgh management and operation of
6 critical infrastructure and a continuation of a critical community partner while
7 providing Duquesne with access to investors around the world that are focused on
8 investments in our business. It is the right transaction at the right time for Duquesne
9 and the Pittsburgh region that we serve.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

Morgan K. O'Brien

Education

B.S. Business Administration – Accounting, Robert Morris College, 1982
M.S. Taxation – Robert Morris College, 1984
Certified Public Accountant, 1984

Employment History

Duquesne Light Holdings, Inc. (DQE) – President and CEO since September 14, 2001. Chief Operating Officer from August 2000 to September 14, 2001. Executive Vice President – Corporate Development from January 2000 to August 2000. Vice President – Corporate Development from July 1999 to January 2000. Vice President, Controller and Treasurer from November 1998 to July 1999. Vice President and Controller from October 1997 to November 1998. Controller from October 1995 to October 1997. Assistant Controller from December 1993 to October 1995.

Duquesne Light Company – President and CEO from August 2003. Vice President – Finance from November 1998 to May 2000; Vice President – Finance, Treasurer & Controller in November 1998; Vice President & Controller from October 1997 to November 1998; Controller from September 1996 to October 1997; Controller and Principal Accounting Officer from October 1995 to April 1996; Assistant Controller from December 1993 to October 1995; Manager, Corporate Taxes from September 1991 to December 1993. Director since June 1999.

PNC Bank – Assistant Vice President, Taxes, 1990-1991.

Deloitte & Touche – Senior Manager, 1986-1990.

Coopers & Lybrand – Staff Accountant and Manager, 1982-1986.

Outside Affiliations

United Way of Allegheny County – Director
Catholic Charities of Pittsburgh – Director
Allegheny Conference on Community Development – Director
Edison Electric Institute – Director
Association of Edison Illuminating Companies – Director

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. A-110150F0035

Docket No. A-311233F0002

DQE Holdings LLC

Statement No. 2

DIRECT TESTIMONY OF CHRISTOPHER J. LESLIE

DIRECT TESTIMONY OF CHRISTOPHER J. LESLIE

1 **Q. Please state your full name and business address.**

2 A. My name is Christopher J. Leslie. My business address is Level 22, 125 West 55th Street,
3 New York, New York 10019.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Chief Executive Officer of Macquarie Infrastructure Partners and Executive
6 Director of both Macquarie Investment Management (USA) Inc. and Macquarie Holdings
7 (USA) LLC.

8 **Q. What are your qualifications, work experience and educational background?**

9 A. These are attached as Exhibit CJL-1.

10 **Q. What is the purpose of your testimony?**

11 A. My testimony provides a brief history of the Macquarie Group (“Macquarie”), which
12 consists of Macquarie Bank Limited, its affiliates and investment vehicles managed by
13 those affiliates, and its current operations, describes our investment philosophy, our
14 experience and expertise in infrastructure investments and the development and
15 management of these investments. I then provide a description of the proposed
16 acquisition of Duquesne Light Holdings (“DLH”) by DQE Holdings LLC (DQE
17 Holdings), describe the investors involved in the transaction, explain how the transaction
18 will be financed and set forth the proposed corporate governance after the transaction is
19 closed. I next describe Macquarie’s plans for the future management and operations of
20 Duquesne Light Company (“Duquesne Light”). Finally, I present a summary of the

1 expected benefits from the transaction for Duquesne Light, its customers and the Greater
2 Pittsburgh region.

3 **Q. Please provide a brief history of the Macquarie Group.**

4 A. The Macquarie Group is headquartered in Australia, where we are a leading provider of a
5 full range of investment banking, financial markets and financial services. The
6 Macquarie Group consists of Macquarie Bank Limited, its affiliates and investment
7 vehicles managed by those affiliates. Macquarie Bank can trace its origins to the
8 merchant bank Hill Samuel Australia (HSA), a wholly-owned subsidiary of Hill Samuel
9 & Co. Limited, London. Established in Australia in 1969, HSA was organized to offer a
10 full range of financial services of the highest quality in terms of service, knowledge and
11 skill.

12 In 1985, HSA was restructured as a new Australian trading bank. Following a
13 successful proposal to the Australian Federal Government, Macquarie Bank Limited was
14 established. The Bank is named after Australia's most successful early governor,
15 Governor Lachlan Macquarie (1761 - 1824). Governor Macquarie was instrumental in
16 the establishment of Australia's first bank and was also responsible for introducing
17 Australia's first coinage, the "Holey Dollar." The Bank's logo is a stylized version of
18 the "Holey Dollar," which Governor Macquarie introduced in 1813 to overcome an acute
19 currency shortage by purchasing Spanish silver dollars, punching out the centres and
20 creating two new coins - the "Holey Dollar" and the "Dump". This single move not only
21 doubled the number of coins in circulation but increased their total worth by 25 per cent
22 and prevented the coins from leaving the colony.

1 Governor Macquarie's creation of the "Holey Dollar" was a creative solution to a
2 difficult problem and for this reason it was chosen as the symbol of the Macquarie Group.
3 Today, the Macquarie Group provides a range of specialist investment, advisory, trading
4 and financial services in select markets around the world. The Macquarie Group has
5 been closely associated with a number of major financial innovations, which have
6 underpinned its reputation as a market leader.

7 One of the principal services provided by the Macquarie Group is the
8 management of infrastructure funds. These infrastructure funds in general seek out low-
9 risk, long-term investments that offer stable and predictable returns, which reflect the
10 investment objectives of the investors in those funds, a large portion of which consists of
11 pension funds which seek long term stable assets to match their long dated liabilities. For
12 over a decade, Macquarie has been highly successful in identifying financially stable
13 infrastructure assets that offer predictable returns to investors over the long-term.

14 **Q. Please describe the Macquarie Group's investment philosophy.**

15 A. The Macquarie Group is recognized as a global leader in infrastructure investment and
16 the management and development of important infrastructure assets, including regulated
17 utilities. The general philosophy of the Macquarie Group's infrastructure funds is to
18 focus on owning, operating and investing in a diversified group of infrastructure
19 businesses globally, including in the United States, for the long term. Specifically, we
20 seek out investments that produce steady, long-term cash flow streams which do not
21 require a sale or defined exit strategy to achieve the investment goals of the investors'
22 funds that we manage. To this end, our infrastructure funds seek out long-term
23 investments with highly competent and established management teams and then support

1 them with financial, operational and technical expertise as well as greater access to
2 capital for their ongoing needs. This philosophy is consistent with our co-investors in
3 DQE Holdings LLC who also manage pension fund money and are significant investors
4 in infrastructure assets.

5 **Q. Please describe the Macquarie Group's business operations today.**

6 A. Currently, the Macquarie Group employs over 8,600 people in 24 countries. While the
7 Macquarie Group as a whole is involved in a wide variety of financial activities, our
8 infrastructure funds have become a large part of the organization's overall business. We
9 currently employ over 700 infrastructure specialists around the world and manage over
10 \$27 billion in equity invested in infrastructure and similar assets globally. The asset
11 portfolio managed by Macquarie's IB Funds division now includes 99 assets in 25
12 countries across 27 different investment funds, companies and vehicles. By following the
13 philosophy described above, these funds have developed a track record as long term
14 holders of infrastructure businesses and investments.

15 **Q. Please provide examples of the Macquarie Group's infrastructure investments.**

16 A. Through its investments, the Macquarie Group is responsible for serving customers in the
17 following sectors around the world:

18	Gas distribution	+3.4 million households
19	Water	+4.0 million households
20	Electricity distribution	+550,000 households
21	Electricity transmission	Serve +4 million people
22	Airports	+110 million passengers per annum
23	Toll Roads	+1.2 million cars per day (on average)

1 customers, the environment and to the communities it serves. The Macquarie Group was
2 particularly attracted to Duquesne Light's "Back to Basics" program, in which Duquesne
3 Light is focusing primary attention on its core transmission and distribution utility
4 business. Finally, Duquesne Light is subject to regulation by the Pennsylvania Public
5 Utility Commission, which has a strong reputation for balanced and fair regulatory
6 policies. These are some of the primary reasons the Macquarie Group was attracted to
7 DLH and Duquesne Light in particular.

8 As explained above, the Macquarie Group seeks to invest in infrastructure assets
9 that provide stable returns, and particularly stable utility systems that are managed by a
10 locally based, highly competent, management team and are subject to reasonable and fair
11 regulation. Duquesne fits this model exceptionally well.

12 **Q. How will the transaction be financed?**

13 A. As explained in the Application, the transaction will be funded and financed by the
14 Macquarie Consortium, a group of six investment funds, including: (1) Macquarie
15 Infrastructure Partners Canada, L.P., Macquarie Infrastructure Partners A, L.P.
16 (collectively "MIP") (both acting through CLH Holdings, GP, a Delaware General
17 partnership, (2) DUET Investment Holdings Limited ("DUET"), (3) Industry Funds
18 Management, investing through IFM (International Infrastructure) Wholesale Trust, (4)
19 GIF2 – MFIT United Pty. Limited, (5) Motor Trades Association Super and (6) State
20 Super.

21 The purchase price will be funded by the Consortium at closing from the following
22 financing sources:

- 23 • \$954 million in Consortium cash equity;

- 1 • \$141 million in newly issued shares of DLH contributed by members of the
- 2 Consortium; and
- 3 • \$638 million of term loan bank debt facilities.

4 The Macquarie Consortium will also assume:

- 5 • \$148 million of Duquesne Light preferred and preference shares; and
- 6 • \$1.26 billion in assumed long term debt (estimated at closing).

7 Further debt facilities totaling \$807 million will be available to the Macquarie
8 Consortium for the repayment of existing debt and Duquesne Light preference shares
9 (approximately \$424 million), capital expenditure and general corporate purposes
10 (approximately \$275 million) plus transaction and other costs.

11 **Q. What effects will the transaction and its financing have on DLH and Duquesne**
12 **Light capital structures?**

13 A. The transaction, at closing, will produce a stronger balance sheet for Duquesne Light and
14 comparable leverage at DLH. Specifically, before the transaction, Duquesne Light's
15 projected capital structure, as of December 31, 2006, is expected to comprise
16 approximately 44.3% common equity, 9.6% preferred and preference stock and 46.1%
17 total debt. After the transaction is completed, the comparable figures will be 69.1%
18 common equity, 8.7% preferred and preference stock and 22.2% total debt. However, as
19 the Pollution Control Revenue Bonds of Duquesne Light, currently held "on the shelf",
20 are issued over time, the capital structure of Duquesne Light is anticipated to return to a
21 more equal ratio of equity and debt. Comparable figures for DLH before and after the
22 transaction, respectively, will be 35.8% and 33.3% common equity, 6.7% and 4.2%
23 preferred and preference stock, and 57.5% and 62.5% total debt. There is also an

1 intention to divest certain non-core assets of the Company, the after-tax proceeds of
2 which would be used to repay debt and or preferred shares. Therefore, the transaction
3 will result in providing Duquesne Light with a stronger equity position while largely
4 maintaining DLH's current leverage position.

5 **Q. Will the transaction result in increased rates for Duquesne Light's customers?**

6 A. No. DQE Holdings will not cause the transaction premium to be recorded on either
7 Duquesne Light's or DLH's books and there will be no claim for a return on or recovery
8 of the premium in a future base rate case by Duquesne Light. Duquesne Light also will
9 not claim a return on or recovery of the transaction costs in a future rate proceeding.

10 **Q. Please describe the Macquarie Consortium's access to capital, both to finance this
11 transaction and in providing for the future capital needs of Duquesne Light.**

12 A. Access to capital markets is one of the key attributes of successful infrastructure
13 management. The Macquarie Group is a recognized as a global leader in the
14 infrastructure sector with recognized strength in both infrastructure funds management
15 and infrastructure advisory services, and will be a strong strategic partner for DLH. The
16 Macquarie Group is one of the world's largest owners and managers of infrastructure
17 assets, managing more than \$27 billion in infrastructure equity around the world. The
18 other members of the Macquarie Consortium also have significant capital to invest in
19 infrastructure assets.

20 Duquesne Light has already benefited from the Macquarie Consortium's financial
21 commitment. On August 11, 2006, members of the Macquarie Consortium, DUET and
22 IFM invested approximately \$141 million in newly issued DLHs' equity which has
23 enabled DLH to acquire a minority interest in the Keystone and Conemaugh generation

1 stations and provide support for Duquesne Light's ongoing Infrastructure Improvement
2 Program. In addition, if the transaction is approved, Macquarie's infrastructure advisory
3 business will play an important role in identifying future opportunities to access
4 efficiently priced capital through arranging additional debt facilities to enable further
5 investment in the Infrastructure Improvement Program and refinancing existing debt.

6 As for future capital requirements, the Macquarie Consortium's investment goal
7 is to identify and invest in assets that produce steady, long-term cash flow streams and
8 that do not require a sale to achieve its investment goals. As I noted previously, the
9 Macquarie Consortium is paying a premium to invest in DLH as it is an infrastructure
10 asset that fulfills our mandate by providing us with the opportunity to employ capital to
11 purchase a long-term asset and earn a stable return on our investment.

12 For DLH's and Duquesne Light's future capital needs, the Macquarie Consortium
13 members have a continuing need to invest capital in long lived assets and the Macquarie
14 Group has access to numerous global sources of capital.

15 **Q. Please compare and contrast the Macquarie Group's investments and investment
16 philosophy with that of a so called "private equity" fund.**

17 **A.** The infrastructure sector consists of long-lived assets and entities with sustainable
18 business advantage which produce stable and predictable revenue streams. Included in
19 this sector are gas, water and electric utilities, toll roads, airports, broadcast networks,
20 select rail assets and various other public/private partnerships. The general philosophy of
21 the Macquarie Group's infrastructure funds is to focus on owning, operating and
22 investing in a diversified group of infrastructure businesses globally, including in the
23 United States and other developed countries for the long-term. These funds generally

1 seek out investments that produce steady long-term cash flow streams and do not require
2 a sale or defined exit strategy to achieve their investment goals. For this reason, the
3 Macquarie Group and our co-investors, view the nature of the infrastructure funds and
4 infrastructure generally, as being fundamentally different from traditional “private
5 equity” investments, which generally operate on a much shorter time horizon and often
6 achieve expected returns only upon sale of underlying assets.

7 **Q. Do you have any evidence to support your position regarding the Macquarie**
8 **Group’s “buy and hold” investment strategy?**

9 A. Yes. *Since inception of our infrastructure funds business in 1996, the Macquarie Group*
10 *has invested in approximately 100 infrastructure and infrastructure-like assets. Of these,*
11 *we have sold only three of these investments. In those three incidents the Macquarie-*
12 *managed investment was only a minority interest in the infrastructure asset. Increasingly,*
13 *the Macquarie Group now targets investments where it holds a majority position. These*
14 *figures provide strong support for the proposition that the Macquarie Group is*
15 *fundamentally different from general private equity funds.*

16 **Q. Please describe the proposed ownership and corporate governance of DQE Holdings**
17 **LLC.**

18 A. As a limited liability company, DQE Holdings will have members rather than
19 shareholders as its equitable owners. The members of DQE Holdings will be the six
20 investments funds who are funding and financing the proposed transaction.
21 Representatives of these six members also will comprise the Board of Directors of DQE
22 Holdings. I will be the board representative for Macquarie Infrastructure Partners and

1 will be Chairman of the Board. The Chief Executive Officer of DQE Holdings will be
2 Duquesne Light's and DLH's current CEO, Morgan O'Brien.

3 The Board of Directors of DQE Holdings sole purpose is to supervise the
4 operations of DLH and Duquesne Light. Thus, Duquesne Light and its operations will
5 benefit from a board dedicated to ensuring its success over the long-term. There is
6 currently no intention to merge the operations of DLG with any other investment of the
7 Macquarie Group. Any such future transaction would be based on an analysis by DQE
8 Holdings at that point in time.

9 **Q. What are Macquarie Consortium's plans regarding future management and**
10 **operation of Duquesne Light?**

11 A. As explained in the Joint Application, the Macquarie Consortium provides financial and
12 technical expertise, and supports existing management in the day-to-day operation of its
13 investments. These activities will be within the purview of existing management, as they
14 are today. While DQE Holdings will seek to become more involved in the business
15 planning process, and will provide DLH and Duquesne Light with access to a wide
16 variety of global expertise, in many respects, the operation and management of Duquesne
17 Light and DLH will be very much the same before and after the transaction. Today, DLH
18 and Duquesne Light are run on a day-to-day basis by senior management, subject to
19 supervision by the DLH Board of Directors. The current board establishes overall
20 corporate goals and policies, reviews financial and operating data at periodic board
21 meetings, reviews and approves annual capital and operating budgets, reviews the
22 performance and sets compensation for senior management. After the transaction, the

1 DQE Holdings' Board will perform these functions and senior management will continue
2 in its present role.

3 Regarding future plans, as I mentioned earlier, one of the things that particularly
4 attracted the Macquarie Consortium to this transaction is the quality and commitment of
5 senior management, particularly the current CEO, Morgan O'Brien. We intend to retain
6 existing senior management, including Mr. O'Brien, and indeed, this is a very important
7 part of our investment strategy.

8 **Q. Please describe the anticipated business relationship between the members of**
9 **Macquarie Consortium and Duquesne Light.**

10 A. As noted in the Application, Duquesne Light is currently party to an Amended and
11 Restated Administration Services Agreement by and among Duquesne Light, DLH and
12 the affiliates of each for the provision and receipt of services at cost among affiliates. In
13 conjunction with this transaction, this existing agreement will be amended to include
14 DQE Holdings and Macquarie Bank Limited, its subsidiaries and affiliates where
15 relevant.

16 Again, one of the primary attractions of DLH and Duquesne Light as an
17 investment for the Macquarie Consortium is the existing senior management and its
18 skilled workforce. While the Macquarie Consortium will not provide personnel for
19 Duquesne's daily operations, our significant experience managing energy and utility
20 investments will enable Duquesne Light to benefit from the assistance of experienced
21 personnel with relevant industry background.

1 To address the provision and receipt of Macquarie Group services at cost, the
2 aforementioned affiliate investment agreement will require amendment to reflect the new
3 resources at Duquesne Light's disposal.

4 **Q. Please describe Macquarie's commitment to the communities in which it makes**
5 **infrastructure investments.**

6 A. One of the beliefs around which the fledgling Macquarie Group formed its philosophy in
7 the early 1970s was that a company is a member of the society in which it operates. It
8 follows that one of its duties is to work in different ways for the betterment of that
9 society. Recognizing that the infrastructure investments it manages involve both
10 environmental and societal responsibilities, the Macquarie Group and the Macquarie
11 Consortium, like DLH and Duquesne Light, understand the importance of its role as a
12 responsible corporate citizen. The transaction ensures the fulfillment of the important
13 role of corporate citizen through responsible management, through encouraging and
14 supporting community activities of its staff and financial support to various charities.
15 Some U.S. examples of the Macquarie Group's activities include:

- 16 • In Chicago, IL, where the Macquarie Group manages investments such as the Chicago
17 Skyway toll road, Thermal Chicago Corporation, Avistar Airport Parking at O'Hare
18 airport and Atlantic Aviation FBO at Midway airport, it is engaged as an active member
19 of the community. Led by the efforts of the Macquarie Foundation since 2004,
20 Macquarie has been a committed supporter of *After School Matters (ASM)*, the largest
21 after-school initiative of its kind for teenagers in the U.S. Currently the Macquarie Group
22 is working with *ASM* by funding a six month glass mosaic community partnerships

1 program empowering Chicago teenagers to develop their creativity and expressiveness;
2 and

- 3 • In May 2006 the Dulles Greenway, a toll road owned by Macquarie Infrastructure Group
4 (MIG), conducted its inaugural “*Drive For Charity*” day, where during 24 hours the net
5 proceeds from tolls collected on the road were donated to five charities with three year
6 funding commitments. The *Drive For Charity* initiative is held in Australia, the United
7 Kingdom, and the United States on roads where MIG holds a controlling interest.

8 The Macquarie Consortium is committed, at a minimum, to maintaining Duquesne’s
9 active role in supporting the community and DQE Holdings LLC has agreed to provide
10 corporate contributions and community support in Southwestern Pennsylvania for a
11 period of at least five years at the levels comparable to those provided in Duquesne
12 Light’s budget for 2006.

13 **Q. Please summarize the benefits you see to Duquesne Light, its customers and the**
14 **Pittsburgh community from acquisition by Macquarie.**

15 A. The many benefits of the proposed transaction are set forth in the Application, and I will
16 not repeat them in detail in my testimony. I will only add that the Macquarie Group is
17 very excited about the opportunity to acquire DLH and Duquesne Light. We believe the
18 proposed transaction is an excellent example of a “win-win” transaction that is both fully
19 consistent with our long-term investment strategy and will provide substantial benefits to
20 Duquesne Light it customers and the communities it serves. We look forward to a long
21 and mutually beneficial relationship with Duquesne Light, the Commission and the
22 Commonwealth of Pennsylvania. Duquesne Light is a well-run public utility that
23 provides excellent service to its customers through its plant, equipment and operations.

1 Duquesne Light's ability to provide safe, reliable and efficient service will be maintained
2 and enhanced by this transaction, as the transaction will result in DLH and Duquesne
3 Light having improved access to financial resources from the Macquarie Consortium.
4 Specifically, DLH and Duquesne Light will now have access to local and global
5 resources for raising capital, and for information sharing to develop best practices
6 between DLH and Duquesne Light and the Macquarie Group. Also, the Macquarie
7 Consortium and Duquesne Light share a strong commitment to customers, the
8 environment and to the communities they serve.

9 In addition, the Macquarie Consortium is committed to pursuing new and existing
10 strategic initiatives with Duquesne Light's current management to further improve
11 ratepayer satisfaction and continue to focus on product quality and operational efficiency.
12 Specifically, the Macquarie Consortium is committed to fund necessary maintenance and
13 infrastructure upgrades to Duquesne Light's system. Continuing to provide high levels of
14 service and reliability to customers throughout Allegheny and Beaver counties will
15 remain a priority.

16 The Macquarie Consortium has demonstrated its commitment to Duquesne
17 Light's future as two of its members have already invested \$141 million in newly issued
18 DLH equity prior to the closing of this transaction. The proceeds were used to repay
19 DLH's bank borrowings used for capital expenditures, working capital requirements and
20 for Duquesne Light's infrastructure investment program. The equity sale was a
21 prerequisite for obtaining the loan used to finance the acquisition of a minority interest in
22 the Keystone and Conemaugh generation stations.

1 Securing access to these reliable, low cost units was also identified as a means to
2 provide additional benefits to Duquesne Light and to Southwestern Pennsylvania. Rising
3 and volatile electricity prices have a significant impact on the economic viability of
4 Southwestern Pennsylvania. It is imperative that Pennsylvania be able to offer
5 competitively priced electricity to maintain its existing manufacturers and to attract new
6 industries to the Commonwealth.

7 **Q. Does Macquarie anticipate realizing “synergy savings” as a result of this**
8 **transaction?**

9 A. As I understand the term “synergy savings”, it refers to savings that can be achieved
10 when two operating utilities combine. These savings are primarily achieved through lost
11 jobs, usually at the entity being acquired and through consolidation of management
12 functions, usually by reducing the presence of the acquired utility in its current
13 headquarters location. These types of savings are not part the proposed transaction. As I
14 indicated, Macquarie is recognized as a global leader in infrastructure investments and
15 the management of infrastructure investments, but we do not have nor do we provide
16 personnel to operate our investments. For this reason, Macquarie seeks out long-term
17 investments with highly competent and established management teams and employees
18 and then supports them with its financial and technical expertise. Here, we identified
19 Duquesne Light as a strong potential partner based upon its consistent track record of
20 providing exceptional service to the Greater Pittsburgh region. This fact is underscored
21 by our commitment to maintain senior management, particularly the current chief
22 executive officer, to honor the current collective bargaining agreement for Duquesne
23 Light’s represented employees and provide wage and benefit protections for non-

1 represented employees. Therefore, while we do not anticipate that the transaction will
2 result in synergy savings, it will ensure that Duquesne Light and its customers will
3 continue to benefit from the expertise of the existing management and employees in
4 addition to gaining access to the local and global resources of the Macquarie Consortium.

