

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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Pennsylvania Public Utility : Docket No.
Commission v. Duquesne Light : R-00061346
Company. :
 Requested general rate :
 increase of \$162,700,000. :

Public Input Hearing.

ORIGINAL

Pages 134 through 167

Castle Shannon Fire Department
3600 Library Road
Pittsburgh, Pennsylvania 15234

Thursday, July 13, 2006

Met, pursuant to notice, at 2:00 p.m.

BEFORE: LARRY GESOFF, Administrative Law Judge

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**DOCUMENT
FOLDER**

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EXHIBIT INDEX

NUMBER

FOR IDENTIFICATION

IN EVIDENCE

(None)

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* * *

1 maintenance, materials, and supplies. Depreciation expense is
2 the loss of service value of the utility's property through it
3 being used to provide service. And taxes are the State,
4 Federal, local, and other taxes the utility must pay.

5 Added to these expenses is a reasonable return
6 on the value of the property which the utility uses to provide
7 service. The Commission in the course of the proceeding will
8 authorize the utility to earn a certain rate of return, but it
9 is not guaranteed. It's up to the utility to operate in a way
10 that they earn that return.

11 The expenses and the return added together are
12 called the utility's revenue requirement. It's the amount in
13 revenues or money that the utility needs to collect to meet
14 the cost of providing service.

15 Once the Commission determines the amount of the
16 revenue requirement, the utility service has to be priced.
17 This means designing schedules of rates intended to produce
18 the revenue that the utility is permitted to collect.

19 This is not an easy process. It requires the
20 exercise of seasoned and informed judgment regarding economic,
21 financial, accounting, engineering, and other considerations.
22 That's number one.

23 Number two, what's happened so far in this case.
24 Duquesne Light filed on April 7th a request with the
25 Commission to change its distribution rates intended to

1 collect about \$144 million in additional annual revenues. The
2 company also told the Commission that it expects transmission
3 service charges reflected in retail rates to increase by about
4 \$19 million.

5 The company requested that the increase go into
6 effect June 1, but on May 4th the Commission opened an
7 investigation into the rate increase and suspended the rates
8 until, at least the latest, January 6th of next year.

9 There were four complaints that are still in the
10 case that have been filed against the proposed increase;
11 Duquesne Industrial Interveners, which is a group of
12 industrial customers; the Industrial Energy Consumers of
13 Pennsylvania, which is an association representing industrial
14 customers; the Office of Consumer Advocate; the Office of
15 Small Business Advocate; and the Pennsylvania Large Energy
16 Users Coalition.

17 In addition to that, there were three
18 residential customers that filed complaints, but they later on
19 withdrew them. Then there were several parties that asked to
20 intervene in the case and have been permitted to do so.

21 There is a union; two nonprofit corporations
22 concerned with consumer and environmental protection; a trade
23 association of retail energy providers; four electric
24 generation suppliers; and an electricity facility in Duquesne
25 Light's territory; an association representing Pennsylvania's

1 community action agencies which provide antipoverty planning
2 and community development activities for low income
3 communities; a cable TV company, Comcast; and a large
4 commercial user, Wal-Mart.

5 The Commission's Office of Trial Staff filed a
6 Notice of Appearance and is participating in the case.
7 Duquesne Light filed the testimony of 14 witnesses in support
8 of its rate increase. The other parties just I think last
9 Friday filed their testimony, about 20 witnesses.

10 A public input hearing similar to this one was
11 held last night in Beaver falls and this morning in Shaler.
12 The third is what will happen after this hearing.

13 The parties will file more testimony on August
14 2nd and 16th. At least 35 or 36 witnesses will be testifying
15 in this case. The Commission will hold a hearing in
16 Harrisburg beginning August 21st. It might go five days. It
17 might go less. That will allow all those whose testimony was
18 filed in advance to be cross-examined.

19 The parties will file briefs on September 18th
20 and October 10th. The briefs summarize their position and
21 advocate for that position to try to influence me and the
22 Commission to adopt that position.

23 I have about a month to write my decision. It
24 will be sent to the parties on about October 31, and they will
25 be able to file written exceptions and reply exceptions if

1 they don't agree with any part of it. I'm fairly certain that
2 almost every party will do that.

