



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

February 21, 2007

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

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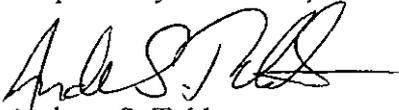
**RE: Application of Duquesne Light Company for a Certificate of Public Convenience Under Section 1102(a)(3) of the Public Utility Code Approving the Acquisition of Duquesne Light Holding, Inc. by Merger - Docket No. A-110150F0035**

**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**

Dear Secretary McNulty:

On February 12, 2007, Duquesne requested confidential treatment for Appendix "A" to the Joint Petition for Settlement in the above-referenced proceeding. At this time, Duquesne requests that Appendix "A" be placed into public record. Enclosed are four (4) copies of Appendix "A" with the confidential designations removed. As indicated on the certificate of service, copies have been served on the parties in the manner indicated.

Respectfully submitted,

  
Andrew S. Tubbs

AST/skr  
Enclosures

DOCUMENT  
FOLDER

cc: Honorable Robert P. Meehan  
Certificate of Service

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

CPH 382608v1

## 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](mailto:chshields@state.pa.us)  
[roeckenrod@state.pa.us](mailto: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](mailto:dasmus@state.pa.us)

Tanya McCloskey  
Darryl Lawrence  
Jessica Horner  
Jennedy E. Santolla  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
[dlawrence@paoca.org](mailto:dlawrence@paoca.org)  
[JHorner@paoca.org](mailto:JHorner@paoca.org)  
[jsantolla@paoca.org](mailto:jsantolla@paoca.org)

Brian Kalcic  
Excel Consulting  
225 S. Meramec Avenue, Suite 720-T  
St. Louis, MO 63108  
[bkalcic@mindspring.com](mailto:bkalcic@mindspring.com)  
(Consultant for Office of Small Business Advocate)

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

Todd S. Stewart  
Hawke McKeon Sniscak & Kennard LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
[tsstewart@hmsk-law.com](mailto: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](mailto:tjobs@foxrothschild.com)  
(Pennsylvania Large Energy Users Coalition)

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

SECRETARY'S BUREAU  
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Paul F. Forshay  
Sutherland Asbill & Brennan LLP  
1275 Pennsylvania Avenue, NW  
Washington, DC 20004-2415  
[pforshay@sablaw.com](mailto: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](mailto:sgoldenberg@foxrothschild.com)  
*(Pennsylvania Large Energy Users Coalition)*

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

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

Erin Creahan  
Richard Hudson  
Two Gateway Center  
Pittsburgh, PA 15222-1458  
[jcoletti@sel.com](mailto:jcoletti@sel.com)  
[ecreahan@sel.com](mailto:ecreahan@sel.com)  
*(Strategic Energy, LLC)*

David Hughes  
Citizen Power, Inc.  
2121 Murray Avenue  
Pittsburgh, PA 15217  
[Hughes@citizenpower.com](mailto:Hughes@citizenpower.com)  
*(Citizen Power, Inc.)*

Jay L. Kooper  
One Hess Plaza  
Woodbridge, NJ 07095  
[jkooper@hess.com](mailto:jkooper@hess.com)  
*(Hess Corporation)*

Michael Gruber  
Kevan Deardorff  
Charles T. Weakley  
Timothy Wallick  
Office of Trial Staff  
PO Box 3265  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17105-3265  
[mgruber@state.pa.us](mailto:mgruber@state.pa.us)  
[kdeardorff@state.pa.us](mailto:kdeardorff@state.pa.us)  
[cweakley@state.pa.us](mailto:cweakley@state.pa.us)  
[twallick@state.pa.us](mailto:twallick@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](mailto:ppolacek@mwn.com)  
[abenshoff@mwn.com](mailto:abenshoff@mwn.com)  
*(Duquesne Industrial Intervenors)*

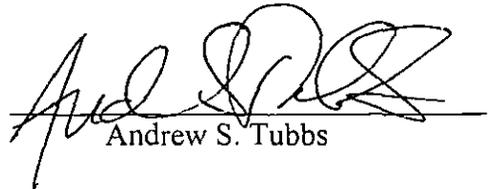
Eugene M. Brady  
Community Action Association of  
Pennsylvania  
165 Amber Lane  
PO Box 1127  
Wilkes-Barre, PA 18703-1127  
[hebegebe@sunlink.net](mailto:hebegebe@sunlink.net)  
*(Community Action Association of Pennsylvania)*

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

Frank Lacey  
Director, Government and Regulatory Affairs  
Direct Energy  
263 Tresser Blvd  
8th Floor  
Stamford, CT 06901  
[frank.lacey@directenergy.com](mailto:frank.lacey@directenergy.com)  
(Retail Energy Supply Association)

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

Date: February 21, 2007



Andrew S. Tubbs

Duquesne Light Company and  
DQE Communications Network Services, LLC  
Docket Nos. A-110150F0035 and A-311233F0002

OCA-III-21  
Sponsor: CHRIS LESLIE  
Page 1 of 1

**RESPONSES TO OFFICE OF CONSUMER ADVOCATE  
INTERROGATORIES - SET III**

21. Please provide a detailed statement of the transaction costs associated with this acquisition. Does Duquesne intent to seek rate recovery for any transaction costs from retail or wholesale (i.e., transmission) utility customers?