5 **Q. Does this conclude your testimony?**

6 **A.** Yes, it does.

PROPRIETARY INFORMATION

Docket Number A-110150 F-0035

Name of Document Exhibit CJL-1 and
Exhibit CJL-2

Date Document Received 9-15-2006

DOCUMENT CONTAINS

PROPRIETARY INFORMATION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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

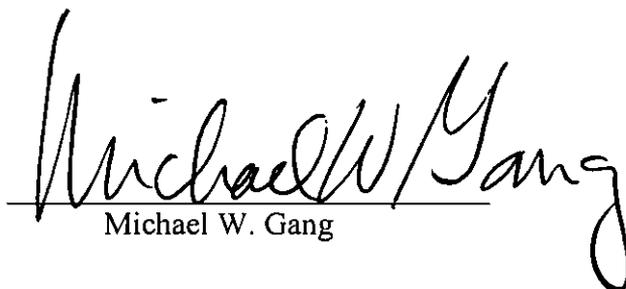
William R. Lloyd, Jr.
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Charles D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265

Irwin A. Popowsky
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Date: September 15, 2006

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2006 SEP 15 ... 4:12
PA PUC
SECRETARY'S BUREAU


Michael W. Gang

DATE: September 19, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Petition to Intervene,
filed by International Brotherhood of Electrical
Workers Local 29, in connection with the above docketed
proceeding.

This matter is assigned to your Bureau for
appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
FOLDER

DOCKETED

SEP 19 2006

BURKE VULLO REILLY ROBERTS

ATTORNEYS AT LAW

1460 Wyoming Avenue
Forty Fort, PA 18704
Phone (570) 288-6441 ♦ Fax (570) 288-4598

*Formerly Burke & Burke
Thomas F. Burke, Sr. (1932-1972)*

JOSEPH L. VULLO
jlvullo@bvrrlaw.com

www.bvrrlaw.com

September 29, 2006

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

ORIGINAL

RE: In Re: Duquesne Light Company and DOE Communication Network
Services, LLC - Application for Merger
Docket Nos: A-110150F0035 and A-311233F0002

Dear Secretary McNulty:

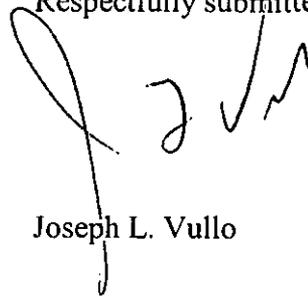
Enclosed for filing please find an original and four (4) copies of Petition to Intervene on behalf of the Community Action Association of Pennsylvania in the above-referenced proceeding. I would ask that you provide me with a time-stamped copy of the Petition in the self-addressed, stamped envelope enclosed.

By copy of this correspondence, I am serving all parties of record.

Finally, enclosed is U.S. Postal Form 3817 (Certificate of Mailing).

If you need anything further from me, please do not hesitate to contact me.

Respectfully submitted,



Joseph L. Vullo

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JLV/jar
encls.

cc: Michael W. Gang, Esquire

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2006 OCT -2 AM 9:41
PA P.U.C.
SECRETARY'S BUREAU

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION 2006 OCT -2 AM 9:41

PA P.U.C.
SECRETARY'S BUREAU

IN RE: Duquesne Light Company : Docket Nos.: A-110150F0035
and DQE Communications Network : A-311233F0002
Services, LLC - Application for Merger :

**COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA'S
PETITION TO INTERVENE**

NOW COMES, the Community Action Association of Pennsylvania (CAAP), by and through counsel, Joseph L. Vullo, Esquire, and petitions to intervene in the above-captioned matter, averring as follows:

1. The Petitioner, Community Action Association of Pennsylvania, is a statewide association representing Pennsylvania's community action agencies that provide anti-poverty planning and community development activities for low income communities and services to individuals and families.

2. For more than 25 years, one of CAAP's primary missions has been to represent the energy interests of low income citizens in proceedings before the Pennsylvania Public Utility Commission and as such, CAAP has a direct and substantial interest in this proceeding that cannot be adequately represented by any other party.

3. CAAP is comprised of 43 member agencies including agencies in the Duquesne Light Co. service areas.

4. CAAP seeks permission to intervene in the Companies' application for merger filed with the Commission pursuant to the above-captioned docket numbers.

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5. CAAP seeks permission to intervene in the Companies' application for merger to address the following issues:

A. The effect of the proposed merger on customers, particularly low income customers;

B. Whether the proposed merger will result in a substantial, affirmative benefit to the Companies' customers and ratepayers;

C. Whether the proposed merger would adversely affect retail electric competition in Pennsylvania;

D. The effect of the proposed merger on low income customers and programs designed to aid low income customers; and

E. The effect of the proposed merger on the resulting Company's universal service programs.

6. CAAP's participation as an active party in this proceeding is required to protect its substantial interests and the substantial interests of the low income citizens it represents in ensuring that utility rates remain affordable to its clients. Accordingly, CAAP's participation in this proceeding will serve the public interest.

7. CAAP has member agencies in the Companies' service areas and thus the interests of its clients are not protected by any other party to this action.

POSITIONS

9. CAAP takes no position at this time regarding the Companies' application for merger but CAAP's participation in this proceeding is, in part, to study the effect of the proposed merger

on the Companies' low income customers and whether the Companies' universal service programs will be appropriately funded and available.

10. The Pennsylvania Electric Restructuring Act requires that universal service programs be appropriately funded and available. There is a substantial public interest in ensuring that the Companies' universal service programs are appropriately funded and available and the effect, if any, on those programs if the proposed merger is approved.

REQUEST FOR RELIEF

WHEREFORE, CAAP respectfully requests that the Commission:

1. Receive for filing and docket this Petition to Intervene and order that CAAP be an active party to such proceedings and be placed on all services lists.

2. Order that the following individuals be designated as CAAP's recipients for service:

A. Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
P.O. Box 1127
Wilkes-Barre, PA 18703-1127
Phone: (570) 826-0510
Fax: (570) 829-1665
e-mail: hebegebe@sunlink.net

B. Joseph L. Vullo, Esquire
1460 Wyoming Avenue
Forty Fort, PA 18704
Phone: (570) 288-0700
Fax: (570) 288-4598
e-mail: jlvullo@aol.com

3. Order that each party to the proceedings provide CAAP's designated recipient with copies of all papers filed.

4. Order that public hearings be conducted in the Companies' service territories.

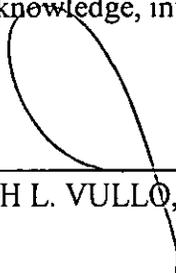
5. Order that the matter be referred to the Office of Administrative Law Judges for an investigation and hearing on the Companies' proposed merger.
6. Grant such other relief as the Commission may deem necessary and proper.

Respectfully submitted,

JOSEPH L. VULLO, ESQUIRE
I.D. No. 41279
1460 Wyoming Avenue
Forty Fort, PA 18704
(570) 288-0700
e-mail: jlvullo@bvrrlaw.com
Attorney for Community Action Association
of Pennsylvania

VERIFICATION

I, JOSEPH L. VULLO, ESQUIRE, hereby verify that as counsel for the Community Action Association of Pennsylvania, I reviewed the facts set forth in the foregoing Petition with CAAP Board Member, Eugene M. Brady, am authorized to execute this Verification and that the facts set forth in the foregoing are true and correct to the best of my knowledge, information and belief.



JOSEPH L. VULLO, ESQUIRE

Dated: _____

9/29/06

FOX • ROTHSCHILD_{LLP}

ATTORNEYS AT LAW

2000 MARKET STREET • TENTH FLOOR • PHILADELPHIA, PA 19103-3291
215.299.2000 • FAX 215.299.2150 • www.foxrothschild.com

ORIGINAL

Theodore H. Jobs
Direct Dial: (215) 299-2786
Email Address: tjobs@foxrothschild.com

September 29, 2006

VIA FEDERAL EXPRESS

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RECEIVED

SEP 29 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Re: Application of Duquesne Light Company and DQE
Communications Network Services LLC for a Certificate
Of Public Convenience Under Section 1102(a)(3) of the Public
Utility Code Approving the Acquisition of Duquesne Light Holdings,
Inc. by Merger
Docket No. A-100160 F0035**

Dear Secretary McNulty:

A-311233 F0002

Enclosed for filing are an original and four (4) copies of this transmittal letter and the Pennsylvania Large Energy Users Coalition's Protest in the above matter. Copies of the enclosed Protest are being served upon counsel for Duquesne and the parties or their counsel set forth on the Certificate of Service.

Should you have any questions regarding the above, please call me at (215) 299-2786. Please date stamp and return to me in the self-addressed envelope I have enclosed, the extra copy of this letter and the Complaint. Thank you for your cooperation.

DOCUMENT
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Very truly yours,



Theodore H. Jobs
Counsel to Pennsylvania Large
Energy Users Coalition

THJ:jfp

Enclosures

cc: Barnett Satinsky, Esq. (w/encl.)
Steven S. Goldenberg, Esq. (w/encl.)
Paul F. Forshay, Esq. (w/encl.)
All Parties of record as set forth on the Certificate of Service

45

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Duquesne Light Company for a :
Certificate of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code Approving the :
Acquisition of Duquesne Light Holdings, Inc. by :
Merger :

A - 110150 F0035

Application of DQE Communications Network :
Services LLC for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne Light :
Holdings, Inc. by Merger :

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A - 311233 F0002
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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PROTEST

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

The Pennsylvania Large Energy Users Coalition ("PALEUC") hereby Protests the Application of Duquesne Light Company ("Duquesne") and DQE Communications Network Services LLC (Network") (together "Applicants") requesting that the Pennsylvania Public Utility Commission ("Commission") (1) issue certificates of public convenience under Section 1102(a)(3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(3), approving the transfer of ownership and control of Duquesne and Network to DQE Holdings, LCC, ("DQE Holdings") (2) register Securities Certificates under Chapter 19 of the Public Utility Code; (3) approve certain affiliate agreements under Chapter 21 of the Public Utility Code; and (4) grant all other approvals necessary to effectuate the proposed transactions.

In support of its Protest, PALEUC states as follows:

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OCT 30 2006

1. This Protest is brought on behalf of PALEUC, an association of large end-use customers of Duquesne, whose initial membership list is attached as an exhibit. The list will be updated as required during the pendency of this matter.

2. The names and address of PALEUC's attorneys are:

Theodore H. Jobes, Esquire
FOX ROTHSCHILD LLP
2000 Market Street
Philadelphia, PA 19103
Phone: (215) 299-2000
Fax: (215) 299-2150
tjobes@foxrothschild.com

Steven S. Goldenberg, Esquire
FOX ROTHSCHILD LLP
Princeton Pike Corporate Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-2311
Phone: (609) 896-4586
Fax: (609) 896-1469
sgoldenberg@foxrothschild.com

Paul F. Forshay, Esquire
Sutherland, Asbill & Brennan, LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004
Phone: 202-383-0708
Fax: 202-637-3593
paul.forshay@sablaw.com

All correspondence in this proceeding from the Commission should be directed to the attention of Steven S. Goldenberg and Paul F. Forshay at the addresses provided.

3. The parties to the proposed transaction are:

Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219

Duquesne Light Holdings, Inc.
411 Seventh Avenue
Pittsburgh, PA 15219

DQE Holding LLC
Level 22, 125 West 55th Street
New York, NY 10019

4. By Application dated September 6, 2006, Duquesne and Network request the Commission to issue certificates of public convenience and necessity approving the transfer of ownership and control of Duquesne Light Holdings, Inc. ("DLH"), the parent of Duquesne and Network, to DQE Holdings.

PROTEST

5. PALEUC is an association of large end use, industrial customers that are located within Duquesne's service territory and obtain electric service from Duquesne. The current members of PALEUC take service from Duquesne under Rate Schedules L and GL. PALEUC members will be substantially and specifically affected by the outcome of this proceeding and have interests that are not represented by any other party of record. Notwithstanding its unique interests, where it is possible and practical for it to do so, PALEUC will endeavor to work cooperatively with other parties in the interests of administrative efficiency and economy. Accordingly, PALEUC satisfies the standards for intervention set forth in the Commission's regulations. See 52 Pa. Code § 5.51 through 5.76.

6. PALEUC alleges that the Application and accompanying data filed in support of the Application fail to satisfy the "positive benefits" standard of proof that has been adopted in merger proceedings pursuant to Section 1101(a)(3) of the Public Utility Code, 66 Pa. C.S. §§ 1102(a)(3), which provides:

For any public utility ... to acquire from, or transfer to, any person or corporation ... by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger,

sale or lease, the title to, or the position or use of, any tangible or intangible property used or useful in the public service.

7. Section 1103(a) of the Pennsylvania Public Utility Code provides that a certificate of public convenience evidencing the Commission's approval under §1102 shall issue only upon a showing that granting such approval is "necessary or proper for the service, accommodation, convenience, or safety of the public" (66 Pa. C.S. §1103(a)). These statutes have been interpreted by the Pennsylvania Supreme Court which held, in York v. Pa. P.U.C., 449 Pa. 136, 295 A.2d 825, 828 (1972), that those seeking approval of a utility merger must demonstrate that the merger "will affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some substantial way".

8. The Application does not satisfy the statutory standard. In particular, the Application does not demonstrate that DQE Holdings' acquisition of Duquesne and Network will promote the public interest in some substantial way. The Application asserts that the approval of the transaction "will result in substantial public benefits" (Application, Section IX, page 20). However, the Application acknowledges, among other things, that the proposed transaction will have no initial effect on rates and that "because the Transaction does not involve a combination of operating utilities, it is not expected that there will be synergy savings as a result of the Transaction." (Application, Section VI, page 16) It is argued that "ratepayers will benefit in the future as a result of the Macquarie Group's ability to attract capital on a reasonable basis through enhanced access to capital markets, increased stability and enhanced financial strength, a long-term investment approach and a greater and continuous access to equity capital". Id. However, the Application does not answer the material question "what capital, including capital for the

various projects that Duquesne proposes to undertake, will be available to Duquesne and under what conditions?”

9. It is noteworthy that the Application was brought hard on the heels of the settlement of Duquesne’s recent rate case, in which Duquesne received substantial distribution rate increases. The Application provides no relief with respect to Duquesne’s distribution rates and holds out only vague assurances that because of the financial resources available to the Macquarie Group, rates will somehow moderate over time. This, of course, is no commitment at all.

10. While the Application suggests that substantial public benefit will derive from, among other things, improved product quality and operational efficiencies due to the pairing with Macquarie Group as a strategic partner, (Application, Section IX, page 20), the Application reveals that the Macquarie Group’s domestic energy and utility investments are limited to a water company in New England, a Hawaiian gas company and a “district energy business” operating in Chicago and Las Vegas. The Application does not establish how the Macquarie Group’s limited experience with domestic energy and utility infrastructure will enhance Duquesne’s provision of electric distribution services. While the Application refers to these product and operational benefits in the abstract, there is no claim or commitment that the Macquarie Group will produce any measurable improvements in Duquesne’s service. Put another way, the Application fails to answer the fundamental question of “what improvements and quality of service can customers expect to see under the Macquarie Group’s stewardship?”

11. Finally, the Application proposes the establishment of an “economic development program” that would afford certain Pennsylvania industrial employers access to discounted generation. While there is potential merit to such a program, by its terms, it is limited in scope to

only new customers or existing customers that significantly expand their load. The offering would be available only for three years per project. Because of its limited utility to existing customers, the program must be further examined to determine whether, and to what extent, it may be expanded to benefit a broader class of industrial customers.

12. PALEUC reserves the right to address other issues of concern upon its further review of the Application and during the course of the proceeding.

13. PALEUC respectfully requests the Commission to provide the following relief:

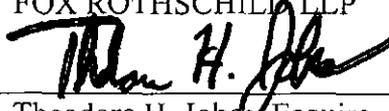
- (a) Investigate the impact of the proposed merger in full evidentiary hearings;
- (b) Allow PALEUC to participate fully in the evidentiary proceeding, cross-examine all witnesses, present its own evidence and witnesses, and offer arguments on its own behalf; and
- (c) Require Applicants to identify and substantiate the positive benefits afforded by the proposed merger.

WHEREFORE, the Pennsylvania Large Energy Users Coalition respectfully requests that Applicants be required to answer this Protest and that, upon a final hearing, the Commission make such order as it deems necessary and appropriate.

Respectfully submitted,

FOX ROTHSCHILD LLP

By



Theodore H. Jobes, Esquire
FOX ROTHSCHILD LLP
2000 Market Street
Philadelphia, PA 19103
Phone: (215) 299-2000
Fax: (215) 299-2150
tjobes@foxrothschild.com

Steven S. Goldenberg, Esquire
FOX ROTHSCHILD LLP
Princeton Pike Corporate Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-2311
Phone: (609) 896-4586
Fax: (609) 896-1469
sgoldenberg@foxrothschild.com

Paul F. Forshay, Esquire
Sutherland, Asbill & Brennan, LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004
Phone: 202-383-0708
Fax: 202-637-3593
paul.forshay@sablaw.com

Dated: September 29, 2006

APPENDIX

PENNSYLVANIA LARGE ENERGY USERS COALITION

Docket No.

A-110150F0035

A-311233F0002

Membership List

American Beverage Corporation

Hussey Copper

United States Gypsum Company

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SEP 29 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the parties listed below in accordance with the requirements of Section 1.54 (relating to service by a party).

VIA FIRST CLASS MAIL

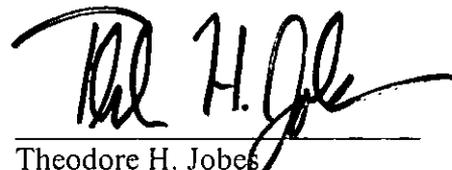
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Office of the Consumer Advocate
555 Walnut Street
Forum Place – 5th Floor
Harrisburg, PA 17101-1921

Michael W. Gang, Esq.
Andrew S. Tubbs
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Office of Trial Staff
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

David B. MacGregor, Esq.
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103-2808



Theodore H. Jobes
Counsel to Pennsylvania Large
Energy Users Coalition

Dated this 29th day of September, 2006, in Philadelphia, Pennsylvania.

RECEIVED

SEP 29 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

2000 MARKET STREET • TENTH FLOOR • PHILADELPHIA, PA 19103-3291
215.299.2000 • FAX 215.299.2150 • www.foxrothschild.com

ORIGINAL

Theodore H. Jobs
Direct Dial: (215) 299-2786
Email Address: tjobs@foxrothschild.com

September 29, 2006

VIA FEDERAL EXPRESS
James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCUMENT
FOLDER

RECEIVED

SEP 29 2006

PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17120

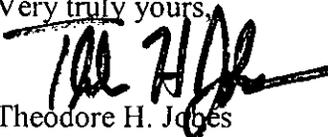
**Re: Application of Duquesne Light Company and DQE
Communications Network Services LLC for a Certificate
Of Public Convenience Under Section 1102(a)(3) of the Public
Utility Code Approving the Acquisition of Duquesne Light Holdings,
Inc. by Merger**
Docket No. A-110150 F0036

Dear Secretary McNulty:

A-311233 F0002

Enclosed for filing are an original and four (4) copies of this transmittal letter and the Motion for Special Admission of Counsel seeking the admission *pro hac vice* of Steven S. Goldenberg, Esquire and Paul Forshay, Esquire as co-counsel for the Pennsylvania Large Energy Users Coalition. Copies of the enclosed Motion are being served upon counsel for parties or their counsel set forth on the certificate of service.

Should you have any questions regarding the above, please call me at (215) 299-2786. Please date stamp and return to me in the self-addressed envelope I have enclosed, the extra copy of this letter and the Motion. Thank you for your cooperation.

Very truly yours,


Theodore H. Jobs
Counsel to Pennsylvania Large
Energy Users Coalition

THJ:jfp
Enclosures

cc: Barnett Satinsky, Esq. (w/encl.)
Steven S. Goldenberg, Esq. (w/encl.)
Paul F. Forshay, Esq. (w/encl.)
All Parties of record as set forth on the Certificate of Service

48

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for a :
Certificate of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code Approving the :
Acquisition of Duquesne Light Holdings, Inc. by :
Merger :

A - 110150 F0035

Application of DQE Communications Network :
Services LLC for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne Light :
Holdings, Inc. by Merger :

A - 311233 F0002

ORDER

AND NOW, this _____ day of _____, 2006, upon consideration of the Motion of Theodore H. Jobs, Esquire, for Special Admission of Paul F. Forshay, Esquire in this matter, and for good cause shown, it is hereby ORDERED:

1. that Paul F. Forshay, Esquire be and hereby is admitted *pro hac vice* to the bar of the Commonwealth of Pennsylvania under 52 Pa. Code § 1.22, as co-counsel on behalf of the Pennsylvania Large Energy Users Coalition in this matter;
2. that Paul F. Forshay, Esquire shall abide by the rules of the Pennsylvania Public Utility Commission, including all disciplinary rules;
3. that Paul F. Forshay, Esquire shall immediately notify the Pennsylvania Public Utility Commission of any matter affecting his standing at the bar of any other court where he may be admitted to practice; and
4. Theodore H. Jobs, Esquire, the moving party herein, shall continue to be responsible as counsel of record for the conduct of this matter on behalf of the Pennsylvania Large Energy Users Coalition.

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SEP 29 2006

BY THE PENNSYLVANIA PUBLIC
UTILITY COMMISSION:

PENNSYLVANIA PUBLIC UTILITY COMMISSION

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for a :
Certificate of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code Approving the :
Acquisition of Duquesne Light Holdings, Inc. by :
Merger :

A - 110150 F0035

Application of DQE Communications Network :
Services LLC for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne Light :
Holdings, Inc. by Merger :

A-311233 F0002

MOTION FOR SPECIAL ADMISSION OF COUNSEL

Theodore H. Jobes, Esquire respectfully moves the Pennsylvania Public Utility Commission pursuant to 52 Pa. Code § 1.22 for the special admission *pro hac vice* of Paul F. Forshay, Esquire in this matter, and in support thereof, represents as follows:

1. I am an attorney at law duly admitted to practice before the Supreme Court of Pennsylvania and am a member in good standing of the bar of the Commonwealth.
2. I am a partner in the law firm of Fox Rothschild LLP and am counsel of record representing the Pennsylvania Large Energy Users Coalition in this matter.
3. Paul F. Forshay, Esquire is associated with me in this matter and seeks admission *pro hac vice* on behalf of the Pennsylvania Large Energy Users Coalition.
4. Paul F. Forshay, Esquire is a partner of the law firm of Sutherland, Asbill & Brennan, LLP, practicing at the firm's Washington, DC office, and is duly qualified to practice in the District of Columbia. He is a member in good standing of the above-listed court and is not

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SEP 29 2006

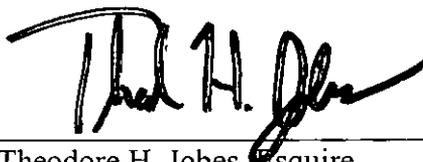
STATE OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

under suspension or disbarment by any court. The supporting affidavit of Paul F. Forshay, Esquire is attached hereto as "Exhibit A."