3 The Commission will issue its opinion and order
4 sometime before January 6th of next year, and then any of the
5 parties in the proceeding can appeal the Commission's opinion
6 and order to the Pennsylvania Commonwealth Court.

7 Now, four, your options at this hearing. There
8 are three. You can testify formally under oath or affirmation
9 and be subject to cross-examination. If so, to the extent the
10 testimony is relevant, material, and competent, I will
11 consider it as evidence, as will the Commission, subject to
12 the customary rules of procedure and evidence, and your
13 testimony will be transcribed by the court reporter.

14 The second option is to make an unsworn or
15 unaffirmed statement which will be off the record, which means
16 the court reporter will not take down what is being said, will
17 not transcribe it, and I will not consider it in my
18 recommended decision.

19 The third option is not to testify or make a
20 statement but to provide information to the Commission's
21 Office of Trial Staff Office attorney or the attorney from the
22 Consumer Advocate or the Small Business Advocate for their
23 possible use in the hearings in Harrisburg at their
24 discretion.

25 Now I'm going to introduce those lawyers and

1 also the company's lawyers. Actually, I will let them
2 introduce themselves. We'll start with Mr. MacGregor for the
3 company.

4 MR. MacGREGOR: Thank you. Good afternoon. My
5 name is David MacGregor. I'm one of the lawyers for Duquesne
6 Light Company in this proceeding, and I want to thank you all
7 for coming today.

8 As the Judge indicated, we filed this case in
9 April, and it is the first distribution rate increase which
10 Duquesne Light has filed since 1987, almost 20 years ago.

11 This case, I can assure you, has been fully
12 investigated by the parties. We have answered literally
13 hundreds of interrogatories and provided boxes and boxes of
14 materials to these parties and others to allow them to
15 investigate and take a full look at the case and to make sure
16 that what we filed is as accurate as possible.

17 We have don't have any formal presentation to
18 make today. This is the date for public input from the
19 customers of Duquesne Light. I do want to thank you all for
20 coming.

21 We have a number of representatives from
22 Duquesne Light here today. I will not introduce them all.
23 Fred Eichenmiller and John Laudenslager are here from the
24 rates and regulatory affairs department and are very actively
25 involved in the rate case.

1 We do have a number of people from the customer
2 service area of Duquesne. If you have any problem about your
3 bill or the reliability of your service or any questions for
4 Duquesne Light, they are here and can speak with you
5 individually after the public input hearing. I know Carrie
6 Brockman is here from the customer service department and Vern
7 Edwards also can answer any questions along with the others
8 here from Duquesne if they may arise. Thank you very much.

9 JUDGE GESOFF: Thank you. Whoever wants to go
10 next.

11 MR. ECKENROD: Good afternoon. My name is
12 Robert Eckenrod. I'm representing the Commission's Office of
13 Trial Staff. The Office of Trial Staff has a little bit
14 different take on the proceeding.

15 Whereas the Office of Consumer Advocate is
16 advocating for the consumers and Small Business Advocate is
17 small business customers, we have to take -- we represent the
18 public interest aspect of it, which means we take both sides
19 of the case. We have to balance the interest of the consumers
20 and also of the company.

21 So with that in mind, we have a team of
22 accountants, financial analysts, and engineers who look at the
23 filing and examine it and prepare testimony for the
24 proceeding.

25 Today's the day, as Mr. MacGregor said, for you,

1 the customers, to come here and to tell us what you think
2 about the filing, and I would encourage you to put your
3 testimony into the record so it can be used by the parties in
4 the proceeding. So thank you very much for coming out. I
5 look forward to hearing from you.

6 MR. EVRARD: Good afternoon. I am David Evrard.
7 I am an attorney with the Office of Consumer Advocate. Our
8 office was created by the State legislature approximately 30
9 years ago to represent the interests of consumers, and that's
10 all consumers -- residential, commercial, and industrial -- in
11 matters before the Public Utility Commission, including rate
12 cases such as Duquesne's.

13 Often in cases such as this, industrial
14 customers will have their own counsel, which they do.
15 Commercial customers will have counsel, as the Office of Small
16 Business Advocate, and it becomes our responsibility to
17 primarily represent the interest of residential customers.