**RESPONSE:**

A detailed schedule of estimated transaction expenses as of the date of signing is included below. Duquesne does not intend to seek rate recovery for any of the transaction costs listed below.

<u>Estimated Transaction Costs</u>	
Third Party Consultant Costs	8,525
Financial Advisory	29,908
Duquesne Due Diligence Costs <sup>2</sup>	5,000
<b>Total Estimated Transaction Costs</b>	<b>43,433</b>

1. Numbers reflect Macquarie's estimate of transaction costs at signing (7/5/06), and are likely to differ based on actual invoices  
2. Macquarie pre-signing estimate of transaction costs incurred by Duquesne

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McNees Wallace & Nurick LLC  
attorneys at law

**ORIGINAL**

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

February 23, 2007

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

**VIA HAND DELIVERY**

**Re: Application 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**

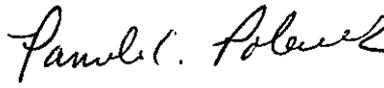
Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of the Statement of the Duquesne Industrial Intervenors in Support of Settlement in the above referenced matters.

As shown by the attached Certificate of Service, all parties have been duly served. Please date stamp the extra copy of this transmittal letter and kindly return it to our messenger for our filing purposes.

Very truly yours,

McNEES WALLACE & NURICK LLC

By   
Pamela C. Polacek

Counsel to Duquesne Industrial Intervenors

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PA PUC

PCP/nk  
Enclosures

c: Honorable Robert P. Meehan  
Certificate of Service

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**CERTIFICATE OF SERVICE**

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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 E-MAIL AND FIRST CLASS MAIL**

Tanya McCloskey  
Darryl Lawrence  
Jessica Horner  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place - 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
[spopowsky@paoca.org](mailto:spopowsky@paoca.org)  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
[dlawrence@paoca.org](mailto:dlawrence@paoca.org)

Daniel G. Asmus  
Office of Small Business Advocate  
Commerce Building – Suite 1102  
300 North Second Street  
Harrisburg, PA 17101  
[willloyd@state.pa.us](mailto:willloyd@state.pa.us)  
[dasmus@state.pa.us](mailto:dasmus@state.pa.us)

David B. MacGregor  
Post & Schell, P.C.  
Four Penn Center  
1600 John F. Kennedy Blvd.  
Philadelphia, PA 19103-2808  
[dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)

Daniel Clearfield  
Kevin J. Moody  
Wolf, Block, Schorr and Solis-Cohen LLP  
213 Market Street, 9<sup>th</sup> Floor  
Harrisburg, PA 17108-0865  
[dclearfield@wolfblock.com](mailto:dclearfield@wolfblock.com)  
[kmoody@wolfblock.com](mailto: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](mailto:pforshay@sablaw.com)  
(Pennsylvania Large Energy Users  
Coalition)

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

Harvey L. Reiter  
John E. McCaffrey  
Jamie S. Dibble  
Stinson Morrison Hecker LLP  
1150 18<sup>th</sup> Street, N. W., Suite 800  
Washington, DC 20036-3816  
[hreiter@stinsonmoheck.com](mailto:hreiter@stinsonmoheck.com)  
[jmccaffrey@stinsonmoheck.com](mailto:jmccaffrey@stinsonmoheck.com)  
[jdibble@stinsonmoheck.com](mailto:jdibble@stinsonmoheck.com)  
(Citizens Power, Inc.)

Charles D. Shields  
Robert V. Eckenrod  
Office of Trial Staff  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
P. O. Box 3265  
Harrisburg, PA 17105-3265  
[chshields@state.pa.us](mailto:chshields@state.pa.us)  
[josimms@state.pa.us](mailto:josimms@state.pa.us)  
[roeckenrod@state.pa.us](mailto:roeckenrod@state.pa.us)

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SECRETARY'S BUREAU

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**Docket Nos. A-110150F0035; A-311233F0002**

Page 2

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

Theodore H. Jobes  
Fox Rothschild LLP  
2000 Market Street, 10<sup>th</sup> Floor  
Philadelphia, PA 19103-3291  
[tjobes@foxrothschild.com](mailto:tjobes@foxrothschild.com)  
*(Pennsylvania Large Energy Users  
Coalition)*

Michael W. Gang  
Andrew S. Tubbs  
Post & Schell, PC  
17 North Second Street  
Harrisburg, PA 17101-1601  
[mgang@postschell.com](mailto:mgang@postschell.com)  
[atubbs@postschell.com](mailto:atubbs@postschell.com)  
*(Duquesne Light Company; Duquesne Light  
Holdings; DQE Communication Network  
Services LLC; and DQE Holding LLC)*

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

Julie Coletti  
Erin Creahan  
Two Gateway Center  
Pittsburgh, PA 15222-1458  
[jcoletti@sel.com](mailto:jcoletti@sel.com)  
[ecreahan@sel.com](mailto:ecreahan@sel.com)  
*(Strategic Energy, LLC)*