5. The admission of Paul F. Forshay, Esquire will materially advance the conduct of this matter on behalf of the Pennsylvania Large Energy Users Coalition and will prejudice no one.

WHEREFORE, Theodore H. Jobes, Esquire respectfully requests that the Pennsylvania Public Utility Commission specially admit Paul F. Forshay, Esquire *pro hac vice* on behalf of the Pennsylvania Large Energy Users Coalition in this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Theodore H. Jobes", written over a horizontal line.

Theodore H. Jobes, Esquire
FOX ROTHSCHILD LLP
2000 Market Street, Tenth Floor
Philadelphia, PA 19103
(215) 299-2000

Attorney for the Pennsylvania
Large Energy Users Coalition

Dated: September 29, 2006

VERIFICATION

I, Theodore H. Jobes, Esquire do hereby verify and state that the factual statements contained in the foregoing Motion for Special Admission of Counsel are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa.C.S.A. § 4904, relating to unsworn falsification to authorities.



Theodore H. Jobes, Esquire

Dated: September 29, 2006

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SEP 29 2006
SPECIAL ADMISSION
COUNSEL

EXHIBIT "A"

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SEP 20 2005

FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for a
Certificate of Public Convenience Under Section
1102(a)(3) of the Public Utility Code Approving the
Acquisition of Duquesne Light Holdings, Inc. by
Merger

A - 110150 F0035

Application of DQE Communications Network
Services LLC for a Certificate of Public Convenience
Under Section 1102(a)(3) of the Public Utility Code
Approving the Acquisition of Duquesne Light
Holdings, Inc. by Merger

A - 311233 F0002

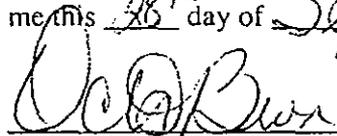
**AFFIDAVIT OF PAUL F. FORSHAY, ESQUIRE
IN SUPPORT OF MOTION FOR SPECIAL ADMISSION OF COUNSEL**

I, Paul F. Forshay, duly sworn according to law, depose and say:

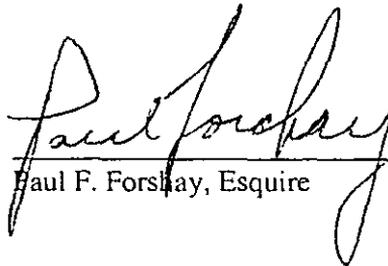
1. I am an attorney in good standing admitted to practice in the District of Columbia. I am not admitted to practice in Pennsylvania. I have no disciplinary proceedings pending against me in any jurisdiction and no discipline has been previously imposed on me in any jurisdiction.
2. I am a partner of the law firm of Sutherland, Asbill & Brennan, LLP, practicing at the firm's Washington, DC office located at 1275 Pennsylvania Avenue N.W., Washington, DC 20004. My telephone number is 202-383-0100.
3. I have previously represented industrial energy customers in utility rate and merger proceedings and am presently associated with Theodore H. Jobes, Esquire in this matter.
4. The Pennsylvania Large Energy Users Coalition desires that I participate in the trial and all other phases of this matter in Pennsylvania.

5. I understand that I will be bound by the Pennsylvania rules of procedure and professional conduct.

Sworn to and subscribed before
me this 26th day of September, 2006



Notary Public



Paul F. Forshey, Esquire



OCTAVIA BROWN
Notary Public
District of Columbia
My Commission Expires November 14, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this 29th day of September, 2006, served a true copy of the foregoing Motion for Special Admission of Counsel, in the manner indicated below, in accordance with the requirements of 52 Pa. Code § 1.54, et seq. (relating to service by a participant) upon the following:

VIA FIRST CLASS MAIL

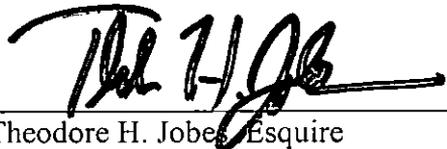
Office of the Consumer Advocate
555 Walnut Street
Forum Place – 5th Floor
Harrisburg, PA 17101-1921

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Andrew S. Tubbs
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17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Office of Trial Staff
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

David B. MacGregor, Esq.
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103-2808



Theodore H. Jobes, Esquire
FOX ROTHSCHILD LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103
(215) 299-2088

Attorney for the Pennsylvania
Large Energy Users Coalition

Dated: September 29, 2006

RECEIVED

SEP 29 2006

PHILADELPHIA COUNTY

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Duquesne Light Company for a
Certificate of Public Convenience Under Section
1102(a)(3) of the Public Utility Code Approving the
Acquisition of Duquesne Light Holdings, Inc. by
Merger** :

A - 110160 F0036

**Application of DQE Communications Network
Services LLC for a Certificate of Public Convenience
Under Section 1102(a)(3) of the Public Utility Code
Approving the Acquisition of Duquesne Light
Holdings, Inc. by Merger** :

A - 311233 F0002

ORDER

AND NOW, this ____ day of _____, 2006, upon consideration of the Motion of Theodore H. Jobes, Esquire, for Special Admission of Steven S. Goldenberg, Esquire in this matter, and for good cause shown, it is hereby ORDERED:

1. that Steven S. Goldenberg, Esquire be and hereby is admitted *pro hac vice* to the bar of the Commonwealth of Pennsylvania under 52 Pa. Code § 1.22, as co-counsel on behalf of the Pennsylvania Large Energy Users Coalition in this matter;
2. that Steven S. Goldenberg, Esquire shall abide by the rules of the Pennsylvania Public Utility Commission, including all disciplinary rules;
3. that Steven S. Goldenberg, Esquire shall immediately notify the Pennsylvania Public Utility Commission of any matter affecting his standing at the bar of any other court where he may be admitted to practice; and
4. Theodore H. Jobes, Esquire, the moving party herein, shall continue to be responsible as counsel of record for the conduct of this matter on behalf of the Pennsylvania Large Energy Users Coalition.

RECORDED

SEP 28 2006

BY THE PENNSYLVANIA PUBLIC
UTILITY COMMISSION:

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for a
Certificate of Public Convenience Under Section
1102(a)(3) of the Public Utility Code Approving the
Acquisition of Duquesne Light Holdings, Inc. by
Merger

A - 110150F0035

Application of DQE Communications Network
Services LLC for a Certificate of Public Convenience
Under Section 1102(a)(3) of the Public Utility Code
Approving the Acquisition of Duquesne Light
Holdings, Inc. by Merger

A - 311233F0002

MOTION FOR SPECIAL ADMISSION OF COUNSEL

Theodore H. Jobes, Esquire respectfully moves the Pennsylvania Public Utility Commission pursuant to 52 Pa. Code § 1.22 for the special admission *pro hac vice* of Steven S. Goldenberg, Esquire in this matter, and in support thereof, represents as follows:

1. I am an attorney at law duly admitted to practice before the Supreme Court of Pennsylvania and am a member in good standing of the bar of the Commonwealth.
2. I am a partner in the law firm of Fox Rothschild LLP and am counsel of record representing the Pennsylvania Large Energy Users Coalition in this matter.
3. Steven S. Goldenberg, Esquire is associated with me in this matter and seeks admission *pro hac vice* on behalf of the Pennsylvania Large Energy Users Coalition.
4. Steven S. Goldenberg, Esquire is a partner of the law firm of Fox Rothschild LLP, practicing at the firm's Princeton, New Jersey office, and is duly qualified to practice in the courts of New Jersey and New York. He is a member in good standing of the above-listed court

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SEP 29 2006

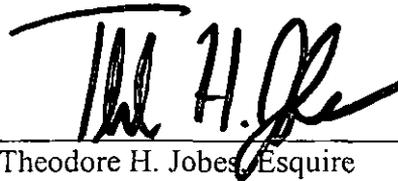
PENNSYLVANIA PUBLIC UTILITY COMMISSION

and is not under suspension or disbarment by any court. The supporting affidavit of Steven S. Goldenberg, Esquire is attached hereto as "Exhibit A."

5. The admission of Steven S. Goldenberg, Esquire will materially advance the conduct of this matter on behalf of the Pennsylvania Large Energy Users Coalition and will prejudice no one.

WHEREFORE, Theodore H. Jobes, Esquire respectfully requests that the Pennsylvania Public Utility Commission specially admit Steven S. Goldenberg, Esquire *pro hac vice* on behalf of the Pennsylvania Large Energy Users Coalition in this matter.

Respectfully submitted,



Theodore H. Jobes, Esquire
FOX ROTHSCHILD LLP
2000 Market Street, Tenth Floor
Philadelphia, PA 19103
(215) 299-2000

Attorney for the Pennsylvania
Large Energy Users Coalition

Dated: September 29, 2006

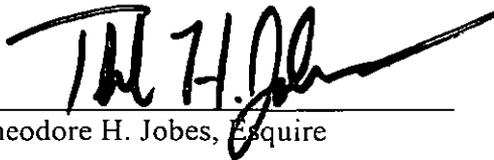
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SEP 29 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY OF STATE

VERIFICATION

I, Theodore H. Jobes, Esquire do hereby verify and state that the factual statements contained in the foregoing Motion for Special Admission of Counsel are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa.C.S.A. § 4904, relating to unsworn falsification to authorities.



Theodore H. Jobes, Esquire

Dated: September 29, 2006

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SEP 29 2006
PA. JUDICIAL BRANCH COMMISSION
PHILADELPHIA, PA.

EXHIBIT "A"

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SEP 29 2006

PA PUBLIC UTILITY COMMISSION
SECRETARIAT

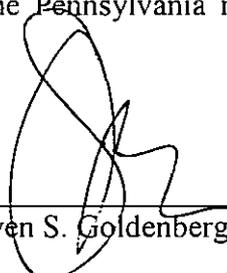
5. I understand that I will be bound by the Pennsylvania rules of procedure and professional conduct.

Sworn to and subscribed before
me this 28th day of September, 2006



Notary Public

JULIE F. POTTHOFF
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 17, 2009



Steven S. Goldenberg, Esquire

RECEIVED
SEP 29 2006
PA PUBLIC UTILITY COMMISSION
HARRISBURG, PA

CERTIFICATE OF SERVICE

I hereby certify that I have this 29th day of September, 2006, served a true copy of the foregoing Motion for Special Admission of Counsel, in the manner indicated below, in accordance with the requirements of 52 Pa. Code § 1.54, et seq. (relating to service by a participant) upon the following:

VIA FIRST CLASS MAIL

Office of the Consumer Advocate
555 Walnut Street
Forum Place -- 5th Floor
Harrisburg, PA 17101-1921

Office of Trial Staff
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Michael W. Gang, Esq.
Andrew S. Tubbs
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

David B. MacGregor, Esq.
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103-2808

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101



Theodore H. Jobs, Esquire
FOX ROTHSCHILD LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103
(215) 299-2088

Attorney for the Pennsylvania
Large Energy Users Coalition

Dated: September 29, 2006

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SEP 29 2006
PENNSYLVANIA COALITION

213 Market Street, 9th Floor, P.O. Box 865, Harrisburg, PA 17108-0865
Tel: (717) 237-7160 ■ Fax: (717) 237-7161 ■ www.WolfBlock.com

Kevin J. Moody
Direct Dial: (717) 237-7187
Direct Fax: (717) 237-2767
E-mail: kmoody@wolfblock.com

ORIGINAL

October 2, 2006

VIA HAND DELIVERY

James McNulty, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
2nd Fl., 400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
2006 OCT -2 PM 4:20
PA PUC
SECRETARY'S BUREAU

Re: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving Acquisition of Duquesne Light Holdings, Inc. by Merger; Docket No. A-110150F0035

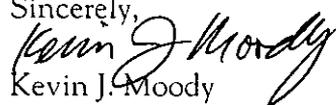
Application of DQE Communications Network Services, LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving Acquisition of Duquesne Light Holdings, Inc. by Merger; Docket No. A-311233F0002

Dear Secretary McNulty:

Enclosed please find the original and three copies of the Strategic Energy, LLC's Protest in the above-referenced matter. As evidenced by the attached Certificate of Service, the parties of record have been served in the manner indicated.

If you have any questions regarding this filing, please contact me.

DOCUMENT FOLDER

Sincerely,

Kevin J. Moody

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

KJM/jls

Enclosures

cc: Certificate of Service (w/encs)

HAR:68654.1/STR163-210988

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing Protest upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

VIA FIRST CLASS MAIL

David B. MacGregor, Esquire
Post and Schell, PC
Four Penn Center
1600 JFK Blvd.
Philadelphia, PA 19103-2921

William Lloyd, Esquire
Small Business Advocate
Office of Small Business Advocate
Commerce Building Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post and Schell, PC
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Scott Rubin, Counsel
International Brotherhood Electric Workers
Three Lost Creek Drive
Selinsgrove, PA 17870

Irwin Popowsky, Esquire
Consumer Advocate
Office of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Johnnie Simms, Esquire
Charles Shields, Esquire
Office of Trial Staff
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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2006 OCT -2 PM 4:20
PA PUC
SECRETARY'S BUREAU



Kevin J. Moody

Date: October 2, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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2006 OCT -2 PM 4:20
PA PUC
SECRETARY'S BUREAU

Application of Duquesne Light Company for a : Docket No. A-11050F0035
Certificate of Public Convenience Approving :
the Acquisition of Duquesne Light Holdings, :
Inc. by Merger :

Application of DQE Communications Network : Docket No. A-311233F002
Services LLC for a Certificate of Public :
Convenience Approving the Acquisition of :
Duquesne Light Holdings, Inc. by Merger :

PROTEST OF
STRATEGIC ENERGY, LLC

ORIGINAL

Pursuant to 52 Pa. Code §§ 5.51-5.53, Strategic Energy, LLC ("Strategic" or "Strategic Energy") respectfully submits this Protest to the application in the above-captioned proceeding.

In support of its Protest, Strategic avers as follows:

1. On September 6, 2006, Duquesne Light Company ("Duquesne Light") and DQE Communications Network Services LLC (collectively, Applicants) filed an application for approval of the acquisition of Duquesne Light Holdings, Inc. ("DLH") by merger with the Macquarie Consortium ("Macquarie"), a group of investment funds managed by Macquarie Bank Limited and its subsidiaries. Under the proposed merger, all of DLH's common stock will be transferred to a Macquarie-owned company, DQE Holdings LLC, which will also assume all of DLH's preferred stock, long-term debt and short-term debt. If the merger is consummated, DLH's stock will cease to be publicly traded, and Duquesne Light and the unregulated subsidiaries of DLH will remain wholly-owned subsidiaries of DLH, but controlled by the Macquarie Consortium and the Macquarie Group. Applicants assert that the Macquarie Group is a large, financially strong, diversified owner and manager of utility and infrastructure assets, such that

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OCT 26 2006

the Macquarie Consortium has the necessary financial, managerial and technological fitness for approval of the merger.

Strategic's Interest in This Proceeding

2. Strategic is an electric generation supplier (EGS) licensed by the PUC to provide electric supply and related services throughout the Commonwealth of Pennsylvania. Nationally, Strategic is a competitive electricity supplier to retail customers, serving more than 56,000 customer accounts in states that have enacted retail choice. In particular, Strategic procures and supplies commercial and industrial customers with electricity, capacity, and ancillary products in California, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Texas.

3. Strategic is an active supplier in Duquesne Light's service territory and competes directly with Duquesne Light's affiliate EGS, Duquesne Light Energy (DLE), for customers. Accordingly, the proposed change in corporate ownership of Duquesne Light and its unregulated affiliates, including DLE, substantially impacts Strategic's interests as a competitive supplier. Strategic's interests will be affected by the action of the Commission in this proceeding because it will determine whether the potential harm of anticompetitive conduct resulting from the merger as proposed is addressed with conditions that will sustain and foster robust retail competition in Duquesne's service territory.

Protest

4. Strategic opposes the transaction as proposed because it fails to take any steps to further the development of the competitive marketplace, but rather would perpetuate, and even proposes new, institutions that would frustrate the competitive market. Strategic submits that the proposed transaction must be modified to ensure the continued development of a robust and well-functioning competitive retail electricity market in the Duquesne service territory.

5. There are two standards that Applicants have the burden of meeting to justify that the proposed merger is in the public interest. First, Applicants must show that the merger will result in affirmative public benefits.¹ Second, Applicants must show that the merger will not have anticompetitive effects that will prevent retail electricity customers from obtaining the benefits of a properly functioning and workable competitive retail electricity market.²

6. Applicants claim that the proposed transaction “will not result in anti-competitive or discriminatory conduct”³ and “will continue to allow the development of the most competitive electric market in the Commonwealth.”⁴ However, as submitted, the Application proposes to satisfy one of the merger standards (i.e., affirmative public benefits) by violating the other (i.e., no anticompetitive effects). Applicants propose an economic development rate program to provide new industrial load in the Duquesne service territory with below market-priced generation.⁵ It appears that Applicants intend for this economic development rate proposal to satisfy the requirement for affirmative public benefits. While Strategic fully supports efforts to sustain and promote economic development in western Pennsylvania and throughout the Commonwealth, such a program must be competitively neutral and offer customers participating in the economic development rate program full access to the competitive market. As proposed, the economic development rate program would frustrate the competitive marketplace and would prevent customers from obtaining all the benefits of a robust competitive market. The Commission should modify the proposal so that competitive suppliers, such as Strategic, are given access to the same subsidized generation supply to serve customers under the program. Competitive suppliers can combine the discounted generation supply with other economic efficiencies to offer more choices and savings to commercial and industrial customers who

¹ *City of York v. Pa. P.U.C.*, 295 A.2d 825, 828 (Pa. 1972).

² 66 Pa. C.S. § 2811(e)(1).

³ Application at 17.

⁴ Application at 5.

⁵ Application at 23-24.

participate in the program. A properly designed, competitively neutral economic development rate program will provide the most public benefit by promoting new business investment in the Duquesne service territory without harming the competitive market.

7. The Commission should also examine issues regarding the cross-subsidization of Duquesne Light Energy by Duquesne Light and/or DLH. As part of the settlement reached in its pending transmission and distribution rate increase proceeding (Docket No. R-00061346), Duquesne Light agreed to submit in its upcoming "POLR IV" filing an analysis of whether any portion of Duquesne Light's operations is subsidizing its affiliate EGS, Duquesne Light Energy. While Strategic still supports the submittal of an analysis of this issue in Duquesne Light's POLR IV filing, Strategic submits that cross-subsidization must also be addressed in the context of this merger proceeding because any change in corporate structure for the DLH companies has the potential to perpetuate and/or exacerbate the cross-subsidization of Duquesne Light Energy, thus preventing customers from receiving the full benefits of a properly functioning competitive market.

8. The Commission should require Applicants to demonstrate that Duquesne Light Energy is functionally and operationally separate from Duquesne Light and other DLH subsidiaries and, in particular, that no portion of Duquesne Light's regulated POLR or distribution revenues is subsidizing the sales, marketing, forecasting, customer service, power procurement, or other functions of Duquesne Light Energy.

9. In summary, Strategic asserts that the proposed transaction must be modified to eliminate the anticompetitive effects discussed herein in order to satisfy the standards for merger approval. Strategic reserves the right to raise new issues and respond to the positions developed by other parties as this proceeding develops.

WHEREFORE, for all of the reasons set forth therein, Strategic Energy submits this Protest and respectfully requests that the application be denied unless sufficient conditions are imposed to assure that the merger will not permit the Duquesne companies to engage in anticompetitive behavior that will prevent the development or maintenance of a fully functioning competitive retail market. In addition, Strategic Energy requests that it be given status as a party with all rights attendant thereto.

Respectfully submitted,



Daniel Clearfield, Esquire
Kevin J. Moody, Esquire
Wolf Block Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
(717) 237-7160

Attorneys for Strategic Energy, LLC

Of Counsel:

Julie Coletti, Esq.
Strategic Energy, LLC
Two Gateway Center
Pittsburgh, PA 15222

Dated: October 2, 2006

HAR:68651.1/STR163-210988



STINSON
MORRISON
HECKER LLP

John E. McCaffrey
(202) 728-3013
jmccaffrey@stinsonmoheck.com
www.stinsonmoheck.com

ORIGINAL

1150 18th Street N.W., Suite 800
Washington, D.C. 20036-3816

Tel (202) 785-9100
Fax (202) 785-9163

October 2, 2006

VIA FEDEX

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: *Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holdings, Inc. by Merger, et al., Docket Nos. A-110150F0035, et al.*

Dear Secretary McNulty:

Enclosed for filing in the referenced proceeding are the original and three copies of: (1) the Petition to Intervene and Protest of Citizen Power, Inc.; (2) a Motion for Leave to Appear *Pro Hac Vice*; (3) the Entry of Appearance for the undersigned; and (4) a certificate of service for these submissions. Kindly date stamp the two extra enclosed copies and return them to the undersigned in the enclosed envelope.

If there are any problems with this filing, please contact the undersigned at the number above. Thank you.

KJR

Respectfully yours,

STINSON MORRISON HECKER LLP

John E. McCaffrey

Enclosures

cc: Certificate of service

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KANSAS CITY
OMAHA
OVERLAND PARK
PHOENIX
ST. LOUIS
WASHINGTON, D.C.
WICHITA

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COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public : A-110150F0035
Utility Code Approving the Acquisition :
of Duquesne Light Holdings, Inc. by :
Merger :
:
Application of DQE Communications :
Network Services LLC for a Certificate : A-311233F002
of Public Convenience Under Section : F0002
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holdings, Inc. by Merger :

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

KJR

PETITION TO INTERVENE AND PROTEST OF CITIZEN POWER, INC.

Pursuant to 52 Pa. Code §§ 5.51, 5.71-5.74 and the September 16, 2006 notice published in the Pennsylvania Bulletin, 36 Pa.B. 5854, Citizen Power, Inc. ("Citizen Power") hereby petitions to intervene in the captioned proceedings and protests the Application ("Application") filed by Duquesne Light Company ("Duquesne") and DQE Communications Network Services LLC ("Network")¹ requesting all necessary approvals from the Pennsylvania Public Utility Commission ("Commission") authorizing the transfer of control of their parent, Duquesne Light Holdings, Inc. ("DLH") (the "Transaction").

As discussed below, Applicants have not demonstrated that the Transaction will affirmatively benefit the public interest in some substantial way, as required under Pennsylvania law. Accordingly, the Commission should establish hearing procedures before an Administrative Law Judge to determine whether additional

¹ Duquesne and Network are sometimes collectively referred to herein as "Applicants."

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commitments/conditions on the proposed Transaction would allow it to meet the substantial affirmative benefits standard.

In support of its petition to intervene and protest, Citizen Power states as follows:

I. DESCRIPTION OF THE APPLICATION

1. In the Application, Duquesne and Network request that the Commission: (i) issue certificates of public convenience under Section 1102(a)(3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(3), evidencing the Commission's approval of the transfer of ownership and control of Duquesne and Network to DQE Holdings LLC; (ii) register Securities Certificates under Chapter 19 of the Public Utility Code to be filed separately; (iii) approve certain agreements with affiliates under Chapter 21 of the Public Utility Code as described in the Application; and (iv) grant such other approvals as may be appropriate, customary or necessary to carry out the transactions contemplated in the Application. *See* Application at 1-2. The Application is accompanied by testimony from (i) Morgan K. O'Brien, President and Chief Executive Officer of Duquesne; and (ii) Christopher J. Leslie, Chief Executive Officer of Macquarie Infrastructure Partners and Executive Director of both Macquarie Investment Management (USA) Inc. and Macquarie Holdings (USA) LLC.