18 To the extent that we have some residential
19 customers who want to speak today, we look forward to hearing
20 your testimony.

21 What we have done in this case so far is we have
22 filed a complaint opposing the rate increase. We have hired a
23 number of experts who have helped us to analyze and evaluate
24 the case. On the strength of that evaluation and analysis, we
25 submitted testimony last week in which we recommended a much

1 smaller rate increase for Duquesne than what they have
2 requested.

3 There is no guarantee of course that just
4 because we recommended that, that will be the result of the
5 case. The Public Utility Commission ultimately has the final
6 say in that. But we look forward to hearing from you, and I
7 would encourage you, as Mr. Eckenrod has, to put your
8 testimony on the record so that it can be used by us in the
9 rest of the proceeding. Thank you.

10 MS. WEBB: Good afternoon. Thank you all for
11 coming. My name is Sharon Webb. I'm here on behalf of the
12 Office of Small Business Advocate. Our office represents the
13 interest of small business customers in rate cases and similar
14 proceedings before the Commission.

15 We also have experts looking at the case. We
16 filed testimony, filed a complaint, and will continue to
17 investigate the proceeding and actively participate. I
18 encourage you, as my colleagues have, to get your concerns out
19 on the record as it relates to the case. It will help us make
20 a better informed recommendation in the proceeding.

21 Thank you all for coming. You can stick around
22 a little bit afterward if anybody is a small business customer
23 and you have some concerns you want to talk about. I can give
24 you my card or stick around afterwards. Thank you.

25 JUDGE GESOFF: Thank you, all counsel. Normally

1 I would have the witness sit up here, but since we're such an
2 intimate body here, I'm going to see if it works for you
3 sitting where you are. If we can't hear you, I'll call you
4 up.

5 We have, it looks like, four people, unless
6 there is anyone else that has signed in. So let's start with
7 Michael Selep.

8 MR. SELEP: Do you want us to stay at our seats?

9 JUDGE GESOFF: If you can stand and give your
10 statement right there, that would be fine. Do you want to be
11 sworn?

12 MR. SELEP: Yes.

13 Whereupon,

14 MICHAEL SELEP,
15 having been duly sworn, testified as follows:

16 DIRECT TESTIMONY
17 JUDGE GESOFF: State your name please and spell
18 it.

19 MR. SELEP: My name is Michael Selep, S-e-l-e-p.

20 JUDGE GESOFF: And your address?

21 MR. SELEP: 2671 Bethel Crest Drive, Bethel
22 Park, PA 15102.

23 JUDGE GESOFF: Your occupation?

24 MR. SELEP: I'm a social work manager, Holy
25 Family Institute.

JUDGE GESOFF: Pardon?

1 MR. SELEP: At Holy Family Institute.

2 JUDGE GESOFF: Go ahead, sir.

3 MR. SELEP: Good afternoon, everyone. I am
4 employed by Holy Family Institute and have worked with the
5 Duquesne Light Company in their Universal Services Department
6 since January 1st, 1999.

7 I am grateful for this opportunity to speak on
8 behalf of the Universal Service Program. At Holy Family
9 Institute our mission is to bring healing and hope to children
10 and families.

11 Over these past years I have seen firsthand how
12 the Duquesne Light Universal Service Program and the mission
13 of Holy Family Institute worked together to strengthen
14 families and to strengthen our community. The Universal
15 Service Programs are designed to help low income,
16 payment-troubled families maintain or gain electric service.

17 We see many different types of families in our
18 work. Sometimes the customer or family that comes to us is an
19 elderly person living alone on Social Security. Sometimes it
20 might be a single parent raising children, and the only source
21 of income is public assistance. Sometimes there are families
22 where both spouses are working at jobs, working hard to raise
23 their children, and even with that are unable to make ends
24 meet.

25 No matter what the situation the family brings

1 to us, it's always frightening and sometimes it's even
2 dangerous to think about someone living without electricity in
3 their home.