Michael Gruber  
Kevan Deardorff  
Charles T. Weakley  
Office of Trial Staff  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
Harrisburg, PA 17105  
[mgruber@state.pa.us](mailto:mgruber@state.pa.us)  
[kdeardorff@state.pa.us](mailto:kdeardorff@state.pa.us)  
[cweakley@state.pa.us](mailto:cweakley@state.pa.us)  
[twallick@state.pa.us](mailto:twallick@state.pa.us)  
*(Consultants for Office of Trial Staff)*

Barbara Alexander  
15 Wedgewood Drive  
Winthrop, ME 04364  
[barbalex@ctel.com](mailto:barbalex@ctel.com)  
*(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](mailto:tcatlin@exeterassociates.com)  
[mkahal@exeterassociates.com](mailto:mkahal@exeterassociates.com)  
*(Consultants for Office of Consumer  
Advocate)*

Brian Kalcic  
Excel Consulting  
225 S. Meramec Avenue, Suite 720-T  
St. Louis, MO 63108  
[bkalcic@mindspring.com](mailto:bkalcic@mindspring.com)  
*(Consultant for Office of Small Business  
Advocate)*

**Certificate of Service**

**Docket Nos. A-110150F0035; A-311233F0002**

Page 3

Eugene M. Brady  
Community Action Association of  
Pennsylvania  
165 Amber Lane  
P.O. Box 1127  
Wilkes-Barre, PA 18703-1127  
[hebegebe@sunlink.net](mailto:hebegebe@sunlink.net)  
*(Community Action Association of  
Pennsylvania)*

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

David Hughes  
Citizen Power, Inc.  
2121 Murray Avenue  
Pittsburgh, PA 15217  
[Hughes@citizenpower.com](mailto:Hughes@citizenpower.com)  
*(Citizen Power, Inc.)*

  
\_\_\_\_\_  
Pamela C. Polacek

Dated this 23<sup>rd</sup> day of February, 2007, at Harrisburg, Pennsylvania.

**ORIGINAL**

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SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 No. 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) of the : Docket No. A-311233F0002  
Public Utility Code Approving the Acquisition of :  
Duquesne Light Holdings, Inc. by Merger :

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**STATEMENT OF THE  
DUQUESNE INDUSTRIAL INTERVENORS  
IN SUPPORT OF SETTLEMENT**

---

Duquesne Light Company ("Duquesne Light" or "Company"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Office of Trial Staff ("OTS"), the Duquesne Industrial Intervenors ("DII") and the other active parties in this proceeding have filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") a unanimous settlement ("Settlement") to resolve all issues regarding the proposed acquisition of Duquesne Light Holdings, Inc., by the Macquarie Consortium. As set forth in more detail below, DII supports the proposed settlement as a reasonably-balanced resolution of this matter that satisfies the City of York test.

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FOLDER

**DOCKETED**  
MAR 1 - 2007

## I. REASONS FOR SUPPORT OF SETTLEMENT

First, the settlement ensures that Duquesne Light will not claim the acquisition premium or transaction costs in future distribution or transmission rates. See Joint Petition, ¶ 10.B.2. This resolves any ambiguity over whether customers will face higher rates in future cases due to these potential expense claims. The settlement also contains limitations on Duquesne's capital structure and cost of capital in future proceedings (see Joint Petition, ¶ 10.B.3), which will provide some rate protection to customers in future proceedings.

Second, the settlement expands the proposed Economic Development Program to enhance the possibility that existing Rate Schedule L and HVPS customers and customers served under Rate GL may be able to take advantage of the incentive. See Joint Petition, ¶ 10.H.2. If the entire 50MW of available power is discounted by \$3/mwh, this could result in \$1.3 million in economic development incentives during each year of the program. DII applauds Duquesne Light's willingness to implement the program and urges the Company to make full use of the 50MW of available power to ensure that the potential benefit of this settlement provision is realized.

Third, the settlement implements a limited stay-out for changes to distribution rates. See Joint Petition, ¶ 10.B.1. Due to the interclass subsidies that exist in current distribution rates, a stay-out provision does not benefit all rate schedules. Duquesne Light has implemented only a limited stay-out that provides a benefit to classes that are paying below system average returns in existing distribution rates (e.g., residential customers) while not unreasonable delaying the next rate case, during which rate

schedules paying above system average returns, such as Rate Schedules GL, L and HVPS, can move closer to cost of service.

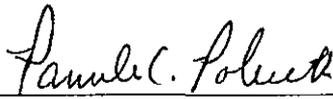
In summary, the settlement represents an appropriate resolution of this proceeding that provides public benefits in accordance with the City of York test.

## II. CONCLUSION

**WHEREFORE**, the Duquesne Industrial Intervenors respectfully request that the Commission approve the Joint Petition for Settlement submitted in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Pamela C. Polacek  
Adam L. Benshoff  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
Phone: (717) 232-8000  
Fax: (717) 237-5300

Counsel to the Duquesne Industrial  
Intervenors

Dated: February 23, 2007