2. The Application states that through a series of transactions, DLH will become a wholly-owned subsidiary of DQE Holdings LLC, a Delaware limited liability company owned by "the Macquarie Consortium," which comprises a number of investment funds, the majority of which are managed by Macquarie Bank Limited and its

subsidiaries (“Macquarie Group”).² See Application at 2-3. Macquarie Bank Limited is headquartered in Australia. *Id.* at 3. Following the acquisition, the Macquarie Group will collectively own 64.3% of the equity interests in DQE Holdings LLC.³

3. Applicants contend that “the Macquarie Group is recognized as a global leader in infrastructure investments and the management of infrastructure investment funds,” (Application at 10), and assert that “[t]he focus of these funds is the long-term ownership, management and development of important infrastructure assets, including regulated utilities.” *Id.*

4. The merger consideration will be \$20.00 in cash for each share of DLH stock, representing a 21.7% premium based upon DLH’s closing share price on July 3, 2006 and a premium of 24.0% over DLH’s average 30-day closing price ending July 3, 2006. *Id.* at 13. The Application states that, at closing, the Macquarie Consortium, through DQE Holdings LLC, also will assume DLH’s consolidated preferred and preference shares and assume long-term and short-term debt. *Id.*

5. Applicants contend that that proposed merger is in the public interest as defined under Pennsylvania law and that it will provide substantial benefits to Duquesne’s customers. See generally Application at Section IX. Duquesne and Network also maintain that the merger will have “no initial effect on rates,” and that it will not adversely affect retail competition for purposes of 66 Pa. C.S. § 2811(e). See Application at 16-17.

² The investment funds included in the Macquarie Consortium are: (1) Macquarie Infrastructure Partners Canada, L.P., Macquarie Infrastructure Partners A, L.P. (collectively, “MIP”) (both acting through CLH Holdings, GP, a Delaware general partnership), (2) DUET Investment Holdings Limited (“DUET”), (3) Industry Funds Management, investing through IFM (International Infrastructure) Wholesale Trust, (4) GIF2 – MFIT United Pty Limited, (5) Motor Trades Association of Australia Super and (6) State Super.

³ Through MIP, DUET, and GIF2 – MFIT United Pty Limited.

6. As "further justification" for Commission approval of the merger, Duquesne pledges to establish an economic development program that would utilize generation from its share of the Keystone and Conemaugh units to attract and support expanding Pennsylvania industrial employers. *See* Application at 23-24.

7. Applicants request that the Commission consider the Application on an expedited basis, so as to allow the transaction to close during the first quarter of 2007. *Id.* at 2.

II. DESCRIPTION OF CITIZEN POWER AND ITS INTERESTS JUSTIFYING INTERVENTION

8. Citizen Power is a non-profit, 501(c)(3), public policy research, education and advocacy organization incorporated under the laws of the Commonwealth of Pennsylvania with its principal place of business located at 2121 Murray Avenue, Pittsburgh, Pennsylvania 15217.

9. Citizen Power devotes all of its resources to consumer (particularly low-income consumers) and environmental protection with a principal focus on the impact of the deregulation of electricity generation on these interests. Citizen Power has participated in numerous restructuring proceedings at the state and federal level. Citizen Power has been a statewide advocate for lower energy costs and increased use of renewable energy and energy-efficiency technologies.

10. Citizen Power has been a participant on behalf of customers in previous Duquesne proceedings before the Commission, including Docket No. R-00974104 (Duquesne's "POLR II" Settlement proceeding), Docket No. P-00021969 (regarding Duquesne's petition to modify its "POLR II" Plan in connection with the Company's intention to join PJM West), Docket No. P-00032071 (relating to modification of

Duquesne's POLR II rates), and Docket No. R-00061346 (Duquesne's 2006 rate case). Citizen Power is a party to Duquesne's POLR II Settlement as well as the September 14, 2006 Joint Petition for Settlement of All Issues currently pending before Judge Gesoff in Docket No. R-00061346.

11. In addition to its corporate purpose of representing the interests of consumers, Citizen Power has an interest in this proceeding as a Duquesne retail customer.

12. The change in ownership of Duquesne could affect Duquesne's service and the rates, terms and conditions under which Duquesne provides such service to its Pennsylvania customers, including Citizen Power. As such, Citizen Power respectfully submits that its interests may be directly affected by the outcome of this proceeding, that such interests will not be adequately represented by other participants, and that Citizen Power may be bound by the action of the Commission in this proceeding. Further, Citizen Power submits that its participation in this case is in the public interest.

13. Citizen Power's present position with respect to the Application is set out in its Protest, *infra*.

14. Citizen Power will be represented by, and requests that all documents in this proceeding be served on, its attorneys at the following address:

Harvey L. Reiter*
John E. McCaffrey*
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street, N.W., Suite 800
Washington, D.C. 20036
(202) 785-9100 (phone)
(202) 785-9163 (fax)
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com

15. For the reasons set forth herein, Citizen Power respectfully petitions the Commission for leave to intervene in this proceeding and asks that it be made a party with all rights and privileges associated therewith.

* Mr. Reiter and Mr. McCaffrey are not admitted to practice law in the Commonwealth of Pennsylvania. Accompanying this petition is a motion by Ms. Dibble for admission of Messrs. Reiter and McCaffrey *pro hac vice* pursuant to 52 Pa. Code § 1.22(b) and Rule 301(b) of the Pennsylvania Bar Admission Rules.

III. PROTEST

A. Applicable Merger Standard

16. Applicants seek approval of the proposed Transaction pursuant to 66 Pa. C.S. Section 1102(a)(3). *See* Application at 1. That statute requires that a certificate of public convenience must first be obtained from the Commission:

For any public utility or an affiliated interest of a public utility . . . to acquire from, or transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock, including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

66 Pa. C.S. § 1102(a)(3). In accordance with its 1994 Statement of Policy on the issue, the Commission will review mergers as a transfer of utility property even if, as here, the merger is executed at the parent company level. *See* 52 Pa. Code § 69.901.

17. Interpreting the language contained in Section 1102(a)(3) in conjunction with the standards governing the issuance of certificates of public convenience, the Pennsylvania Supreme Court has held that those seeking approval of a utility merger must “demonstrate that the merger will *affirmatively promote* the service, accommodation, convenience, or safety of the public in some *substantial way*.” *City of York v. Pennsylvania Pub. Util. Comm’n*, 449 Pa. 136, 141, 295 A.2d 825, 828 (1972) (emphasis added); *see also DQE, Inc.*, PaPUC Docket No. A-110150, F.0015 (April 30, 1998). In applying this public interest standard, the Commission is obligated to consider the benefits and detriments of the acquisition as they impact on all affected parties. *Middletown Township v. Pennsylvania Pub. Util. Comm’n*, 85 Pa. Commw. 191, 202, 482 A.2d 674, 682 (Pa. Commw. Ct. 1984); *see also DQE, Inc.* PaPUC Docket No. A-

110150, F.0015 (April 30, 1998). Stated succinctly, the Applicants must show that the Transaction will *affirmatively* benefit the public interest in some *substantial* way.

B. Applicants Have Not Satisfied The *City of York* Standard

18. The Applicants have not shown that the Transaction will affirmatively benefit the public interest in some substantial way as required by *City of York, supra*. Summarizing the reasons they contend support a finding that the Transaction will be in the public interest, Applicants state:

The approval of this Transaction will result in substantial public benefits as it provides Duquesne with: (1) a strong long-term strategic partner that will enable Duquesne to access local and global resources for efficiently priced capital and access to individuals with the technical expertise to maintain and enhance its operations; (2) the means to pursue new and existing initiatives to further drive customer satisfaction, improve product quality and operational efficiency including capital investments into *infrastructure and the establishment of an economic development program* to retain and attract industries to Pennsylvania; and (3) the opportunity to remain a Pennsylvania-based service provider, employer and community partner in the Pittsburgh region.

Application at 20-21.

19. Although the substantial premium that DLC shareholders would receive on their shares makes it clear that the transaction would benefit shareholders, the purported public interest benefits of the Transaction identified by the Applicants are nebulous at best, and consist mainly of simply preserving the status quo. The alleged benefits associated with improved access to capital and Macquarie Group technical expertise, for example, are not substantiated and appear to be overstated. The Applicants acknowledge, moreover, that the Transaction is not expected to generate any synergy savings that might be shared with customers. *See* Application at 16. The only concrete affirmative benefit identified in the Application is the proposed Economic Development Plan, but this proposal would not provide any benefit to residential customers, and, in fact

would be a benefit to Duquesne to the extent the program expands Duquesne's commercial and industrial customer base. Finally, any benefits identified by the Applicants must be balanced against potential detrimental aspects of the merger, such as the fact that Duquesne will now be controlled by an overseas company and that ownership of Duquesne will now be held by what are essentially private equity funds rather than by a traditional utility parent company.

1. **The "Opportunity To Remain A Pennsylvania-Based Service Provider, Employer And Community Partner In The Pittsburgh Region" Is Not An Affirmative Merger Benefit**

20. One of the principal alleged benefits of the Transaction is that it will provide Duquesne with "the opportunity to remain a Pennsylvania-based service provider, employer and community partner in the Pittsburgh region." Application at 21. Applicants assert in this respect that "a critical benefit of the Transaction is that Duquesne's headquarters and management of its operations will remain in Pittsburgh," (*id.* at 24), and that "the transaction maintains Duquesne's long-standing commitment to providing reliable, safe and efficient electric service to Duquesne's more than 580,000 customers." *Id.* Duquesne also states that DQE Holdings LLC has agreed to honor the current collective bargaining agreement for Duquesne's represented employees and that Duquesne will remain "a Pennsylvania-based good corporate citizen." *Id.* at 24-25. Applicants further aver that "DQE Holdings LLC has agreed to provide corporate contributions and community support in Southwestern Pennsylvania for a period of five years at the levels comparable to those provided in Duquesne's budget for 2006." *Id.* at 25.

21. While Citizen Power would generally agree that it is beneficial that Duquesne is Pennsylvania-based, the fact that the proposed Transaction will not change

the status quo cannot be regarded as an *affirmative benefit* for purposes of the Commission's *City of York* analysis. By definition, an affirmative benefit is one that goes beyond mere maintenance of the status quo. If, for instance, Duquesne was proposing a merger under which management of Duquesne would be shifted out-of-state, or even overseas, or that called for significant layoffs of Pennsylvania workers, such merger-related detriments could arguably support rejection of a proposed merger. The fact that the proposed Transaction does not present the Commission with these *detrimental* scenarios, however, does not mean that the instant Transaction will provide *affirmative* benefits. Equating the avoidance of detriment with affirmative benefit, as Duquesne would have the Commission do here, would negate the *City of York* standard. Duquesne indicates, however, that it is all but inevitable that it will merge with or be acquired by another entity, and suggests that a different merger might not guarantee that Duquesne remains Pennsylvania-based. *See, e.g.*, Application at 24; Statement No. 1 at 11-12. But the fact that a *hypothetical* alternative merger scenario might harm the Pennsylvania public interest by relocating the management of Duquesne out of state is not a basis to conclude that the instant proposed Transaction will benefit the public interest.

2. Applicants' Claims Regarding The Benefits Of The Macquarie Consortium As A "Strategic Partner" Are Unsubstantiated And Appear Overstated

22. Duquesne argues that it made a determination that "in a consolidating electric utility industry, and with the current competitive electric and financial market environments, Duquesne does not possess sufficient size and financial strength to remain independent and to attract sufficient capital on attractive terms." Application at 21. Duquesne states that it "sought to find a strategic partner to provide it with the ability to access capital at reasonable terms." *Id.* Applicants further contend that "Duquesne will

benefit from the Macquarie Group's vast experience and resources," (*id.* at 22), in particular, the assistance of "experienced personnel, with relevant industry background." *Id.*

23. The Application does not substantiate the suggestion that, absent a merger or acquisition, Duquesne would be unable to attract sufficient capital on reasonable terms. While Mr. O'Brien cites several market analyses purportedly suggesting that Duquesne was an attractive acquisition target, his testimony does not indicate that these analyses would support a conclusion that Duquesne and/or DLH would be unable to access capital on reasonable terms absent a merger. *See* Statement No. 1 at 11-12. Indeed, to the extent that Duquesne needs access to capital to fund necessary improvements to its regulated transmission and distribution facilities (which appears to be Duquesne's argument), it is not clear why a potential investor would view Duquesne as a risky bet given that it is generally entitled to recover from customers its prudently-incurred costs of providing jurisdictional service.

24. Even assuming, *arguendo*, that the acquisition by the Macquarie Consortium will improve Duquesne's access to capital and/or the terms upon which such capital is obtained, any cost savings benefit to customers is purely speculative at this point insofar as such cost-of-capital savings would only inure to the benefit of customers, if at all, "through the deferral or reduction in the amount of future rate proceedings." Application at 16. It is uncertain, to say the least, when Duquesne might file another transmission and distribution base rate proceeding given that it just filed a rate case on April 7, 2006 in Docket No. R-00061346, the settlement of which is now pending before Judge Gesoff.

25. The Application suggests, moreover, that the Transaction could *increase* Duquesne's overall cost of capital to the extent that the Transaction will result in a significant increase in the common equity in Duquesne's capital structure relative to long-term debt. *See* Statement No. 2 at 7. Mr. Leslie states that the projected 44.3% common equity in Duquesne's capital structure as of December 31, 2006 would leap to 69.1% after the Transaction is completed. *Id.*⁴ Although he suggests that "the capital structure of Duquesne Light is anticipated to return to a more equal ratio of equity and debt" as Pollution Control Revenue Bonds are issued, (*id.*), Mr. Leslie does not provide any timetable for this rebalancing of Duquesne's capital structure. Because the cost of equity is higher than the cost of long-term debt, a thicker equity ratio will, all else being equal, result in a higher overall cost of capital.

26. The alleged benefits associated with Duquesne's access to the Macquarie Consortium's technical expertise and experience are not substantiated to any meaningful degree, and, in any event, it is not clear why such general sharing of expertise and "best practices" should be expected to have any material effect on Duquesne's operations. Indeed, Mr. Leslie notes that "in many respects, the operation and management of Duquesne and DLH will be very much the same before and after the transaction." Statement No. 2 at 11. Further, while the Application makes general reference to Duquesne's potential "access to experienced individuals with relevant industry backgrounds both in the Macquarie Consortium and in their investments around the world," (Application at 15), Duquesne apparently would be the first United States electric utility managed by the Macquarie Group. *See* Application at 11. Thus, it is not evident

⁴ In the recently-filed settlement in Docket Nos. R-00061346, *et al.*, the settling parties stipulated to a common equity ratio of 45.0% for Duquesne. *See* Joint Petition for Settlement of All Issues at § 17.b(1).

(and Duquesne does not provide any details) what kind of significant technical and managerial insight Macquarie could be expected to bring to the table. Certainly Duquesne has not shown that any such access to Macquarie Consortium expertise will provide *substantial* affirmative benefits. Finally, Applicants do not explain why a merger is necessary in order to be well-informed regarding industry “best practices” for the operation of an electric utility like Duquesne, and, accordingly, adoption of “best practices” should not be regarded as a merger-related benefit supporting approval under the *City of York* standard.

3. The Alleged Economic And System Advantages Associated With The Transaction Do Not Amount To Significant Merger-Related Benefits

27. Applicants also assert that the Transaction will provide “considerable economic and system benefits.” See Application at 22. The alleged economic and system benefits identified by Applicants are not substantial, and, once again largely amount to maintenance of the status quo. For instance, Applicants state that “the Macquarie Consortium is committed to pursuing new and existing strategic initiatives with Duquesne’s current management to further improve ratepayer satisfaction and continue to focus on product quality and operational efficiency.” *Id.* at 22-23. But all this means, according to the Applicants, is that “Macquarie Consortium is committed to fund *necessary* maintenance and infrastructure upgrades to Duquesne’s system.” *Id.* at 23 (emphasis added). A commitment to fund “necessary” system upgrades is hardly a substantial affirmative merger benefit because utilities are already required to operate their systems prudently – which requires that they maintain/upgrade their systems to

provide adequate service.⁵ Indeed, while Applicants highlight Duquesne's "recent undertaking of a transmission and distribution infrastructure improvement program which will invest in excess of \$500 million in new facilities during the period 2005 through 2007," (Application at 7), this program was already well underway at the time the merger was announced.⁶

28. Apparently perceiving the dearth of concrete identifiable merger benefits, Applicants propose an "economic development plan" using generation from the Keystone and Conemaugh units "to attract and support expanding Pennsylvania industrial employers." Application at 23. This program, however, is only offered to commercial and industrial customers and does not provide any affirmative benefit to residential electric consumers. At the same time, the economic development program could also be a boon to Duquesne by increasing its commercial and industrial customer base. Given the lack of benefit to residential customers and the fact that the economic development plan is in Duquesne's own economic self-interest, it cannot be viewed as the grounds for a finding that the Transaction will provide substantial affirmative benefits.

4. The Commission Must Balance The Detriments Of The Transaction Against Any Benefits

29. As noted above, the Commission's public interest analysis must also consider the detriments of a proposed merger. *Middletown Township v. Pennsylvania Pub. Util. Comm'n*, 85 Pa. Commw. 191, 202, 482 A.2d 674, 682 (Pa. Commw. Ct.

⁵ The fact that two members of the Macquarie Consortium have *already* invested \$141 million in newly issued DLH equity cannot serve as benefit of the *proposed* merger. See Application at 23.

⁶ A press release posted on Duquesne's website indicates that Duquesne announced the infrastructure improvement plan in September, 2005. See <http://www.duquesnelight.com/News/NewsReleases/2005/nr050913.pdf>

1984). While Applicants understandably attempt to portray the acquisition of Duquesne in the best possible light, the fact remains that Duquesne would be controlled by an overseas company and that ownership of Duquesne would be held by what are essentially private equity funds rather than by a traditional utility parent company with a history of U.S. electric utility operation. Although Duquesne indicates that the Macquarie Group will retain existing management and employees, it is inevitable that Duquesne's acquisition by out-of-state, and, indeed, overseas, owners, will attenuate the relationship between Duquesne's owners and Pennsylvania regulators and customers.

30. Further, although the Macquarie Group professes to be looking for a long-term "infrastructure" investment, (*see* Statement 2 at 9-10), the Macquarie Group is, in essence, composed of investment funds looking for a return on their investment. Mr. Leslie's assertions notwithstanding, (*id.*), Citizen Power submits that the proposed new ownership structure for Duquesne is likely to provide less stability and certainty than if Duquesne was owned by a traditional utility company with a history of United States operations.⁷

C. In Order To Meet The *City of York* Standard, The Applicants Must Make Further Commitments And/Or Accept Additional Conditions

31. As discussed above, Applicants have not shown that the proposed Transaction will provide substantial affirmative benefits to consumers, as required by *City of York*. Thus, the Commission should establish hearing procedures before an Administrative Law Judge to determine whether additional commitments/conditions on

⁷ While Mr. Leslie explains the Macquarie Group's "buy and hold" approach (Statement 2 at 9-10), the Macquarie infrastructure funds themselves have only been in operation for ten years, and, thus, it is difficult to evaluate the extent to which they are likely to provide stable, long-term ownership for Duquesne. *See* Application at 11 (noting that the infrastructure funds business began in 1996).

the proposed Transaction would allow it to meet the substantial affirmative benefits standard.

32. *Any further conditions accepted/imposed in approving the Transaction should include commitments to increase Duquesne's funding for renewable energy and low-income programs. Such increased spending would be consistent with representations contained in the Application that "the Macquarie Consortium and Duquesne share a strong commitment to customers, the environment and to the communities in which they provide service."* Application at 22; *see also* Statement 2 at 13. Duquesne and its prospective new owners should back up their professed commitment to the environment and local communities with tangible support for renewable energy programs and low-income programs.

IV. CONCLUSION

Based on the foregoing, Citizen Power requests that the Commission grant its petition to intervene and that the Commission establish hearing procedures before an Administrative Law Judge to determine whether additional commitments/conditions on the proposed Transaction would allow it to meet the substantial affirmative benefits standard under Pennsylvania law.

Respectfully submitted,

CITIZEN POWER, INC.

By: 
By: 

Harvey L. Reiter (D.C. Bar # 232942)
John E. McCaffrey (D.C. Bar # 457829)
Jaime S. Dibble (PA Bar # 91202)
STINSON MORRISON HECKER LLP
1150 18th Street, N.W., Suite 800
Washington, DC 20036
(202) 785-9100 (phone)
(202) 785-9163 (fax)

Dated: October 2, 2006

Its Attorneys

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VERIFICATION

VERIFICATION

I, David Hughes, hereby state that the facts set forth in the preceding Petition to Intervene and Protest of Citizen Power, Inc. are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: 10-2-06



David Hughes
Executive Director
Citizen Power, Inc.



McNees Wallace & Nurick LLC
attorneys at law

ORIGINAL

PAMELA C. POLACEK
DIRECT DIAL: (717) 237-5368
E-MAIL ADDRESS: PPOLACEK@MWN.COM

October 2, 2006

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

**RE: Applications of Duquesne Light Company and DQE Communications Network Services LLC, For Certificates of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light and Holdings, Inc. by Merger
Docket Nos. A-110150F0035 and A-311233F0002**

Dear Secretary McNulty:

Enclosed for filing are the original and three (3) copies of the Protest and Petition to Intervene of the Duquesne Industrial Intervenors ("DII") in the above-referenced proceeding.

Copies of this document have been served upon all known parties of record as indicated on the enclosed Certificate of Service. Please date stamp the extra copies of this transmittal letter and the Protest and Petition to Intervene, and kindly return them to our messenger for our filing purposes. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek

PCP:lbl
Enclosures
c: Certificate of Service

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SECRETARY'S BUREAU

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant):

VIA FIRST CLASS MAIL

Irwin Popowsky, Esquire
Tanya McCloskey, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place - 5th Floor
Harrisburg, PA 17101-1923

Johnnie Simms, Esquire
Office of Trial Staff
Commonwealth Keystone Building
P. O. Box 3265
Harrisburg, PA 17105-3265

VIA HAND DELIVERY

William R. Lloyd, Jr., Esquire
Office of Small Business Advocate
Commerce Building – Suite 1102
300 North Second Street
Harrisburg, PA 17101

Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post & Schell, P.C.
17 North Second Street
Harrisburg, PA 17101-1601

David B. MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103-2808



Pamela C. Polacek

Dated this 2nd day of October, 2006, at Harrisburg, Pennsylvania.

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PA PUC
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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SECTION PA PUC
SECRETARY'S BUREAU

Applications of Duquesne Light Company and :
DQE Communications Network Services LLC, :
For Certificates of Public Convenience Under :
Section 1102(a)(3) of the Public Utility Code : Docket Nos. A-110150F0035
Approving the Acquisition of Duquesne Light : and 311233F0002
Holdings, Inc. by Merger :

PROTEST AND PETITION TO INTERVENE

TO THE HONORABLE, THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to the provisions of 52 Pa. Code §§ 5.51 – 5.53, and §§ 5.71 – 5.74, Duquesne Industrial Intervenors ("DII") hereby files this Protest and Petition to Intervene in the above-captioned proceeding. In support thereof, DII states as follows:

1. The composition of DII is set forth in Appendix A. DII will update Appendix A, as necessary, to reflect any changes in its composition during this proceeding.
2. The names and address of Petitioner's attorneys are:

Pamela C. Polacek
Adam L. Benshoff
McNEES WALLACE & NURICK LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
(717) 232-8000
(717) 237-5300 (facsimile)

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OCT 03 2006

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3. On September 6, 2006, Duquesne Light Company ("Duquesne") and DQE Communications Network Services LLC, filed with the Pennsylvania Public Utility Commission ("Commission") an application seeking approval of the transfer of control of their parent organization, Duquesne Light Holdings, Inc. ("DLH") (the "Application"). Duquesne seeks certificates of public convenience evidencing the Commission's approval of the transfer of ownership and control of Duquesne to DQE Holdings LLC, a newly formed holding company

wholly-owned by the Australia-based Macquarie Consortium ("Macquarie"). Furthermore, Duquesne requests expedited approval of its application to complete the transaction during the first quarter of 2007. Notice of Duquesne's application for approval was published in the Pennsylvania Bulletin on September 16, 2006. Interested parties were instructed to file interventions on or before October 2, 2006.