4 The programs offered by Duquesne Light offer
5 hope to these families. In the CAP program we are able to set
6 up affordable payment arrangements for families based on their
7 individual income and their family size. We really offer them
8 a new beginning as we explain to these families how their
9 arrearage and past due balance can be forgiven if they just
10 begin to take seriously their responsibility to pay their
11 monthly bills.

12 In the Smart Comfort program, we are able to
13 educate consumers on how to reduce their usage, thus lowering
14 their bills. As part of our CARES program, we are able to
15 support families even further by assisting them with budgeting
16 and financial education and helping them connect to other
17 community resources, especially energy assistance like LIHEAP,
18 Crisis, and the Dollar Energy Fund.

19 There are currently over 24,000 active families
20 in the Duquesne Light CAP program, but the surprising thing is
21 each day we see the need for services to increase rather than
22 decrease.

23 Some families apply for the program because they
24 are unemployed. Others seek help because of life altering
25 illness, layoff, the death of a spouse, or some other

1 circumstance beyond their control. In the past couple of
2 years, we have met many isolated families living in fear
3 unaware that services are even available.

4 Most recently, changes in the Pennsylvania law
5 have increased pressure on families who owe money to utility
6 companies. Through our programs we are able to work with
7 these families under this new law and help them move toward
8 greater self-sufficiency, taking more responsibility for their
9 financial lives.

10 It is my experience that there is great need for
11 these types of programs offered by Duquesne Light to support
12 low income, payment-troubled families. Duquesne Light offers
13 the programs in a very professional way as they partner with
14 community-based organizations like Holy Family, Goodwill,
15 Catholic Charities, and others in the Pittsburgh area,
16 community based organizations that have skills and resources
17 necessary to help low income families.

18 I also believe that these programs add
19 significantly to the bottom line of the company. Not only do
20 low income customers benefit, but all stakeholders benefit as
21 the company manages its resources in an effective and
22 efficient manner.

23 Holy Family has been serving the Pittsburgh area
24 since 1900. In that time we have brought healing and hope to
25 many families. We are grateful for our partnership with

1 Duquesne Light and look forward to working together to provide
2 the Pittsburgh area with the energy it needs while always
3 being mindful of those in our community who struggle sometimes
4 just to get by.

5 We are all aware of the increased costs of
6 energy for our homes and our vehicles. We have all felt how
7 that affects us in our home budgets and in our business arena.
8 Some of us might be opposed to another energy increase, but
9 each one of us in this room know people who have faced
10 financial hardship due to illness, accident. Maybe it's a
11 divorce or a job loss. These are people in our families, in
12 our communities, in our churches, people who are close to us.

13 It is my experience that the Universal Service
14 Programs offered by Duquesne Light provides a win for
15 everybody, the company and the consumer. I hope that the
16 Public Utility Commission and Duquesne Light stakeholders will
17 see the benefits of maintaining and even growing these
18 services in the future.

19 JUDGE GESOFF: Thank you. Next witness will be
20 Margaret Holmes.

21 Whereupon,

22 MARGARET HOLMES,
23 having been duly sworn, testified as follows:

24 DIRECT TESTIMONY
25 JUDGE GESOFF: If you want to sit while you're
doing this. Would you state your name, please.

1 MS. HOLMES: Margaret G. Holmes, H-o-l-m-e-s.

2 JUDGE GESOFF: Your address.

3 MS. HOLMES: 1621 Alplaus Street, Pittsburgh, PA
4 15210.

5 JUDGE GESOFF: Can you spell the name of the
6 street?

7 MS. HOLMES: Alplaus, A-l-p-l-a-u-s. It's down
8 in the hole.

9 JUDGE GESOFF: Okay. Go ahead.

10 MS. HOLMES: I'm not as prepared as this
11 gentleman was, but my main thing is I had lost a child in
12 January. So naturally I lost her income, because she was on
13 SSI. So I get all of \$630.76 a month, and by the time --
14 luckily -- oh, with my food stamps, I get \$801. Thank God I
15 get the food stamps.

16 I am on the CAP program for the gas, but they
17 told me that was just for gas, that has nothing to do with
18 electric. I called the electric company, and they told me
19 they had no programs. So I don't know who to call or -- you
20 know.