4. DII is an ad hoc association of energy-intensive Large Commercial and Industrial ("C&I") customers receiving electric service in Duquesne's service territory. DII members purchase electric distribution service from Duquesne primarily under Rate Schedules GL, L, and HVPS, and associated contracts or service riders. Electricity costs comprise a significant portion of their production costs.

5. DII submits this Protest and Petition to Intervene in this proceeding to protect the interests of its members, some of Duquesne's largest customers. Particularly, DII seeks to evaluate whether the "City of York"¹ standard is satisfied by this transaction, including whether the design of the Economic Development Plan provides an affirmative public benefit sufficient to warrant approval of the transaction.

6. Duquesne and Macquarie assert that the proposed Economic Development Plan will provide an opportunity for lower generation rates for certain C&I users; however, significant details regarding the operation of the proposal remain unclear. As a result, it is unclear from Duquesne's application whether these incentive generation rates will provide the proposed public benefit of "attract[ing] and support[ing] expanding Pennsylvania industrial employers". See Application at 23.

¹ As stated in Duquesne's Application, the "City of York Standard" requires "those seeking approval of a utility merger" to "demonstrate more than the mere absence of any adverse effect on the public" by showing that "the merger will affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some substantial way." *City of York v. Pa. P.U.C.*, 449 Pa. 136, 295 A.2d 825 (1972).

7. For example, the Application does not indicate whether these incentive generation rates are available to all customers, or only to those who purchase all of their generation supply requirements from Duquesne. In addition, it is not readily apparent from Duquesne's application how the Company will determine the fixed "market price" for the offering. As Duquesne's largest customers, DII's members have a clear interest in establishing this prior to approval of this transaction.

8. Based on the information provided in the Application, Duquesne has not met its burden to prove that this transaction meets the applicable standards for approval. Therefore, in accordance with Section 5.51 of the Commission's Regulations, 52 Pa. Code § 5.51, and for the reasons stated above, DII members protest the immediate approval of Duquesne's Application. Furthermore, DII members have a clear interest in this proceeding that is not represented by any other party of record; consequently, DII satisfies the standards for intervention under 52 Pa. Code § 5.72.

WHEREFORE, Duquesne Industrial Intervenors respectfully requests that the Commission grant this Protest and Petition to Intervene with full party status.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By *Pamela C. Polacek*

Pamela C. Polacek

PA I.D. #78276

Adam L. Benschhoff

PA I.D. #200498

100 Pine Street

P.O. Box 1166

Harrisburg, PA 17108-1166

(717) 232-8000

(717) 237-5300 (fax)

Counsel to the Duquesne Industrial Intervenors

Dated: October 2, 2006

APPENDIX A

Docket Nos. A-110150F0035 & 311233F0002

DUQUESNE INDUSTRIAL INTERVENORS

The Techs Industries, Inc.
United States Steel Corporation

213 Market Street, 9th Floor, P.O. Box 865, Harrisburg, PA 17108-0865
Tel: (717) 237-7160 Fax: (717) 237-7161 www.WolfBlock.com

Kevin J. Moody
Direct Dial: (717) 237-7187
Direct Fax: (717) 237-2767
E-mail: kmoody@wolfblock.com

October 2, 2006

VIA HAND DELIVERY

James McNulty, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
2nd Fl., 400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

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SECRETARY'S BUREAU

Re: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving Acquisition of Duquesne Light Holdings, Inc. by Merger; Docket No. A-110150F0035

Application of DQE Communications Network Services, LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving Acquisition of Duquesne Light Holdings, Inc. by Merger; Docket No. A-311233F0002

Dear Secretary McNulty:

Enclosed please find the original and three copies of the Retail Energy Supply Association's Petition to Intervene in the above-referenced matter. As evidenced by the attached Certificate of Service, the parties of record have been served in the manner indicated.

If you have any questions regarding this filing, please contact me.

DOCUMENT
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Sincerely,
Kevin J. Moody
Kevin J. Moody

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

KJM/jls

Enclosures

cc: Certificate of Service (w/encs)

HAR:68632.1/MID051-158776

10

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing Petition to Intervene upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

VIA FIRST CLASS MAIL

David B. MacGregor, Esquire
Post and Schell, PC
Four Penn Center
1600 JFK Blvd.
Philadelphia, PA 19103-2921

William Lloyd, Esquire
Small Business Advocate
Office of Small Business Advocate
Commerce Building Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post and Schell, PC
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Scott Rubin, Counsel
International Brotherhood Electric Workers
Three Lost Creek Drive
Selinsgrove, PA 17870

Irwin Popowsky, Esquire
Consumer Advocate
Office of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Johnnie Simms, Esquire
Charles Shields, Esquire
Office of Trial Staff
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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PA PUC
SECRETARY'S BUREAU



Kevin J. Moody

Date: October 2, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUC
SECRETARY'S BUREAU

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public : Docket No. A-110150F0035
Utility Code Approving Acquisition of :
Duquesne Light Holdings, Inc. by Merger :
:
Application of DQE Communications :
Network Services, LLC for a :
Certificate of Public Convenience : Docket No. A-311233F0002
Under Section 1102(a)(3) of the Public :
Utility Code Approving Acquisition of :
Duquesne Light Holdings, Inc. by Merger :

**PETITION TO INTERVENE
OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

Pursuant to 52 Pa. Code § 5.71-5.75 and the notice published by the Pennsylvania Public Utility Commission ("PUC" or "Commission") on September 16, 2006 in the Pennsylvania Bulletin, 36 Pa.B. 5854, the Retail Energy Supply Association ("RESA") hereby petitions to intervene in the above-captioned proceeding to ensure that the proposed merger will provide affirmative public benefits and will promote rather than harm the development of the competitive retail electric market in the service territory of Duquesne Light Company ("Duquesne"). RESA opposes this merger as it is currently proposed, and can support this merger only if the Commission conditions approval upon changes necessary to ensure that the transaction will affirmatively advance retail competition for the benefit of the public, customers and retail suppliers in Duquesne's service territory, as required by the Electricity Generation Customer Choice and Competition Act.¹

¹ 66 Pa. C.S. §§ 2801-2812.

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In support of its intervention, RESA states as follows:

1. RESA is a non-profit organization and trade association of retail energy suppliers who share the common vision that competitive retail energy markets deliver more efficient, customer-oriented outcomes than regulated utility structures.² RESA represents the interests of its members in the Mid-Atlantic, New England and Great Lakes regions in advocating for the development of robust and sustainable competitive retail electric markets. RESA members include several companies that are licensed electric generation suppliers ("EGSs") in the Commonwealth of Pennsylvania and sell electric energy in the markets of Pennsylvania's major electric distribution companies ("EDCs"), including the service territory of Duquesne Light Company ("Duquesne").

2. RESA's attorneys in this matter are:

Daniel Clearfield, Esquire
Kevin J. Moody, Esquire
Wolf, Block, Schorr & Solis-Cohen LLP
213 Market Street, 9th Fl.
Harrisburg, PA 17101
(717) 237-7160
DClearfield@wolfblock.com
KMoody@wolfblock.com

3. On September 6, 2006, the PUC-regulated subsidiaries³ of Duquesne Light Holdings, Inc. ("DLH") filed an application for approval of the acquisition of DLH by merger with the Macquarie Consortium, a group of investment funds managed primarily by Macquarie

² RESA's members include Consolidated Edison Solutions, Inc; Direct Energy Services, LLC; Hess Corporation; Reliant Energy Solutions; Sempra Energy Solutions; Strategic Energy, LLC; SUEZ Energy Resources NA, Inc.; and US Energy Savings Corp. The opinions expressed in this filing may not represent the view of all members of RESA.

³ Duquesne Light Company ("Duquesne") and DQE Communications Network Services, LLC, (collectively, "Duquesne Companies").

Bank Limited and its subsidiaries ("Macquarie Group").⁴ Under the proposed merger, all of DLH's common stock will be transferred to a company (DQE Holdings LLC) owned by the Macquarie Consortium, and DLH's stock will no longer be publicly traded. DQE Holdings will also assume all of DLH's preferred and preference stock, long-term debt and short-term debt. Duquesne and the unregulated subsidiaries of DLH will remain wholly-owned subsidiaries of DLH, but controlled by the Macquarie Consortium and the Macquarie Group. The Duquesne Companies assert that the Macquarie Consortium has the necessary financial, managerial and technological fitness for approval of the merger because the Macquarie Group is a large, financially strong, diversified owner and manager of utility and infrastructure assets.

4. Duquesne asserts that the merger will have no "initial" effect on rates, noting that Duquesne expects its proposed transmission and distribution ("T&D") rate increase to become effective prior to the anticipated merger closing during the first quarter of 2007.⁵ Duquesne also notes that it intends to file its POLR IV plan during the first quarter of 2007, to establish POLR rates to become effective January 1, 2008. However, to gain approval of the application, Duquesne proposes to establish an economic development program by offering energy at a \$3/MWh discount "below market."

5. Duquesne asserts that the merger will not result in anticompetitive or discriminatory conduct in Pennsylvania's retail electric market. However, the merger proposal does not include any analysis of whether cross-subsidization between or among Duquesne and its

⁴ According to the application, Macquarie Bank Limited is headquartered in Australia and has subsidiaries located around the world.

⁵ After the application was filed, a full settlement of Duquesne's rate case was filed with the Commission on September 14, 2006, with the proposed T&D rate increase requested to become effective in January 2007. RESA is a signatory to this settlement.

unregulated affiliates currently exists or whether the proposed change in control of Duquesne perpetuates or increases such cross-subsidization.

6. As acknowledged in the application, the standard for PUC approval of the proposed merger is whether: (1) the merger will result in affirmative public benefits;⁶ and (2) the merger is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail electricity customers from obtaining the benefits of a properly functioning and workable competitive retail electricity market.⁷

7. Intervention is permitted where a person has an interest in the proceeding which may be directly affected and which is not adequately represented by existing parties, and as to which the person may be bound by the action of the Commission in the proceeding. Intervention is also permitted where participation of the person may be in the public interest. 52 Pa. Code § 5.72(a). A "person" includes a corporation and an association. 52 Pa. Code § 1.8.

8. RESA meets the standard for intervention set forth in 52 Pa. Code § 5.72(a). As an organization whose members include competitive EGSs licensed to do business in Duquesne's service territory, RESA has interests that will be directly affected by this proceeding.

9. RESA's interests in this proceeding are unique from and not adequately represented by other parties that may seek to intervene, including individual EGSs or other organizations interested in electric competition in Pennsylvania in general, and in Duquesne's service territory in particular.

10. RESA will be bound by the action of the Commission in this proceeding, which will determine whether the potential anticompetitive consequences of the proposed merger are

⁶ *City of York v. Pa. P.U.C.*, 295 A.2d 825, 828 (Pa. 1972).

⁷ 66 Pa. C.S. § 2811(e)(1).

addressed with measures that will result in increased and improved development of retail competition in Duquesne's service territory.

11. RESA's intervention is in the public interest. RESA's participation will enable it to contribute the unique perspectives and insights of its members to the proper and complete presentation of the issues to be addressed in this proceeding.

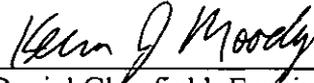
12. As stated above, RESA opposes the merger as it is currently proposed, and can support approval of the merger only if the Commission imposes conditions to eliminate the potential anticompetitive consequences of the transaction. These potential anticompetitive consequences include:

- (a) Increased cross-subsidization between or among Duquesne and its unregulated affiliates.⁸
- (b) Subsidy of the proposed "below market" economic development program;
- (c) Effect of the reduction of Duquesne's collateral requirements associated with power for POLR service through the Macquarie Consortium's access to capital; and
- (d) Incentives for increasing the profit potential of POLR service and maximizing profit from POLR service.

⁸ As part of the settlement of its T&D rate increase case, Duquesne has committed, as part of its POLR IV filing, to submit an analysis of whether any portion of Duquesne's operations is subsidizing its affiliates. However, in view of Duquesne's proposed economic development program and the change in control of Duquesne, these issues should be addressed in this proceeding. This is because the operations of Duquesne's affiliates have a direct impact on whether the proposed merger will adversely affect the development and perpetuation of robust and sustainable retail competition in the Duquesne service territory.

WHEREFORE, the Retail Energy Supply Association ("RESA") respectfully requests that the Commission approve this petition, grant RESA party status in this proceeding, and condition approval of the proposed merger upon the adoption of measures that will provide affirmative public benefits and enhance the development of retail electric competition in the Duquesne market.

Respectfully submitted,



Daniel Clearfield, Esquire
Kevin J. Moody, Esquire
Wolf, Block, Schorr & Solis-Cohen LLP
213 Market Street, 9th Floor
Harrisburg, PA 17101
(717) 237-7160

Attorneys for the Retail Energy Supply
Association

Date: October 2, 2006

Hawke
 Mckeon
 Sniscak &
 Kennard LLP
ATTORNEYS AT LAW

William T. Hawke
Kevin J. McKeon
Thomas J. Sniscak
Norman James Kennard
Lillian Smith Harris
Scott T. Wyland
Todd S. Stewart
Craig R. Burgraff

Steven D. Snyder
Janet L. Miller
Steven K. Haas
William E. Lehman
Rikardo J. Hull
Katherine E. Lovette
Amy A. Whitney

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmsk-law.com

October 2, 2006

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

ORIGINAL

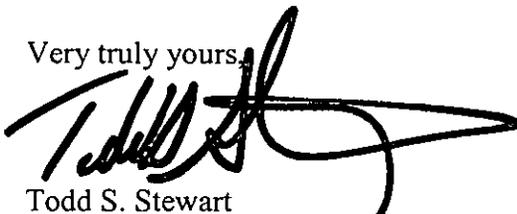
Re: Application of Duquesne Light Company and DQE Communications Network Services, LLC for Approval of the Acquisition of Their Parent Company, Duquesne Light Holdings, Inc. by a Merger; Docket Nos. A-11015050035 and A-311233F0002; **PETITION TO INTERVENE OF DOMINION RETAIL, INC.**
A-110150F0035

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of Dominion Retail, Inc.'s Petition to Intervene in the above-captioned matter.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



Todd S. Stewart
Counsel for Dominion Retail, Inc.

TSS/clb
Enclosures
cc: Per Certificate of Service

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PA PUC

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company :
And DQE Communications Network :
Services, LLC for Approval of the :
Acquisition of Their Parent Company, :
Duquesne Light Holdings, Inc. by a Merger :

Docket Nos. A-11015050035
A-311233F0002

A-110150 F0035

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**PETITION TO INTERVENE OF
DOMINION RETAIL, INC.**

Dominion Retail, Inc. ("Dominion Retail"), by and through its counsel, Hawke McKeon Sniscak & Kennard LLP, and pursuant to 52 Pa. Code § 5.71 et seq., hereby Petitions to Intervene in the above-captioned matter. It has a direct and substantial interest in the subject matter and its interests are not and cannot be represented by any other party. In support of this Petition, Dominion Retail states as follows:

1. On or about September 15, 2006 Duquesne Light Company and DQE Communications Network Services, LLC (collectively "Duquesne") filed the above-captioned application seeking approval of the acquisition of their parent Company. Notice of the filing was published in the Pennsylvania Bulletin on September 16, 2006, and required that formal protests and petitions to intervene be filed no later than October 2, 2006. (36 Pa. B. 5854).

2. Dominion Retail is a licensed electric generation supplier in Pennsylvania (A-110008) and has a large number of customers in the Duquesne light company service territory.

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3. Dominion Retail is represented in this proceeding by the following counsel and requests that all documents be served upon them:

Gary A. Jeffries, Esquire
Senior Counsel
Dominion Resources Services, Inc.
1201 Pitt Street
Pittsburgh, PA 15221
(412) 473-4129 (voice)
Gary_A_Jeffries@dom.com

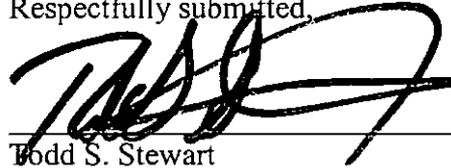
Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
PO Box 1778
100 N 10th Street
Harrisburg, PA 17105
(717) 236 1300 (v)
(717) 236 4841 (fax)
tsstewart@hmsk-law.com

4. Dominion Retail's rights will be directly affected by the merger because of its large customer base in the Duquesne service territory which will be subject to the rules and policies adopted by Duquesne and its merger partner if the merger is approved. Dominion Retail's interests can not be adequately represented by any other party, because Dominion is virtually alone as a supplier of residential customers in the Duquesne Light Company service territory, and it is by far the largest residential supplier. Dominion Retail's position and interests are therefore unique.

5. Dominion Retail's interest in the outcome of this proceeding is substantial and is directly affected by the outcome of this proceeding and it is not adequately represented by any participant to this proceeding. Moreover, Dominion Retail will be bound by the action in this proceeding. Accordingly, Dominion Retail believes that it is in the public interest and it is reasonable to allow Dominion Retail to intervene as a party in this proceeding.

WHEREFORE, for the above-stated reasons, Dominion Retail respectfully requests that this Petition to Intervene be granted and that it be granted party status in the above captioned proceeding.

Respectfully submitted,



Todd S. Stewart

Attorney ID # 75556

Hawke McKeon Sniscak & Kennard LLP

100 North Tenth Street

Harrisburg, PA 17101

717-236-1300

717-236-4841 (fax)

tsstewart@hmsk-law.com

Counsel for Dominion Retail, Inc.

Dated: October 2, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA FIRST CLASS MAIL

Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street – 2 West
P.O. Box 3265
Harrisburg, PA 17105-3265

Office of Small Business Advocate
Commerce Building
Suite 1102
300 North Second Street
Harrisburg, PA 17101

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923

Michael W. Gang,
Andrew S. Tubbs
Post & Schell, PC
12th Floor
17 North Second Street
Harrisburg, PA 17101-1601



Todd S. Stewart

Dated this 2nd day of October, 2006.



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

October 2, 2006

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

RE: Application of Duquesne Light Company
for a Certificate of Public Convenience
Under Section 1102(a)(3) of the Public
Utility Code Approving the Acquisition of
Duquesne Light Holding, Inc. by Merger

Docket No. ~~A-110510F0035~~
A-110650

Application of DQE Communications
Network Services LLC for a Certificate of
Public Convenience Under Section
1102(a)(3) of the Public Utility Code
Approving the Acquisition of Duquesne
Light Holding, Inc. by Merger

Docket No. A-311233F0002

ORIGINAL

Dear Secretary McNulty:

Enclose for filing are an original and three (3) copies Notice of Intervention and Protest of the Office of Consumer Advocate, in the above-referenced proceeding.

Copies have been served on the parties of record as indicated on the enclosed Certificate of Service.

Sincerely,

Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682

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Enclosures

cc: Chief Administrative Law Judge
Parties of Record

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Application of Duquesne Light Company for a :
Certificate of Public Convenience Under :
Section 1102(a)(3) of the Public Utility Code : A-110150F0035
Approving the Acquisition of Duquesne Light :
Holdings, Inc., by Merger :
:
Application of DQE Communications :
Network Services LLC for a Certificate of :
Public Convenience Under Section 1102(a)(3) : A-311233F0002
of the Public Utility Code Approving the :
Acquisition of Duquesne Light Holdings, Inc., :
by Merger :

NOTICE OF INTERVENTION AND PROTEST
OF THE
OFFICE OF CONSUMER ADVOCATE

The Office of Consumer Advocate (OCA) files this Notice of Intervention and Protest in the above-captioned Application proceeding pursuant to the provisions of the Rules of Practice and Procedure of the Pennsylvania Public Utility Commission (PUC or Commission), 52 Pa.Code Sections 5.51-5.53, and Chapters 11, 19, 21 and 28 of the Public Utility Code. On September 6, 2006, Duquesne Light Company (Duquesne) and DQE Communications Network Services LLC (Network) collectively (Applicants) filed this Application. Applicants seek Commission approval for the transfer of control of their parent company, Duquesne Light Holdings, Inc., (DLH) to DQE Holdings LLC (DQE LLC). DQE LLC is a wholly owned

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subsidiary of the Macquarie Consortium (Macquarie), which is an entity comprised of six separate investment funds.

The proposed transaction is complex. In brief, Macquarie, through DQE LLC, will acquire all of the outstanding stock of DLH for \$20 per share. DQE LLC also owns another Pennsylvania corporation, DQE Merger Sub, Inc. DQE LLC will cause DLH and DQE Merger Sub, Inc., to merge, with DLH remaining as the surviving corporation. The effect of this transaction is that DQE LLC's members, Macquarie, will then privately control the only asset left under DQE LLC – DLH, and thereby Duquesne.

The OCA files this Protest in order to ensure that the acquisition is approved only if: (1) it is found to be in the public interest; (2) it provides substantial, affirmative benefits to Duquesne's customers; and (3) it is in accordance with the Public Utility Code.

Specifically, the OCA avers as follows:

1. The Protestant is Irwin A. Popowsky, Consumer Advocate, 555 Walnut Street, 5th Floor, Forum Place, Harrisburg, PA 17101-1923. Protestant's attorneys for receiving service of all documents in this proceeding are Tanya J. McCloskey, Senior Assistant Consumer Advocate and Darryl Lawrence, Assistant Consumer Advocate.

2. The OCA is authorized by law to represent the interests of utility customers in all proceedings before the Commission. 71 P.S. §§309-1, *et seq.* The OCA filed this Protest to ensure the interests of Duquesne's customers are protected in the proposed transaction.

3. The Application must be examined pursuant to Chapters 11, 19, 21 and 28 of the Public Utility Code.

4. Section 1102 of the Public Utility Code requires that the Commission issue a Certificate of Public Convenience as a legal prerequisite to offering service, abandoning service and certain property transfers by public utilities or their affiliated interests. 66 Pa.C.S. §1102(a)(1)-(3). As set forth below, the Commission must also examine this transaction under the provisions of Chapters 19, 21 and 28 of the Code.

5. The Code requires that a certificate shall only be granted upon findings that the granting of such certificate is “necessary or proper for the service, accommodation, convenience or safety of the public.” 66 Pa.C.S. §1103(a). The Pennsylvania Supreme Court has held that this section of the Code requires a finding that a proposed merger or acquisition will affirmatively benefit the public and specifically will “affirmatively promote the ‘service, accommodation, convenience or safety of the public’ in some substantial way.” City of York v. Pa. P.U.C., 295 A.2d 825, 828 (Pa. 1972).

6. Additionally, Section 1103 explicitly allows the Commission to impose conditions upon the issuance of a Certificate of Public Convenience. 66 Pa.C.S. §1103(a). Section 1103(a) of the Code provides: “The Commission, in granting such a certificate, may impose such conditions as it may deem to be just and reasonable.” The OCA submits that the Commission may wish to consider the imposition of conditions in order to ensure that the public interest standard is met.

7. Section 2102 of the Public Utility Code states that prior to any arrangement providing for the furnishing of certain services, *e.g.*, management, supervisory, legal, etc., between a public utility and any affiliated interest, Commission approval must be obtained.