21 But if I have -- like my electric bill is -- I'm
22 on a budget naturally, and I think it's almost close to \$50 a
23 month, but I'm just going to cut down, but there's certain
24 things you can't -- like your washer and dryer, you just have
25 to leave them go. Your lights, I don't keep that many lights

1 on.

2 I do use an air conditioner in my bedroom,
3 because I have been having hot flashes for 35 years. I'm
4 tired of it. They won't give me any more medication.

5 But it's like you get to this income. I mean, I
6 worked at Penney's for 20 years. At one time I worked for
7 David. So I made fairly good money, but I was stupid like a
8 lot of younger people. We had a boat. You know, you don't
9 think you're going to get old and not be able to work. I
10 figured I could work all my life until I die, and now, you
11 know, you get that way and you can't.

12 I go to the old age centers for lunch, and
13 there's so many people there that just can't afford to pay.
14 There has to be an answer. I mean, I forget who it was that
15 gave that \$20 for -- I forget the councilman and everything.
16 They asked us to please write thank you letters, and I'm the
17 one that will write a thank you letter.

18 The \$20 doesn't seem enough, but when you don't
19 have the \$20 to buy a watermelon or cantaloupe, it's really
20 nice that the government gives this to you, like the food
21 stamps. I am just learning how to use them, and I'm still
22 embarrassed. But, you know, it's either that or you don't
23 have the food.

24 If they continue now, I realize the majority
25 aren't in my predicament, but there are a lot. When I'm down

1 there, I'll ask these whoever programs -- I have gone --
2 anything that there was, I applied for and I got help.

3 JUDGE GESOFF: Let me ask who is it that she
4 could talk to about the CAP program?

5 MR. MacGREGOR: Michelle, any of these three in
6 the back.

7 MS. HOLMES: I'm in the CAP program as far as
8 the gas goes.

9 JUDGE GESOFF: You can talk to them about it.

10 MR. MacGREGOR: There is an electric CAP.

11 MS. HOLMES: They told me there wasn't. Thank
12 you. That's all I have to say.

13 JUDGE GESOFF: Thank you. Fred Sargent. I
14 forgot to mention that I would like all cell phones turned
15 off. I did mention it, but you came in late. I imagine
16 you're in the process of turning that off.

17 UNIDENTIFIED SPEAKER: I'm trying to.

18 JUDGE GESOFF: Let me know when you're
19 successful. I'll assume you are.

20 Whereupon,

21 FRED SARGENT,
22 having been duly sworn, testified as follows:

23 DIRECT TESTIMONY
24 JUDGE GESOFF: Would you state your name,
25 please.

MR. SARGENT: I'm Fred Sargent, S-a-r-g-e-n-t.

1 JUDGE GESOFF: Your address?

2 MR. SARGENT: 705 Copeland Street, Pittsburgh,
3 PA 15232.

4 JUDGE GESOFF: And your employment?

5 MR. SARGENT: I work at Sargent Electric
6 Company. I'm the chairman, and Sargent Electric Company is a
7 business that my grandfather started a hundred years ago.

8 The best way to explain what we do is we're
9 employers of electricians and linemen and technicians; in
10 other words, electrical workers. As a matter of fact, the
11 people who work for us most in this area are members of IBEW
12 Local 5 and IBEW Local 126, which means that our people are
13 very well trained and I think very fairly compensated for what
14 they do.

15 I'm here not to talk about the rate increase so
16 much as to talk about what Duquesne Light does, because we
17 have the opportunity from time to time to participate in what
18 Duquesne Light as contractors because Duquesne Light like
19 many, many other companies that are electric utilities or
20 steel companies or whatever don't always have enough of their
21 own people to do the things that have to be done when
22 something has to be built or there is a big storm or there is
23 a peak in the requirements for repairs and service and so
24 forth.

25 So when those situations come up, we have an

1 opportunity to bid on coming in to do the supplemental work
2 that their own people can't do. Their own people do a great
3 job at what they do, and we step in to those places where
4 there is just not enough of them to do it.

5 So right now we are participating as one of the
6 contractors working on the new infrastructure program, and
7 we're doing various things. In some cases we're working in
8 substations, which are those places you see along the street
9 or the road where they have big transformers and so forth, and
10 basically the power is diverted from one voltage to the other
11 so it can be sent onto someplace else and eventually get to
12 your home or office or wherever you happen to be.