8. Pursuant to Section 2811 of the Public Utility Code, enacted as a provision of the Electricity Generation Customer Choice and Competition Act, the Commission has responsibility for “monitor[ing] the market for the supply and distribution of electricity to retail customers and to . . . prevent anticompetitive or discriminatory conduct, including the unlawful exercise of market power.” 66 Pa.C.S. §2811(a). In furtherance of this obligation, Section 2811(b) states: “Upon complaint or upon its own motion for good cause shown, the commission shall conduct an investigation of the impact on the proper functioning of a fully competitive retail electricity market, including the effect of mergers, consolidations, acquisition or disposition of assets or securities of electricity suppliers, transmission congestion and anticompetitive or discriminatory conduct affecting the retail distribution of electricity.” As to approval of mergers, consolidations, acquisitions or dispositions, the Commission “shall consider whether the proposed merger, consolidation, acquisition or disposition is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail electricity customers in this Commonwealth from obtaining the benefits of a properly functioning and workable competitive retail electricity market.” 66 Pa.C.S. §2811(e)(1). Section 2811(e)(2) requires that upon request for approval of a merger or acquisition, notice and an opportunity for open, public evidentiary hearing shall be afforded. Section 2811(e)(2) also requires that the Commission only approve such transaction upon terms and conditions it finds necessary to preserve the benefits of a properly functioning and workable competitive retail electricity market.

9. Based upon the OCA’s preliminary review of the Application, the Application raises a number of important issues that must be resolved by the Commission before granting approval of this acquisition and issuing Certificates of Public Convenience in this

matter. The OCA submits that the Application and proposals of the Applicants as filed may not support a conclusion that the acquisition will provide substantial, affirmative benefits to the public and will affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way.

10. Preliminarily, the OCA has identified the following areas that require further consideration by the Commission and must be resolved prior to Commission approval of this acquisition.

a. Affirmative Ratepayer Benefits: The Application and its proposals do not demonstrate that this acquisition will provide substantial, affirmative ratepayer benefits in accordance with Pennsylvania law. If approved, the acquisition will provide immediate benefits for shareholders through a premium stock price. Application at 13. However, the Application provides no explanation as to how this acquisition will provide substantial, affirmative benefits for all ratepayers, other than to suggest that future rate proceedings may occur less frequently and/or may contain lower revenue requests. Application at 16. The request for acquisition approval should not be granted unless and until the Applicants can demonstrate and provide affirmative, substantial ratepayer benefits from this acquisition such as through rate reductions, rate stability and enhanced quality of service.

b. Merger Savings/Synergies: The Application provides that no anticipated synergy savings will occur as a result of this acquisition because this is not the traditional horizontal merger where two existing utilities are being combined. Application at 16. The OCA submits that the Commission should examine the proposed transaction to determine if, in fact, the proposed acquisition is in the best interest of the ratepayers considering that the

acquisition as proposed may lack any synergies or savings that bring substantial, affirmative benefits to ratepayers.

c. Costs to Achieve: Particularly in light of the contention that there are no expected synergies or savings from this transaction that can be flowed through to ratepayers, the OCA submits that whatever the costs are to achieve this acquisition should be solely borne by the Applicants/Macquarie.

d. Quality of Service: The Application provides no specific proposal to ensure that quality of service to Duquesne ratepayers will improve because of this acquisition. The Application provides that the acquisition is in the public interest because infrastructure investments will improve; however, Duquesne just completed a base rate proceeding which included revenue increases to adequately fund its infrastructure improvement program. Application at 20-21. Therefore, the OCA submits that the Commission must, at a minimum, ensure that Duquesne's quality of service, including reliability, customer service, and billing service, are enhanced as a result of the acquisition, and not simply remain the same as would be the case if this transaction were never proposed.

e. Impact on Rates: The Application provides that this transaction will have no initial effect on rates. Application at 16. However, it is clear that the current shareholders will be receiving a significant premium over the market price of the stock. Application at 13. The OCA submits that any such acquisition premium must be borne in its entirety by Applicants/Macquarie. The Application also provides that this transaction involves the proposed redemption of \$340 million in First Mortgage Bonds as one means of enhancing Duquesne's credit profile. Application at 18-19. The OCA submits that the Commission must examine the impact the proposed acquisition will have on the eventual capital structure of the

utility, which may adversely affect rates through high levels of equity. The OCA further submits that the expenses incurred through the redemption of the aforementioned bonds must be examined to determine the cost effectiveness of this activity as to the ratepayers.

f. Market Power and Effects on Competitive Markets: Under Section 2811, the Commission must examine the effect of this acquisition on the competitive retail electric market. The possible impact on the market should be further explored to assure that the acquisition does not negatively impact the retail electric market.

g. Corporate Structure: The proposed corporate structure raises several issues that should be explored and resolved prior to approval of the transaction. For example, appropriate accounting protocols to prevent cross-subsidization must be in place. In addition, appropriate Codes of Conduct must be in place to govern the relationships between the operating companies. The proposed corporate structure also must be reviewed to assure that there are no adverse tax effects. In addition, the OCA submits that the Commission should consider the business entity that will control the utility would no longer be a corporation, but rather an LLC that is not subject to the same reporting requirements and transparencies as DLH currently is.

h. Governance: The Application provides that the members of Macquarie, presumably the fund managers for the six separate investment funds that make up Macquarie, will become the new Board of Directors for DQE LLC. Application at 22. Although Duquesne's current management team is expected to stay in place for the immediate future, the OCA submits that it is reasonable to expect that any major decisions affecting the utility will come to this Board. The OCA submits that the Application is insufficient as to the managerial expertise and relevant utility experience that these individuals may possess. The OCA submits

that the Commission should require more information from the Applicants as to the new Board Members' relevant utility experience and also to consider whether the goals of these fund managers are the same as a more traditionally-structured utility's board.

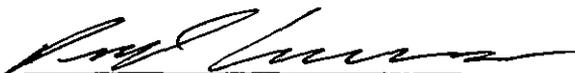
i. Universal Service: The Application does not discuss the continuation and improvement of Duquesne's universal service programs. The Commission must examine Duquesne's universal service programs to ensure that these programs receive appropriate funding and local management attention and to assure that the programs continue to improve to meet the needs of low-income and payment troubled customers in Duquesne's service territories. It is also important to maintain and enhance the participation of local community-based organizations in the development and implementation of these programs.

j. Continuation of PUC Jurisdiction: Post corporate-restructuring, the Commission must ensure that it retains sufficient jurisdiction, as well as access to appropriate books and records of all subsidiaries, to ensure the continued provision of safe, adequate and reliable service in Pennsylvania, and to ensure against inappropriate cross subsidies at the expense of Pennsylvania consumers.

11. The OCA reserves the right to raise additional issues as the case proceeds and further information is obtained from the Company.

WHEREFORE, the Office of Consumer Advocate respectfully requests that the Pennsylvania Public Utility Commission investigate and hold full hearings, including public input hearings in the service territory of Duquesne, regarding the above-captioned Application. The OCA further requests that the Commission not approve this Application unless it finds that: (1) the Application is in the public interest; (2) it provides substantial, affirmative benefits to Duquesne's customers; and (3) it is in accordance with the Public Utility Code. Additionally, the OCA requests that the Commission impose such terms and conditions upon the proposed acquisition as are necessary to ensure that the Application meets the requirements set forth above.

Respectfully Submitted,



Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: October 2, 2006

PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
PURSUANT TO 71 P.S. Section 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 P.S. Section 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate (OCA) to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC or Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Protest and participate in proceedings before the Commission involving the Application filed by Duquesne Light Company (Duquesne) and DQE Communications Network Services LLC (Network).

On September 6, 2006, Duquesne and Network collectively (Applicants) filed this Application. Applicants seek Commission approval for the transfer of control of their parent company, Duquesne Light Holdings, Inc., (DLH) to DQE Holdings LLC (DQE LLC). DQE LLC is a wholly owned subsidiary of the Macquarie Consortium (Macquarie), which is an entity comprised of six separate investment funds.

The proposed transaction is complex. In brief, Macquarie, through DQE LLC will acquire all of the outstanding stock of DLH for \$20 per share. DQE LLC also owns another Pennsylvania corporation, DQE Merger Sub, Inc. DQE LLC will cause DLH and DQE Merger Sub, Inc., to merge, with DLH remaining as the surviving corporation. DQE LLC's members, Macquarie, will then privately control the only asset left under DQE LLC – DLH.

The OCA files this Protest in order to ensure that the acquisition is approved only if (1) it is found to be in the public interest; (2) it provides substantial, affirmative benefits to Duquesne's ratepayers; and (3) it is in accordance with the Public Utility Code. Among the areas to be addressed by the OCA are: affirmative ratepayer benefits, merger savings/synergies, costs to achieve, quality of service, impact on rates, effects on competitive markets, corporate structure, governance, impact on universal service programs, and necessary ratepayer

protections. The OCA will seek to ensure that affirmative benefits from the acquisition are provided to Duquesne's customers and that all Pennsylvania consumers are properly protected.

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CERTIFICATE OF SERVICE

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public : Docket No. A-110510F0035
Utility Code Approving the Acquisition :
of Duquesne Light Holding, Inc. by Merger :

Application of DQE Communications :
Network Services LLC for a Certificate :
of Public Convenience Under Section : Docket No. A-311233F0002
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holding, Inc. by Merger :

I hereby certify that I have this day served a true copy of the foregoing document, Notice of Intervention and Protest of the Office of Consumer Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 2nd day of October, 2006.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles D. Shields, Esquire
Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
400 North Street
Harrisburg, PA 17105-3265

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Counsel For: *Duquesne Light Company;*
Duquesne Light Holdings; DQE Communication
Network Services LLC; and DQE Holding LLC

David B. MacGregor
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808

Counsel For: *Duquesne Light Company;*
Duquesne Light Holdings; DQE Communication
Network Services LLC; and DQE Holding LLC

Scott J. Rubin, Esquire
Attorney ♦ Consultant
3 Lost Creek Drive
Selinsgrove, PA 17870
Counsel For: *International Brotherhood of*
Electrical Workers Local 29



Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

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OFFICE OF SMALL BUSINESS ADVOCATE

Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

October 2, 2006

HAND DELIVERED

ORIGINAL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P. O. Box 3265
Harrisburg, PA 17105-3265

**Re: Application of Duquesne Light Company for a Certificate of Public Convenience under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holdings, Inc. By Merger
Docket No. A-110150F0035**

**Application of DQE Communications Network Services LLC for a Certificate of Public Convenience under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holdings, Inc. By Merger
Docket No. A-311233F0002**

Dear Secretary McNulty:

I am delivering for filing today the original plus three copies of the Notice of Intervention and Protest, Public Statement, Verification, and Notice of Appearance, on behalf of the Small Business Advocate in the above-captioned matter.

Two copies have been served today on all known parties in this proceeding. A Certificate of Service to that effect is enclosed.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID No. 83789

**DOCUMENT
FOLDER**

Enclosures

cc: Hon. Veronica Smith
Parties of Record

2006 OCT -2 PM 3:59
PA PUC
SECRETARY'S BUREAU

RECEIVED

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for :
a Certificate of Public Convenience Under : Docket No. A-110150F0035
Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne Light :
Holdings, Inc. By Merger :

Application of DQE Communications Network :
Services LLC for a Certificate of Public :
Convenience Under Section 1102(a)(3) of the : Docket No. A-311233F0002
Public Utility Code Approving the Acquisition :
of Duquesne Light Holdings, Inc. By Merger :

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PA PUC
SECRETARY'S BUREAU

Certificate of Service

I certify that I am serving two copies of the Notice of Intervention and Protest, Verification, Public Statement, and Notice of Appearance, on behalf of the Office of Small Business Advocate by e-mail and first class mail (unless otherwise noted) upon the persons addressed below:

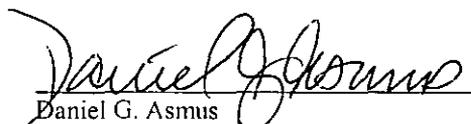
Hon. Veronica Smith
Chief Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 783-5452
(717) 787-0481
verosmith@state.pa.us
(E-mail and Hand Delivery)

Irwin A. Popowsky, Esquire
Office of Consumer Advocate
555 Walnut Street 5th FL Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
(717) 783-7152
spopowsky@paoca.org
(E-mail and Hand Delivery)

Johnnie E. Simms, Esquire
Charles Daniel Shields, Esquire
Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-4886
(717) 772-2677 (fax)
Josimms@state.pa.us
chshields@state.pa.us
roeckenrod@state.pa.us
(E-mail and Hand Delivery)

Michael W. Gang, Esquire
Post & Schell PC
17 North Second Street - 12th Floor
Harrisburg, PA 17101-1601
(717) 731-1970
(717) 731-1985 (fax)
mgang@postschell.com

Scott J. Rubin, Esquire
3 Lost Creek Drive
Selinsgrove, PA 17870
(570) 743-2233
(570) 743-8145 (fax)
scott@publicutilityhome.com


Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID No. 83789

Dated: October 2, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUC
SECRETARY'S BUREAU

Application of Duquesne Light Company for a :
Certificate of Public Convenience under :
Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne Light : Docket No. A-110150F0035
Holdings, Inc. by Merger :

Application of DQE Communications Network :
Services LLC for a Certificate of Public :
Convenience under Section 1102(a)(3) of the :
Public Utility Code Approving the Acquisition of : Docket No. A-311233F0002
Duquesne Light Holdings, Inc. by Merger :

**NOTICE OF INTERVENTION AND PROTEST
OF THE OFFICE OF SMALL BUSINESS ADVOCATE**

The Office of Small Business Advocate ("OSBA") files this Notice of Intervention and Protest with respect to the above-captioned Application ("Application") pursuant to Sections 5.51(a) and 5.71(a)(1) of the Rules of Practice and Procedure of the Pennsylvania Public Utility Commission ("Commission"), 52 Pa. Code §§ 5.51(a) and 5.71(a)(1). In support of this Notice of Intervention and Protest, the OSBA avers as follows:

1. The OSBA is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50) to represent the interest of small business consumers as a party in proceedings before the Commission.

DOCUMENT
FOLDER

DOCKETED
OCT 03 2006

2. Representing the OSBA in this proceeding is:

Daniel G. Asmus
Assistant Small Business Advocate
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101
(717) 783-2525
(717) 783-2831 (fax)
dasmus@state.pa.us

3. On September 6, 2006, an Application was filed by Duquesne Light Company (“DLC”) and DQE Communications Network Services LLC (“DQE Communications”) (collectively, the “Joint Applicants”), seeking approval under Chapters 11 and 28 of the Public Utility Code, 66 Pa. C.S. Ch. 11 and 28, of the acquisition of their parent company—Duquesne Light Holdings, Inc. (“DLH”)—by the Macquarie Consortium. (Application, at 1-2)

4. DLC is a Commission-certificated electric distribution company (“EDC”) which provides transmission and distribution service to all classes of customers in its service territory. DLC also is the provider of last resort (“POLR”) for purposes of providing generation service within its service territory. (Application, at 6)

5. The Macquarie Consortium is comprised of numerous investment funds, most of which are managed by Macquarie Bank Limited. Macquarie Bank Limited is headquartered in Australia. (Application, at 3)

6. Section 1102(a) of the Public Utility Code, 66 Pa. C.S. § 1102(a), permits a public utility to undertake certain actions only upon Commission approval evidenced by a certificate of public convenience. Among the activities that require Commission approval is the following:

(3) For any public utility or an affiliated interest of a public utility . . . to acquire from, or to transfer to, any person or corporation . . . by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

66 Pa. C.S. § 1102(a)(3).

7. The Joint Applicants are seeking certificates of public convenience under Section 1102. (Application, at 1) Section 1103(a) of the Public Utility Code, 66 Pa. C.S. § 1103(a), allows the Commission to issue a certificate only upon a finding or determination that the granting of such certificate is “necessary or proper for the service, accommodation, convenience, or safety of the public.” Satisfying this standard requires the Commission to find that a proposed acquisition would “affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” City of York v. Pennsylvania Public Utility Commission, 449 Pa. 136, 141, 295 A.2d 825, 828 (Pa. 1972). In addition, Section 1103(a) allows the Commission to impose upon its issuance of a certificate of public convenience “such conditions as it may deem to be just and reasonable.”

8. The Commission also has authority over the proposed transaction under Section 2811 of the Public Utility Code, 66 Pa. C.S. § 2811, which is a provision of the Electricity Generation Customer Choice and Competition Act. (See Application, at 16-17.) Specifically, Section 2811(e)(1) requires the Commission to consider “[w]hether the proposed merger, consolidation, acquisition or disposition is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail electricity customers in this Commonwealth from obtaining the benefits of a properly functioning and

workable competitive retail electricity market.” Pursuant to Section 2811(e)(2), the Commission is permitted to approve a proposed transaction with “such terms and conditions as it finds necessary to preserve the benefits of a properly functioning and workable competitive retail electricity market.”

9. Based upon preliminary review, the Application raises several issues of concern that may require the Commission to reject the proposed transaction or to approve it only after imposing conditions. These issues include:

- a. Whether transferring ownership of a Pennsylvania EDC to an overseas entity would be consistent with Commission policy;
- b. Whether ratepayers would benefit from the predicted enhanced access to capital; and
- c. Whether ownership by an equity fund would result in the excessive diversion of DLC revenues to investors.

The foregoing concerns are discussed in more detail below. However, the OSBA reserves the right to pursue any additional issues which arise throughout the proceeding.

10. Local Control:

The proposed transaction would result in the transfer of the ultimate control of a Pennsylvania EDC to an entity headquartered outside the United States. (Application, at 3-4, 9-10, and 22) In several other recent merger and acquisition cases, the return of a Pennsylvania utility to local ownership was presented as an “affirmative public benefit” under York. See, e.g., Application of UGI Utilities, Inc., UGI Utilities Newco, Inc., and Southern Union Company for approval of: 1) the transfer by sale of all property used or useful in providing natural gas service

to the public to UGI Corporation; 2) the immediate retransfer of all such property, by UGI Corporation, including gas supply and pipeline and storage capacity contracts, by UGI Corporation to UGI Newco Utilities, Inc., 3) the initiation by UGI Utilities Newco, Inc. of natural gas service in all territory in this Commonwealth where Southern Union Company does or may provide natural gas service; 4) the abandonment by Southern Union Company of all natural gas service in this Commonwealth; and 5) the transfer by UGI Corporation of all of the stock of UGI Utilities Newco, Inc. to UGI Utilities, Inc., Docket Nos. A-120011F2000, A-125146F5000, and A-125146 (Order entered August 18, 2006)(“UGI/PGE Merger”), Joint Concurring and Dissenting Statement of Chairman Wendell F. Holland and Commissioner Bill Shane. If returning other utilities to local control is an “affirmative benefit,” then transferring ultimate control of a Pennsylvania EDC to an entity headquartered outside the United States would be a “detriment.”

11. Access to Capital:

The Joint Applicants represent that better access to capital would be a principal benefit of the proposed transaction. (Application, at 3-5 and 16) To be an “affirmative public benefit,” better access to capital should translate into a lower rate of return for DLC (and lower rates for DLC’s customers) than would be required without the proposed transaction. However, the Joint Applicants neither allege an estimated amount of savings in the cost of capital nor propose to flow those savings through to ratepayers in any meaningful way.

12. Equity Investors:

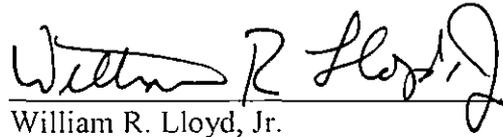
The Macquarie Consortium has a wide range of investments in non-utility infrastructure, i.e., airports, toll roads, and rail. (Application, at 10-11) Those investments may present

substantially more risk than an investment in DLC. Despite the sale of DLC's parent, the current management of DLC would be retained. (Application, at 4) However, that management could be directed to make excessive transfers of DLC revenues in order to offset losses (or disappointing earnings) by the Macquarie Consortium on non-utility investments. Such transfers could deprive DLC of necessary capital.

WHEREFORE, the Office of Small Business Advocate respectfully requests that the Commission conduct a full investigation, including evidentiary hearings, regarding the Application. Upon completion of that investigation, the OSBA further requests that the Commission:

1. Reject the Application unless the Commission finds that the proposed transaction is in the public interest; provides substantial, affirmative benefits to customers; does not adversely affect retail electricity competition in Pennsylvania; and complies with the Public Utility Code; or, in the alternative,
2. Impose such terms and conditions upon approval of the Application as are necessary to ensure that the proposed transaction is in the public interest; provides substantial, affirmative benefits to customers; does not adversely affect retail electricity competition in Pennsylvania; and complies with the Public Utility Code.

Respectfully submitted,

A handwritten signature in cursive script, reading "William R. Lloyd, Jr.", written over a horizontal line.

William R. Lloyd, Jr.
Small Business Advocate
Attorney I.D. No. 16452

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)

Date: October 2, 2006

**PUBLIC STATEMENT OF
SMALL BUSINESS ADVOCATE
CONCERNING THE INTEREST
OF SMALL BUSINESS CONSUMERS
TO BE PROTECTED BY THE FILING OF A
NOTICE OF INTERVENTION AND PROTEST
AT DOCKET NOS. A-110150F0035 and A-311233F0002**

The Small Business Advocate is authorized and directed to represent the interest of small business consumers of utility services in Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50 ("Act"). The Act further provides that the Small Business Advocate is to issue publicly a written statement setting forth the specific interest of small business consumers to be protected by the intervention in any proceeding involving those interests before the Public Utility Commission. This public statement relates to the filing today by the Small Business Advocate of a Notice of Intervention and Protest in the proceeding involving the proposed sale of Duquesne Light Holdings, Inc. ("DLH"), to the Macquarie Consortium. DLH is the parent of the Duquesne Light Company ("DLC"), an electric distribution company and provider of last resort in western Pennsylvania.

The Office of Small Business Advocate ("OSBA") is concerned that the proposed acquisition of DLH by the Macquarie Consortium may affect the rates, terms, and conditions under which small business customers receive transmission, distribution, and generation services in the DLC service territory. In addition, the OSBA is concerned that the proposed transaction, if approved, might not result in the requisite affirmative public benefit. Therefore, the OSBA has filed a Notice of Intervention and Protest in this proceeding to assure that the interests of the small business customers served by DLC are adequately represented and protected. The OSBA

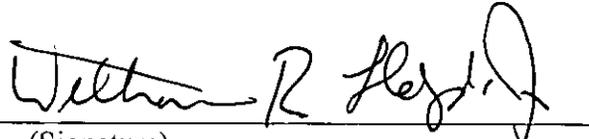
will participate in this proceeding to the extent necessary to identify and advance any issues that are important to small business consumers who would be affected by the proposed acquisition.

Date: October 2, 2006

VERIFICATION

I, William R. Lloyd, Jr., hereby state that the facts set forth herein above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: October 2, 2006


(Signature)

William R. Lloyd, Jr.
Small Business Advocate
Attorney ID #16452

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for :
a Certificate of Public Convenience Under : Docket No. A-110150F0035
Section 1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne Light :
Holdings, Inc. By Merger :

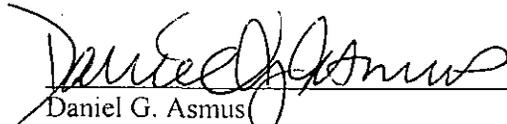
Application of DQE Communications Network :
Services LLC for a Certificate of Public :
Convenience Under Section 1102(a)(3) of the : Docket No. A-311233F0002
Public Utility Code Approving the Acquisition :
of Duquesne Light Holdings, Inc. By Merger :

NOTICE OF APPEARANCE

The Office of Small Business Advocate, pursuant to 52 Pa. Code § 1.24, hereby enters the appearance of **Daniel G. Asmus** as counsel of record, in the above captioned proceeding.

Documents in this proceeding should now be served on the following:

Daniel G. Asmus
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101
(717) 783-2525
(717) 783-2831
dasmus@state.pa.us


Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID No. 83789

For:

William R. Lloyd, Jr.
Small Business Advocate
Attorney ID No. 16452

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)

Dated: October 2, 2006

DATE: October 2, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Petition to Intervene,
filed by Community Action Association of Pennsylvania,
in connection with the above docketed proceeding.

This matter is assigned to your Bureau for
appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
FOLDER

DOCKETED
OCT 02 2006

DATE: October 3, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Notice of Intervention and Protest, filed by Office of Consumer Advocate, in connection with the above docketed proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
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DOCKETED
OCT 03 2006

DATE: October 3, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Petition to Intervene,
filed by Dominion Retail, Inc., in connection with the
above docketed proceeding.

This matter is assigned to your Bureau for
appropriate action.

Attachment

cc: LAW

DOCUMENT
FOLDER

ksb

DOCKETED
OCT 03 2006

DATE: October 3, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Protest and Notice of Intervention, filed by Office of Small Business Advocate, in connection with the above docketed proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
FOLDEP

DOCKETED
OCT 03 2006

DATE: October 3, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *RB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Protest and Petition to Intervene, filed by Duquesne Industrial Intervenors, in connection with the above docketed proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
FOLDER

DOCKETED
OCT 03 2006

DATE: October 3, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Petition to Intervene,
filed by Retail Energy Supply Association, in
connection with the above docketed proceeding.

This matter is assigned to your Bureau for
appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
FOLDER

DOCKETED
OCT 02 2006

CITIZEN POWER

Public Policy Research Education and Advocacy

October 3, 2006

RECEIVED

VIA FEDEX

OCT 03 2006

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

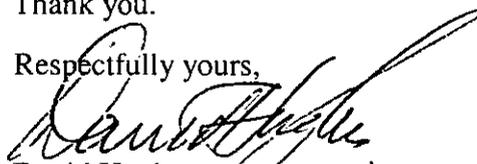
Re: *Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holdings, Inc. by Merger, et al., Docket Nos. A-110150F0035, et al.*

Dear Secretary McNulty:

On October 2, 2006, Citizen Power, Inc. ("Citizen Power") submitted for filing a Petition to Intervene and Protest and related documents in the referenced proceedings. In accordance with 52 Pa. Code § 1.36, Citizen Power's Petition to Intervene and Protest was accompanied by a verification executed by the undersigned. Citizen Power's filing, however, did not include the original of the verification. In accordance with communications between your office and counsel for Citizen Power, I am enclosing the original verification.

If there are any problems with this submission, please contact Citizen Power's counsel, John McCaffrey, at (202) 728-3013. Thank you.

Respectfully yours,



David Hughes
Executive Director

Enclosure

cc: Michael W. Gang (w/o enclosure)
David B. MacGregor (w/o enclosure)

KJR

VERIFICATION

I, David Hughes, hereby state that the facts set forth in the preceding Petition to Intervene and Protest of Citizen Power, Inc. are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: 10-2-06



David Hughes
Executive Director
Citizen Power, Inc.

RECEIVED

OCT 03 2006

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

KJR

GENERAL RULES AND REGULATIONS

~~Rule 7 - Extension of Company Facilities: System Upgrades (continued)~~

- (C)
- (b) Execution by the Company and the Applicant ~~+/~~ Customer of appropriate agreements for electric service and/or Line Extensions, and the payment by the Applicant ~~+/~~ Customer of any and all associated costs or charges.
 - (c) The Applicant ~~+/~~ Customer requesting the Line Extension and/or Service Line has furnished to the Company rights-of-way on, over, across, under and/or through the Applicant's/Customer's property that are necessary for the construction, maintenance and operation of the Line Extension and/or Service Line in accordance with Rule 6.5 of this Tariff and which are in form and substance acceptable to the Company.

The Company shall be under no obligation to construct the Line Extension and/or Service Line in the event it is unable to acquire all necessary rights-of-way and other consents from any parties other than the Applicant ~~+/~~ Customer, in such form and substance acceptable to the Company.

1.588. 811.8863

**COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Duquesne Light Company	:	
for a Certificate of Public Convenience	:	
Under Section 1102(a)(3) of the Public	:	A-110150F0035
Utility Code Approving the Acquisition	:	
of Duquesne Light Holdings, Inc. by	:	
Merger	:	
	:	
	:	
Application of DQE Communications	:	
Network Services LLC for a Certificate	:	A-311233F002
of Public Convenience Under Section	:	
1102(a)(3) of the Public Utility Code	:	
Approving the Acquisition of Duquesne	:	
Light Holdings, Inc. by Merger	:	

RECEIVED

OCT 02 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

MOTION FOR LEAVE TO APPEAR PRO HAC VICE

Pursuant to 52 Pa. Code § 1.22(b) and Rule 301(b) of the Pennsylvania Bar Admission Rules, Jaime S. Dibble of the law firm of Stinson Morrison Hecker LLP, attorneys for Citizen Power, Inc. ("Citizen Power") in the captioned proceedings, respectfully moves for leave for Harvey L. Reiter and John E. McCaffrey to appear *pro hac vice*, for all permissible purposes in the captioned proceedings. In support of this motion, the undersigned hereby states as follows:

1. The undersigned, Jaime S. Dibble, is an active member in good standing of the Bar of the Commonwealth of Pennsylvania (Attorney Registration No. 91202) and an associate with the law firm of Stinson Morrison Hecker LLP. Ms. Dibble's principal law office is located at 1150 18th Street, N.W., Suite 800, Washington, D.C. 20036-3816.

2. Jaime S. Dibble moves for the appearance of Harvey L. Reiter and John E. McCaffrey as counsel, *pro hac vice*, for Citizen Power in the captioned proceedings.

3. Mr. Reiter is a member in good standing of the Bar of the District of Columbia (#232942). He is a partner with the law firm of Stinson Morrison Hecker LLP at the same address provided for Ms. Dibble.

4. Mr. McCaffrey is a member in good standing of the Bars of the District of Columbia (#457829) and the Commonwealth of Massachusetts (#55761). He is a partner with Stinson Morrison Hecker LLP at the same address provided above.

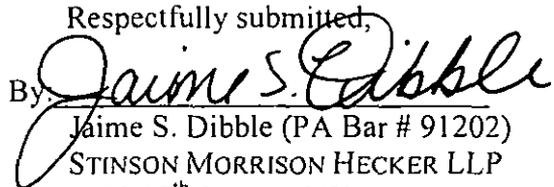
5. Mr. Reiter and Mr. McCaffrey are experienced practitioners in the field of regulatory and energy law. They have appeared in numerous proceedings before the Federal Energy Regulatory Commission, federal courts, and state and federal administrative agencies. Mr. Reiter and Mr. McCaffrey have previously represented Citizen Power before the Federal Energy Regulatory Commission. Further, Messrs. Reiter and McCaffrey have appeared for Citizen Power before this Commission in several other proceedings.

6. As Mr. Reiter and Mr. McCaffrey have acted as Citizen Power's counsel in other utility matters and are thus familiar with its interests and concerns, their participation on its behalf would be appropriate and reasonable.

WHEREFORE, for the reasons set forth above, the undersigned hereby respectfully moves for leave for Harvey L. Reiter and John E. McCaffrey to appear as counsel, *pro hac vice*, on behalf of Citizen Power, Inc. in the captioned proceedings.

Respectfully submitted,

By:



Jaime S. Dibble (PA Bar # 91202)

STINSON MORRISON HECKER LLP

1150 18th Street, N.W.

Suite 800

Washington, DC 20036

(202) 785-9100 (phone)

(202) 785-9163 (fax)

An attorney for Citizen Power, Inc.

Dated: October 2, 2006

**COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Duquesne Light Company	:	
for a Certificate of Public Convenience	:	
Under Section 1102(a)(3) of the Public	:	A-110150F0035
Utility Code Approving the Acquisition	:	
of Duquesne Light Holdings, Inc. by	:	
Merger	:	
	:	
Application of DQE Communications	:	
Network Services LLC for a Certificate	:	A-311233F002
of Public Convenience Under Section	:	
1102(a)(3) of the Public Utility Code	:	
Approving the Acquisition of Duquesne	:	
Light Holdings, Inc. by Merger	:	

NOTICE OF APPEARANCE

In accordance with 52 Pa. Code § 1.25, the undersigned hereby submits this notice of appearance in the above-designated matter.*

1. Please enter my appearance in the above-designated matter on behalf of Citizen Power, Inc.
2. I am authorized to accept service on behalf of said party in this matter.

KJR

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OCT 02 2006

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

* This notice of appearance is accompanied by a motion for admission *pro hac vice* in the above-designated matter.

3. On the basis of this notice, I request a copy of each document hereafter issued by the Commission in this matter.

Respectfully submitted,



John E. McCaffrey
STINSON MORRISON HECKER LLP
1150 18th Street, N.W., Suite 800
Washington, DC 20036
202-785-9100 (phone)
1-888-811-8863 (direct fax)
jmccaffrey@stinsonmoheck.com

Admitted in the District of Columbia (#457829) and the
Commonwealth of Massachusetts (#55761)

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Duquesne Light Company for :
a Certificate of Public Convenience Under :
Section 1102(a)(3) of the Public Utility : A-110150F0035
Code Approving the Acquisition of :
Duquesne Light Holdings, Inc. by Merger :
:
Application of DQE Communications :
Network Services LLC for a Certificate of :
Public Convenience Under Section : A-311233F002
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holdings, Inc. by Merger :

CERTIFICATE OF SERVICE

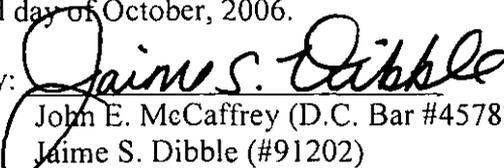
I hereby certify that I have this day served a true copy of (1) the Petition to Intervene and Protest of Citizen Power, Inc.; (2) the Motion for Leave to Appear *Pro Hac Vice*; and (3) the Entry of Appearance for John E. McCaffrey upon the participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant).

Michael W. Gang, Esquire
Andrew S. Tubbs, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

David MacGregor, Esquire
Post & Schell, P.C.
Four Penn Centre
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103-2808

Dated at Washington, D.C., this 2nd day of October, 2006.

By:


John E. McCaffrey (D.C. Bar #457829)
Jaime S. Dibble (#91202)
STINSON MORRISON HECKER LLP
1150 18th Street, N.W.
Suite 800
Washington, DC 20036
(202) 785-9100 (phone)
(202) 785-9163 (fax)

RECEIVED

OCT 02 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DATE: October 5, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Application of Duquesne Light Company
Application of DQE Communications Network

Attached is a copy of a Petition to Intervene and Protest, a Motion for Leave to Appear Pro Hac Vice, and Entry of Appearance filed by Citizen Power, Inc. in connection with the above docketed proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: LAW

ksb

DOCUMENT
FOLDER

KJR

DOCKETED
OCT 05 2006

DOCUMENT
FOLDER

CERTIFICATE OF SERVICE

RECEIVED
2006 OCT -5 PM 3:45
PA PUC
SECRETARY'S BUREAU

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public :
Utility Code Approving the Acquisition :
of Duquesne Light Holding, Inc. by Merger :

Docket No. A-110510F0035

Application of DQE Communications :
Network Services LLC for a Certificate :
of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holding, Inc. by Merger :

Docket No. A-311233F0002

I hereby certify that I have this day served a true copy of the foregoing document, he
Office of Consumer Advocate's Interrogatories Set I, upon parties of record in this proceeding in
accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the
manner and upon the persons listed below:

Dated this 5th day of October, 2006.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles D. Shields, Esquire
Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
400 North Street
Harrisburg, PA 17105-3265
Counsel For: *Office of Trial Staff*

KJR

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor

Harrisburg, PA 17101-1601

Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

David B. MacGregor
Post & Schell, P.C.

Four Penn Center

1600 John F. Kennedy Boulevard

Philadelphia, PA 19103-2808

Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

Scott J. Rubin, Esquire
Attorney ✦ Consultant

3 Lost Creek Drive

Selinsgrove, PA 17870

Counsel For: *International Brotherhood of Electrical Workers Local 29*

Theodore H. Jobes, Esquire

Fox ◆ Rothschild, LLP

2000 Market Street, Tenth Floor

Philadelphia, PA 19103-3291

Counsel For: *Pennsylvania Large Energy Users Coalition*

Steven S. Goldenberg, Esquire

Fox ◆ Rothschild, LLP

Princeton Pike Corporate Center

997 Lenox Drive, Building 3

Lawrenceville, NJ 08648-2311

Counsel For: *Pennsylvania Large Energy Users Coalition*

Paul F. Forshay, esquire

Sutherland, Asbill & Brennan, LLP

1275 Pennsylvania Avenue, NW

Washington, DC 20004

Counsel For: *Pennsylvania Large Energy Users Coalition*

Daniel G. Asmus

Assistant Small Business Advocate

Office of Small Business Advocate

Commerce Building, Suite 1102

300 North Second Street

Harrisburg, PA 17101

Counsel for: *Office of Small Business Advocate*

Kevin J. Moody, Esquire

Daniel Clearfield, Esquire

Wolf, Block, Schorr and Solis-Cohen, LLP

213 Market Street, 9th Floor

P. O. box 865

Harrisburg, PA 17108-0865

Counsel For: *Strategic Energy, LLC and RESA*

Todd S. Stewart, Esquire

Hawke, McKeon, Sniscak & Kennard, LLP

100 North Tenth Street

Harrisburg, PA 17101

Counsel For: *Dominion Retail, Inc.*

Julie Coletti, Esquire

Strategic Energy, LLC

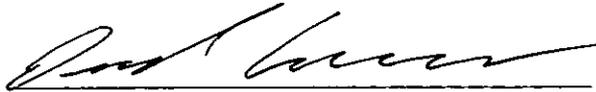
Two Gateway Center

Pittsburgh, PA 15222

For: *Strategic Energy, LLC*

Gary A. Jeffries, Esquire
Senior Counsel
Dominion Resource Services, Inc.
1201 Pitt Street
Pittsburgh, PA 15221
For: *Dominion Retail, Inc.*

Pamela C. Polacek, Esquire
Adam L. Benshoff, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 18108-1166
Counsel For: *Duquesne Industrial Intervenors*



Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

00090989.DOC

CORRECTED MEMO*

DATE: October 18, 2006

SUBJECT: A-110150F0035
A-311233F0002

TO: Office of Administrative Law Judge

FROM: James J. McNulty *ddt*
Secretary

RE: *Application of Duquesne Light Company and
DQE Communications Network Services, LLC,
for approval of the Transfer of Control of their
parent, Duquesne Light Holdings, Inc, via
Merger.

Per memo dated October 12, 2006, from Robert A.
Rosenthal, Director, Bureau of Fixed Utility Services, the
above docketed proceeding is being reassigned to your
Office for appropriate action.

ddt

cc: FUS-Memo only

DOCUMENT
FOLDER

DOCKETED
OCT 17 2006



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

Andrew S. Tubbs
atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

October 18, 2006

VIA E-MAIL

Darryl Lawrence
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

DOCUMENT
FOLDER

RECEIVED
2006 OCT 18 PM 3:16
PA PUC
SECRETARY'S BUREAU

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Lawrence:

Enclosed are the responses of Duquesne Light Company to the following Interrogatories:

OCA Set I – 30, 39

OCA Set II – 3, 4, 5

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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 D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

RECEIVED
2006 OCT 18 PM 3:16
PA PUC
SECRETARY'S BUREAU

VIA E-MAIL

William R. Lloyd, Jr.
Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
willlloyd@state.pa.us
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
spopowsky@paoca.org
tmccloskey@paoca.org
dlawrence@paoca.org

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(*Dominion Retail, Inc.*)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(*Strategic Energy, LLC*)
(*Retail Energy Supply Association*)

Theodore H. Jobes
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobes@foxrothschild.com
*(Pennsylvania Large Energy Users
Coalition)*

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
*(Pennsylvania Large Energy Users
Coalition)*

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
*(Pennsylvania Large Energy Users
Coalition)*

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
*(International Brotherhood of Electrical
Workers Local 29)*

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(Citizen Power, Inc.)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(Strategic Energy, LLC)

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
*(Consultant for Office of Consumer
Advocate)*

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
*(Consultants for Office of Consumer
Advocate)*

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(Consultants for Office of Trial Staff)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(Duquesne Industrial Intervenors)

Eugene M. Brady
Community Action Association of
Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(Community Action Association of
Pennsylvania)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(Community Action Association of
Pennsylvania)

Date: October 18, 2006


Andrew S. Tubbs

COMMONWEALTH OF PENNSYLVANIA**PUBLIC UTILITY COMMISSION****MEMO**

October 12, 2006

Subject: Application of Duquesne Light Company and DQE Communications Network Services, LLC, for approval of the transfer of control of their parent, Duquesne Light Holdings, Inc., via a merger. Docket Numbers: A-110150 F0035 for Duquesne Light Company and A-311233 F0002 for DQE Communications Network Services, LLC.

To: James J. McNulty, Secretary
Secretary's Bureau

From: Robert A. Rosenthal, Director
Bureau of Fixed Utilities Services

ORIGINAL

The referenced Application was filed on September 6, 2006, and assigned to the Bureau of Fixed Utility Services for review and recommendation. The Commission has subsequently received Protests and Petitions to Intervene from numerous groups such as the OSBA, OCA, Citizen Power, Inc., Dominion Retail, Inc, Strategic Energy, LLC, the Pennsylvania Large Energy Users Coalition, Duquesne Industrial Intervenors, Retail Energy Supply Association, International Brotherhood of Electrical Workers Local 29 and Community Action Association of Pennsylvania. The Office of Trial Staff has filed a Notice of Appearance.

Due to the Protests and Petitions received, the Bureau of Fixed Utility Services recommends that the Applications be re-assigned to the Office of Administrative Law Judge for adjudication.

cc: Veronica A. Smith, Chief OALJ
Eric Rohrbaugh, OALJ
Kay Best, Secretary's Bureau
Daniel Searfoorce, FUS
Bob Wilson, FUS

DOCKETED
OCT 17 2006**RECEIVED**

OCT 17 2006

**DOCUMENT
FOLDER**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



DOCUMENT FOLDER

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

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

October 18, 2006

RECEIVED

OCT 18 2006

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VIA E-MAIL

Kevin J. Moody
Wolf Block Schorr and Solis-Cohen LLP
PO Box 865
213 Market Street, 9th Floor
Harrisburg, PA 17108-0865

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Moody:

Enclosed are the responses of Duquesne Light Company to the following Interrogatories:

RESA Set 1 - 5, 8

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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 D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

VIA E-MAIL

William R. Lloyd, Jr.
Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
willoyd@state.pa.us
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
spopowsky@paoca.org
tmccloskey@paoca.org
dlawrence@paoca.org

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

Theodore H. Jobs
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobs@foxrothschild.com
*(Pennsylvania Large Energy Users
Coalition)*

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
*(Pennsylvania Large Energy Users
Coalition)*

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
*(Pennsylvania Large Energy Users
Coalition)*

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
*(International Brotherhood of Electrical
Workers Local 29)*

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(Citizen Power, Inc.)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(Strategic Energy, LLC)

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
*(Consultant for Office of Consumer
Advocate)*

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
*(Consultants for Office of Consumer
Advocate)*

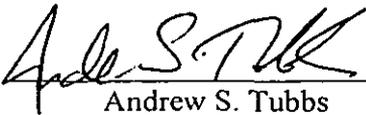
Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(Consultants for Office of Trial Staff)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(Duquesne Industrial Intervenors)

Eugene M. Brady
Community Action Association of
Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(Community Action Association of
Pennsylvania)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(Community Action Association of
Pennsylvania)

Date: October 18, 2006


Andrew S. Tubbs



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
October 18, 2006

IN REPLY PLEASE
REFER TO OUR FILE

In Re: A-110150F0035
A-311233F0002

(SEE ATTACHED LIST)

A-110150F0035 - Application of Duquesne Light Company for a Certificate of Public Convenience under Section 1102(a)(3) of the Public Utility Code approving the acquisition of Duquesne Light Holding, Inc. by Merger

A-311233F0002 - Application of DQE Communications Network Services LLC for a Certificate of Public Convenience under Section 1102(a)(3) of the Public Utility Code approving the acquisition of Duquesne Light Holding, Inc. by Merger

NOTICE

This is to inform you that an Initial Pre-Hearing Conference on the above-captioned case will be held as follows:

Date: Tuesday, November 28, 2006

Time: 10:00 a.m.

Location: 11th floor hearing room
Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

DOCUMENT
FOLDER

Hearing Room 2 - Harrisburg Area Parties
Plaza Level
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCKETED
DEC 14 2006

Presiding: **Administrative Law Judge Larry Gesoff**
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222
Telephone: 412.565.3550
Fax: 412.565.5692

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to your hearing:

- Scheduling Office: 717.787.1399
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1.800.654.5988

pc: Judge Gesoff
Cherie Pyle, Scheduling Officer
Beth Plantz
Docket Section
Calendar File

A-110150F0035 / A-311233F0002 APPLICATION OF DUQUESNE LIGHT
COMPANY AND DQE COMMUNICATIONS NETWORK

CHARLES D SHIELDS ESQUIRE
ROBERT V ECKENROD ESQUIRE
PUC OFFICE OF TRIAL STAFF
400 NORTH STREET
PO BOX 3265
HARRISBURG PA 17105-3265

MICHAEL W GANG ESQUIRE
POST & SCHELL PC
17 NORTH SECOND STREET 12TH
FLOOR
HARRISBURG PA 17101-1601

SCOTT J RUBIN ESQUIRE
3 LOST CREEK DRIVE
SELINGROVE PA 17870

STEVEN S GOLDENBERG ESQUIRE
FOX ROTHSCHILD LLP
PRINCETON PIKE CORPORATE
CENTER
997 LENOX DRIVE BUILDING 3
LAWRENCEVILLE NJ 08648-2311

DANIEL G ASMUS ESQUIRE
OFFICE OF SMALL BUSINESS
ADVOCATE
1102 COMMERCE BUILDING
300 NORTH 2ND STREET
HARRISBURG PA 17101

TODD S STEWART ESQUIRE
HAWKE MCKEON SNISCAK &
KENNARD LLP
100 NORTH TENTH STREET
HARRISBURG PA 17101

DAVID B MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BLVD
PHILADELPHIA PA 19103-2808

THEODORE H JOBES ESQUIRE
FOX ROTHSCHILD LLP
2000 MARKET STREET TENTH
FLOOR
PHILADELPHIA PA 19103-3291

PAUL F FORSHAY ESQUIRE
SUTHERLAND ASBILL & BRENNAN
LLP
1275 PENNSYLVANIA AVENUE NW
WASHINGTON DC 20004

KEVIN J MOODY ESQUIRE
DANIEL CLEARFIELD ESQUIRE
WOLF BLOCK SCHORR & SOLIS-
COHEN LLP
213 MARKET STREET 9TH FLOOR
PO BOX 865
HARRISBURG PA 17108-0865

JULIE COLETTI ESQUIRE
STRATEGIC ENERGY LLC
TWO GATEWAY CENTER
PITTSBURGH PA 15222

GARY A JEFFRIES ESQUIRE
DOMINION RESOURCE SERVICES
INC
1201 PITT STREET
PITTSBURGH PA 15221

PAMELA C POLACEK ESQUIRE
ADAM L BENSHOFF ESQUIRE
MCNEES WALLACE & NURICK LLC
100 PINE STREET
PO BOX 1166
HARRISBURG PA 17108-1166

TANYA J MCCLOSKEY ESQUIRE
DARRYL LAWRENCE ESQUIRE
OFFICE OF CONSUMER ADVOCATE
555 WALNUT STREET
5TH FLOOR FORUM PLACE
HARRISBURG PA 17101-1923

EUGENE M BRADY
COMMUNITY ACTION ASSOCIATION
OF PA
165 AMBER LANE
PO BOX 1127
WILKES BARRE PA 18703-1127

JOSEPH L VULLO ESQUIRE
1460 WYOMING AVENUE
FORTY FORT PA 18704

JOHN E MCCAFFREY ESQUIRE
STINSON MORRISON HECKER LLP
1150 18TH STREET NW SUITE 800
WASHINGTON DC 20036

CERTIFICATE OF SERVICE

DOCUMENT
FOLDER

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public :
Utility Code Approving the Acquisition :
of Duquesne Light Holding, Inc. by Merger :

Docket No. A-110510F0035

Application of DQE Communications :
Network Services LLC for a Certificate :
of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holding, Inc. by Merger :

Docket No. A-311233F0002

I hereby certify that I have this day served a true copy of the foregoing document, he Office of Consumer Advocate's Interrogatories Set III, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 19th day of October, 2006.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles D. Shields, Esquire
Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
400 North Street
Harrisburg, PA 17105-3265
Counsel For: *Office of Trial Staff*

RECEIVED
2006 OCT 19 PM 3:55
PA PUC
SECRETARY'S BUREAU

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

David B. MacGregor
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

Scott J. Rubin, Esquire
Attorney ❖ Consultant
3 Lost Creek Drive
Selinsgrove, PA 17870
Counsel For: *International Brotherhood of Electrical Workers Local 29*

Theodore H. Jobes, Esquire
Fox ♦ Rothschild, LLP
2000 Market Street, Tenth Floor
Philadelphia, PA 19103-3291
Counsel For: *Pennsylvania Large Energy Users Coalition*

Steven S. Goldenberg, Esquire
Fox ♦ Rothschild, LLP
Princeton Pike Corporate Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-2311
Counsel For: *Pennsylvania Large Energy Users Coalition*

Paul F. Forshay, esquire
Sutherland, Asbill & Brennan, LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004
Counsel For: *Pennsylvania Large Energy Users Coalition*

Daniel G. Asmus
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
Counsel for: *Office of Small Business Advocate*

Kevin J. Moody, Esquire
Daniel Clearfield, Esquire
Wolf, Block, Schorr and Solis-Cohen, LLP
213 Market Street, 9th Floor
P. O. box 865
Harrisburg, PA 17108-0865
Counsel For: *Strategic Energy, LLC and RESA*

Todd S. Stewart, Esquire
Hawke, McKeon, Sniscak & Kennard, LLP
100 North Tenth Street
Harrisburg, PA 17101
Counsel For: *Dominion Retail, Inc.*

Julie Coletti, Esquire
Strategic Energy, LLC
Two Gateway Center
Pittsburgh, PA 15222
For: *Strategic Energy, LLC*

Gary A. Jeffries, Esquire
Senior Counsel
Dominion Resource Services, Inc.
1201 Pitt Street
Pittsburgh, PA 15221
For: *Dominion Retail, Inc.*

Pamela C. Polacek, Esquire
Adam L. Benshoff, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 18108-1166
Counsel For: *Duquesne Industrial Intervenors*



Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

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ORIGINAL

CERTIFICATE OF SERVICE

DOCUMENT FOLDER

Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public :
Utility Code Approving the Acquisition :
of Duquesne Light Holding, Inc. by Merger :

Docket No. A-110150F0035

Application of DQE Communications :
Network Services LLC for a Certificate :
of Public Convenience Under Section :
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holding, Inc. by Merger :

Docket No. A-311233F0002

I hereby certify that I have this day served a true copy of the foregoing document, he Office of Consumer Advocate's Interrogatories Set IV, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 20th day of October, 2006.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles D. Shields, Esquire
Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
400 North Street
Harrisburg, PA 17105-3265
Counsel For: *Office of Trial Staff*

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2006 OCT 20 PM 4:02
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SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esquire

Post & Schell, P.C.

17 North Second Street

12th Floor

Harrisburg, PA 17101-1601

Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

David B. MacGregor

Post & Schell, P.C.

Four Penn Center

1600 John F. Kennedy Boulevard

Philadelphia, PA 19103-2808

Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

Scott J. Rubin, Esquire

Attorney ❖ Consultant

3 Lost Creek Drive

Selinsgrove, PA 17870

Counsel For: *International Brotherhood of Electrical Workers Local 29*

Theodore H. Jobes, Esquire

Fox ♦ Rothschild, LLP

2000 Market Street, Tenth Floor

Philadelphia, PA 19103-3291

Counsel For: *Pennsylvania Large Energy Users Coalition*

Steven S. Goldenberg, Esquire

Fox ♦ Rothschild, LLP

Princeton Pike Corporate Center

997 Lenox Drive, Building 3

Lawrenceville, NJ 08648-2311

Counsel For: *Pennsylvania Large Energy Users Coalition*

Paul F. Forshay, esquire

Sutherland, Asbill & Brennan, LLP

1275 Pennsylvania Avenue, NW

Washington, DC 20004

Counsel For: *Pennsylvania Large Energy Users Coalition*

Daniel G. Asmus

Assistant Small Business Advocate

Office of Small Business Advocate

Commerce Building, Suite 1102

300 North Second Street

Harrisburg, PA 17101

Counsel for: *Office of Small Business Advocate*

Kevin J. Moody, Esquire

Daniel Clearfield, Esquire

Wolf, Block, Schorr and Solis-Cohen, LLP

213 Market Street, 9th Floor

P. O. box 865

Harrisburg, PA 17108-0865

Counsel For: *Strategic Energy, LLC and RESA*

Todd S. Stewart, Esquire

Hawke, McKeon, Sniscak & Kennard, LLP

100 North Tenth Street

Harrisburg, PA 17101

Counsel For: *Dominion Retail, Inc.*

Julie Coletti, Esquire

Strategic Energy, LLC

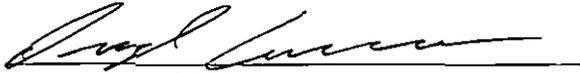
Two Gateway Center

Pittsburgh, PA 15222

For: *Strategic Energy, LLC*

Gary A. Jeffries, Esquire
Senior Counsel
Dominion Resource Services, Inc.
1201 Pitt Street
Pittsburgh, PA 15221
For: *Dominion Retail, Inc.*

Pamela C. Polacek, Esquire
Adam L. Benshoff, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 18108-1166
Counsel For: *Duquesne Industrial Intervenors*



Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

00090989.DOC

DOCUMENT FOLDER

CERTIFICATE OF SERVICE

RECEIVED
2006 OCT 24 PM 4:06
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Application of Duquesne Light Company :
for a Certificate of Public Convenience :
Under Section 1102(a)(3) of the Public : Docket No. A-110150F0035
Utility Code Approving the Acquisition :
of Duquesne Light Holding, Inc. by Merger :

Application of DQE Communications :
Network Services LLC for a Certificate :
of Public Convenience Under Section : Docket No. A-311233F0002
1102(a)(3) of the Public Utility Code :
Approving the Acquisition of Duquesne :
Light Holding, Inc. by Merger :

I hereby certify that I have this day served a true copy of the foregoing document, he
Office of Consumer Advocate's Interrogatories Set V, upon parties of record in this proceeding in
accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the
manner and upon the persons listed below:

Dated this 24th day of October, 2006.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles D. Shields, Esquire
Robert V. Eckenrod, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
400 North Street
Harrisburg, PA 17105-3265
Counsel For: *Office of Trial Staff*

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor

Harrisburg, PA 17101-1601

Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

David B. MacGregor
Post & Schell, P.C.

Four Penn Center

1600 John F. Kennedy Boulevard

Philadelphia, PA 19103-2808

Counsel For: *Duquesne Light Company; Duquesne Light Holdings; DQE Communication Network Services LLC; and DQE Holding LLC*

Scott J. Rubin, Esquire

Attorney ❖ Consultant

3 Lost Creek Drive

Selinsgrove, PA 17870

Counsel For: *International Brotherhood of Electrical Workers Local 29*

Theodore H. Jobes, Esquire

Fox ♦ Rothschild, LLP

2000 Market Street, Tenth Floor

Philadelphia, PA 19103-3291

Counsel For: *Pennsylvania Large Energy Users Coalition*

Steven S. Goldenberg, Esquire

Fox ♦ Rothschild, LLP

Princeton Pike Corporate Center

997 Lenox Drive, Building 3

Lawrenceville, NJ 08648-2311

Counsel For: *Pennsylvania Large Energy Users Coalition*

Paul F. Forshay, esquire

Sutherland, Asbill & Brennan, LLP

1275 Pennsylvania Avenue, NW

Washington, DC 20004

Counsel For: *Pennsylvania Large Energy Users Coalition*

Daniel G. Asmus

Assistant Small Business Advocate

Office of Small Business Advocate

Commerce Building, Suite 1102

300 North Second Street

Harrisburg, PA 17101

Counsel for: *Office of Small Business Advocate*

Kevin J. Moody, Esquire

Daniel Clearfield, Esquire

Wolf, Block, Schorr and Solis-Cohen, LLP

213 Market Street, 9th Floor

P. O. box 865

Harrisburg, PA 17108-0865

Counsel For: *Strategic Energy, LLC and RESA*

Todd S. Stewart, Esquire

Hawke, McKeon, Sniscak & Kennard, LLP

100 North Tenth Street

Harrisburg, PA 17101

Counsel For: *Dominion Retail, Inc.*

Julie Coletti, Esquire

Strategic Energy, LLC

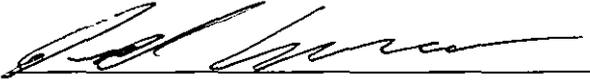
Two Gateway Center

Pittsburgh, PA 15222

For: *Strategic Energy, LLC*

Gary A. Jeffries, Esquire
Senior Counsel
Dominion Resource Services, Inc.
1201 Pitt Street
Pittsburgh, PA 15221
For: *Dominion Retail, Inc.*

Pamela C. Polacek, Esquire
Adam L. Benshoff, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 18108-1166
Counsel For: *Duquesne Industrial Intervenors*



Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Darryl Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

00090989.DOC



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
October 24, 2006

IN REPLY PLEASE
REFER TO OUR FILE

In Re: A-110150F0035
A-311233F0002

(SEE LETTER DATED 10/18/06)

A-110150F0035 - Application of Duquesne Light Company for a Certificate of Public Convenience under Section 1102(a)(3) of the Public Utility Code approving the acquisition of Duquesne Light Holding, Inc. by Merger
A-311233F0002 - Application of DQE Communications Network Services LLC for a Certificate of Public Convenience under Section 1102(a)(3) of the Public Utility Code approving the acquisition of Duquesne Light Holding, Inc. by Merger

CORRECTED Hearing Notice

This is to inform you that the notice dated October 18, 2006 on the above-captioned case contained incorrect information. The purpose of this notice is to correct that information. All corrections will be double underlined.

Type: Initial Pre-Hearing Conference

Date: Tuesday, November 28, 2006

Time: 10:00 a.m.

Location: 11th floor hearing room
Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Hearing Room 2 - Harrisburg Area Parties
Plaza Level
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**DOCUMENT
FOLDER**

Presiding: Administrative Law Judge Robert P. Meehan
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222
Telephone: 412.565.3550
Fax: 412.565.5692

Attention: You may lose the case if you do not come to this hearing and present facts on the issues raised.

If you intend to file exhibits, 2 copies of all hearing exhibits to be presented into evidence must be submitted to the reporter. An additional copy must be furnished to the Presiding Officer. A copy must also be provided to each party of record.

Individuals representing themselves do not need to be represented by an attorney. All others (corporation, partnership, association, trust or governmental agency or subdivision) must be represented by an attorney. An attorney representing you should file a Notice of Appearance before the scheduled hearing date.

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to your hearing:

- Scheduling Office: 717.787.1399
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1.800.654.5988

pc: Judge Meehan
Cherie Pyle, Scheduling Officer
Beth Plantz
Docket Section
Calendar File



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

DOCUMENT
FOLDER

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

PA PUC
SECRETARY'S BUREAU

2006 OCT 30 PM 3:40

RECEIVED

October 30, 2006

VIA E-MAIL

Kevin J. Moody
Wolf Block Schorr and Solis-Cohen LLP
PO Box 865
213 Market Street, 9th Floor
Harrisburg, PA 17108-0865

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Moody:

Enclosed are the responses of Duquesne Light Company to the following Interrogatories:

RESA Set II - 1 & 2

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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 D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobs
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobs@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(*Duquesne Industrial Intervenors*)

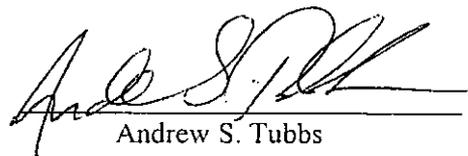
Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: October 30, 2006


Andrew S. Tubbs



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

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

October 30, 2006

VIA FIRST CLASS MAIL & E-MAIL

Darryl Lawrence
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

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SECRETARY'S BUREAU

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Lawrence:

Enclosed are two copies of the responses of Duquesne Light Company to the following Interrogatories:

- OCA Set I – 35
- OCA Set II – 6 & 7

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,


Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
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Charles D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobs
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobs@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

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PA PUC
SECRETARY'S BUREAU

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(Pennsylvania Large Energy Users Coalition)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(International Brotherhood of Electrical Workers Local 29)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(Citizen Power, Inc.)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(Strategic Energy, LLC)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(Consultants for Office of Trial Staff)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(Duquesne Industrial Intervenors)

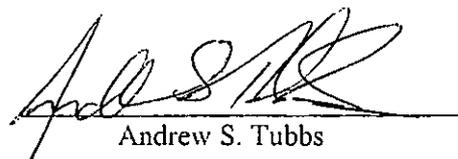
Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(Community Action Association of Pennsylvania)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(Community Action Association of Pennsylvania)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ciel.net
(Consultant for Office of Consumer Advocate)

Date: October 30, 2006


Andrew S. Tubbs



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

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

October 30, 2006

VIA FIRST CLASS MAIL & E-MAIL

Charles Daniel Shields
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265

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RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Shields:

Enclosed are two copies of the responses of Duquesne Light Company to the following Interrogatories:

OTS Set I - 1 & 5

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

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VIA E-MAIL AND FIRST CLASS MAIL

Charles D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tstewart@hmsk-law.com
(*Dominion Retail, Inc.*)

Theodore H. Jobs
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobs@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(*Consultant for Office of Small Business Advocate*)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(*Consultants for Office of Consumer Advocate*)

VIA E-MAIL

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(*Strategic Energy, LLC*)
(*Retail Energy Supply Association*)

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PA PUC
SECRETARY'S BUREAU

RECEIVED

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(*Duquesne Industrial Intervenors*)

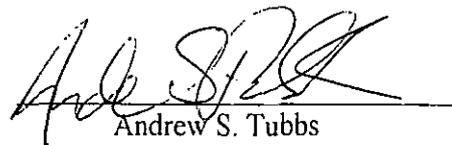
Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: October 30, 2006


Andrew S. Tubbs



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

DOCUMENT
FOLDER

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

October 30, 2006

VIA FIRST CLASS MAIL & E-MAIL

Charles Daniel Shields
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265

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PA PUC
SECRETARY'S BUREAU

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Shields:

Enclosed are two copies of the responses of Duquesne Light Company and Macquarie to the following Interrogatories:

OTS Set 1 - 2 & 6

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

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Charles D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobes
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobes@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

VIA E-MAIL

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

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PA PUC
SECRETARY'S BUREAU

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
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(*Duquesne Industrial Intervenors*)

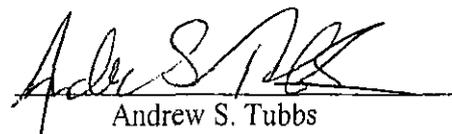
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PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbaalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: October 30, 2006


Andrew S. Tubbs



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

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

November 1, 2006

VIA E-MAIL

Kevin J. Moody
Wolf Block Schorr and Solis-Cohen LLP
PO Box 865
213 Market Street, 9th Floor
Harrisburg, PA 17108-0865

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RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Moody:

Enclosed are the responses of Duquesne Light Company to the following Interrogatories:

RESA Set II - 7

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
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400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

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Excel Consulting
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St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

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PA PUC
SECRETARY'S BUREAU

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

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(Pennsylvania Large Energy Users Coalition)

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(Retail Energy Supply Association)

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pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

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Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benshoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenshoff@mwn.com
(*Duquesne Industrial Intervenors*)

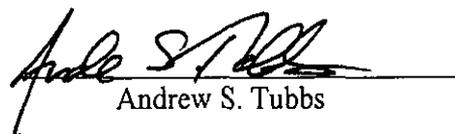
Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: November 1, 2006


Andrew S. Tubbs



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

Andrew S. Tubbs
atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

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November 1, 2006

VIA FIRST CLASS MAIL & E-MAIL

Darryl Lawrence
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Lawrence:

Enclosed are two copies of the responses of Duquesne Light Company to the following Interrogatories:

OCA Set III - 1

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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 D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobs
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobs@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohe LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

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PA PUC
SECRETARY'S BUREAU

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

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Stinson Morrison Hecker LLP
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Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

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mgruber@state.pa.us
kdeardorff@state.pa.us
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Adam L. Benshoff
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Harrisburg, PA 17108-1166
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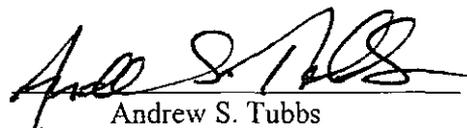
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Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: November 1, 2006


Andrew S. Tubbs



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

DOCUMENT
FOLDER

Andrew S. Tubbs
atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

November 1, 2006

VIA FIRST CLASS MAIL & E-MAIL

Darryl Lawrence
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

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RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Lawrence:

Enclosed are two copies of the responses of Duquesne Light Company to the following Interrogatories:

- OCA Set III - 6, 7 & 15
- OCA Set IV - 1, 2 & 3

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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 D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobes
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobes@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

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PA PUC
SECRETARY'S BUREAU

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benshoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenshoff@mwn.com
(*Duquesne Industrial Intervenors*)

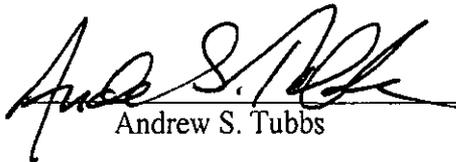
Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: November 1, 2006


Andrew S. Tubbs



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SECRETARY'S BUREAU

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

Andrew S. Tubbs
atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

November 7, 2006

VIA E-MAIL

DOCUMENT
FOLDER

Scott J. Rubin
Public Utility Consulting
3 Lost Creek Drive
Selinsgrove, PA 17870-9357

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Rubin:

Enclosed are the responses of Duquesne Light Company to the following Interrogatories:

IBEW Set I - 2 & 4

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

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VIA E-MAIL AND FIRST CLASS MAIL

Charles D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

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SECRETARY'S BUREAU

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

Theodore H. Jobes
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobes@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Erin Creahan
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(*Duquesne Industrial Intervenors*)

Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: November 10, 2006


Andrew S. Tubbs



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

Andrew S. Tubbs

atubbs@postschell.com
717-612-6057 Direct
File #: 2267-130298

DOCUMENT
FOLDER

November 10, 2006

VIA E-MAIL

Kevin J. Moody
Wolf Block Schorr and Solis-Cohen LLP
PO Box 865
213 Market Street, 9th Floor
Harrisburg, PA 17108-0865

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PA P.U.C. SECRETARY'S BUREAU

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Moody:

Enclosed are the responses of Duquesne Light Company to the following Interrogatories:

- RESA Set I -- 6
- RESA Set II -- 4 & 8

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
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Charles D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
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Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcatlin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

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PA PUBLIC BUREAU
SECRETARY'S

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobs
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobs@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Daniel Clearfield
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Wolf, Block, Schorr and Solis-Cohen LLP
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dclearfield@wolfblock.com
kmoody@wolfblock.com
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(Retail Energy Supply Association)

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pforshay@sablaw.com
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Pittsburgh, PA 15222-1458
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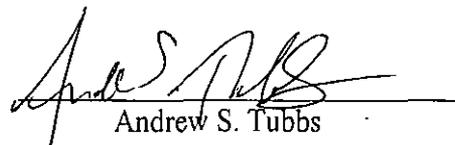
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(*Community Action Association of Pennsylvania*)

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Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

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DOCUMENT FOLDER

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717-731-1970 Main
717-731-1985 Fax
www.postschell.com

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atubbs@postschell.com
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Darryl Lawrence
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

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PA P.U.C. SECRETARY'S BUREAU

RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110510F0035

Application of DQE Communications Network Services LLC for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-311233F0002

Dear Mr. Lawrence:

Enclosed are two copies of the responses of Duquesne Light Company to the following Interrogatories:

OCA Set III – 17, 19 & 20
OCA Set V – 3

As indicated on the certificate of service, copies have been served on all parties in the manner indicated.

Sincerely,

Andrew S. Tubbs

AST/jl

Enclosures

cc: James J. McNulty, Secretary (letter and certificate of service only for filing)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has 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 D. Shields
Robert V. Eckenrod
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
chshields@state.pa.us
roeckenrod@state.pa.us

Daniel G. Asmus
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101
dasmus@state.pa.us

Tanya McCloskey
Darryl Lawrence
Jessica Horner
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
JHorner@paoca.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63108
(Consultant for Office of Small Business Advocate)
bkalcic@mindspring.com

Thomas S. Catlin
Matthew I. Kahal
Exeter Associates, Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
tcallin@exeterassociates.com
mkahal@exeterassociates.com
(Consultants for Office of Consumer Advocate)

VIA E-MAIL

Todd S. Stewart
Hawke McKeon Sniscak & Kennard LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmsk-law.com
(Dominion Retail, Inc.)

Theodore H. Jobes
Fox Rothschild LLP
2000 Market Street, 10th Floor
Philadelphia, PA 19103-3291
tjobes@foxrothschild.com
(Pennsylvania Large Energy Users Coalition)

Daniel Clearfield
Kevin J. Moody
Wolf, Block, Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17108-0865
dclearfield@wolfblock.com
kmoody@wolfblock.com
(Strategic Energy, LLC)
(Retail Energy Supply Association)

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SECRETARY'S BUREAU

Paul F. Forshay
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
pforshay@sablaw.com
(*Pennsylvania Large Energy Users Coalition*)

Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporation Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-4586
sgoldenberg@foxrothschild.com
(*Pennsylvania Large Energy Users Coalition*)

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870
Scott@publicutilityhome.com
(*International Brotherhood of Electrical Workers Local 29*)

Harvey L. Reiter
John E. McCaffrey
Jaime S. Dibble
Stinson Morrison Hecker LLP
1150 18th Street N.W., Suite 800
Washington, DC 20036-3816
hreiter@stinsonmoheck.com
jmccaffrey@stinsonmoheck.com
jdibble@stinsonmoheck.com
(*Citizen Power, Inc.*)

Julie Coletti
Erin Creahan
Two Gateway Center
Pittsburgh, PA 15222-1458
jcoletti@sel.com
(*Strategic Energy, LLC*)

Michael Gruber
Kevan Deardorff
Office of Trial Staff
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
mgruber@state.pa.us
kdeardorff@state.pa.us
(*Consultants for Office of Trial Staff*)

Pamela C. Polacek
Adam L. Benschhoff
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abenschhoff@mwn.com
(*Duquesne Industrial Intervenors*)

Eugene M. Brady
Community Action Association of Pennsylvania
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18703-1127
hebegebe@sunlink.net
(*Community Action Association of Pennsylvania*)

Joseph L. Vullo
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@aol.com
(*Community Action Association of Pennsylvania*)

VIA FIRST CLASS MAIL

Barbara Alexander
15 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net
(*Consultant for Office of Consumer Advocate*)

Date: November 10, 2006


Andrew S. Tubbs