13 Another thing that we work on is the tower lines
14 which you'll see across various communities, including this
15 one right here. And what we're doing notably is working on
16 the crossarms, which are those parts of the structure you see
17 high up where the wires are, which at this point in time need
18 to be replaced.

19 And the best way I can explain that situation is
20 that right across from my high school, Mount Lebanon High
21 School on Cochran Road in Mount Lebanon, there just happened
22 to be a house on a corner that happened to have one of these
23 tower line structures.

24 And back in my high school era, at a certain
25 point in time these new crossarms appeared on these towers.

1 For us they appeared. I guess if I had been watching as a
2 contractor at that point in time I would be a little bit more
3 knowledgeable at that point in time about what was going on,
4 but that's when it happened.

5 I can remember when it happened, because two
6 questions went through my head. The first one was: Those
7 things are wood. How long are they ever going to last? And
8 the second thing was: How in the hell do you get up on a
9 tower to do that?

10 And today I know the answer to both questions,
11 because we're doing that kind of work. We're very happy to
12 have had the opportunity to win some bids to do this. I was
13 also very happy to go to my 40th high school reunion. So I
14 got an idea about how long those wooden crossarms lasted.

15 And today I know how we fix them, because I have
16 linemen who very carefully climb up on the steel and replace
17 them, and one by one we're going through various tower lines
18 and replacing them with new wood structures which I think will
19 probably last for another 40 or 50 years.

20 So that's as I would best put it as a word
21 picture the sorts of things that are going on here. A lot of
22 these things you don't get to see because they're behind
23 fences or walls and so forth, but that's what a lot of people
24 are very busy doing right now.

25 A few years ago a popular business book came out

1 called Built to Last, and it wasn't about putting wooden
2 crossarms on transmission towers, but I think it's a pretty
3 appropriate title.

4 I just picked up that guy's most recent book,
5 which is called Good to Great, and what I'm trying to say by
6 analogy is that because of the observation that we have had
7 close hand with what Duquesne Light does and how it operates
8 and so forth, they have a good system, and they have good
9 people working there.

10 I think after this infrastructure program has
11 run its course, like the title of the book, we'll be going
12 from good to great, because not only are we replacing wooden
13 crossarms and so forth, there are things going into the system
14 that will make it even more reliable, and it's something we're
15 very proud to participate in.

16 So as I said, I'm not really here to talk about
17 the rate increase, but I'm here to talk about and characterize
18 the kind of thing that is involved in our company, because all
19 of our people who are doing this and all of our linemen and
20 electricians and from time to time the technicians that are
21 doing this are taking home paychecks right here in this
22 community; and not only the ones that we have out in the
23 field, but the ones we have in the office supporting them, to
24 get them out there every morning and make sure that they have
25 the supplies, which incidentally we do buy for these jobs here

1 locally and so forth. It's all part of the mix. That's
2 pretty much all I've got to say, but I wanted to have this
3 opportunity, and I appreciate your listening.

4 JUDGE GESOFF: Thank you. Mark Byrne.

5 MR. BYRNE: Byrne.

6 JUDGE GESOFF: Byrne, sorry.

7 Whereupon,

8 MARK BYRNE,

9 having been duly sworn, testified as follows:

10 DIRECT TESTIMONY

10 JUDGE GESOFF: Would you state your name and
11 spell your last name, please.

12 MR. BYRNE: Mark Byrne, B-y-r-n-e.

13 JUDGE GESOFF: Your address?

14 MR. BYRNE: 936 Lebanon Avenue in Castle Shannon
15 15234.

16 JUDGE GESOFF: Your occupation?

17 MR. BYRNE: Administrator for a nonprofit
18 organization.

19 JUDGE GESOFF: Thank you.

20 MR. BYRNE: Good afternoon, everyone. The
21 purpose of my speaking here today is not to debate whether or
22 not Duquesne Light's proposed rate increase is justified or
23 rather to contest its fairness.

24 Duquesne Light proposes a rate increase of 8.2
25 percent for its commercial customers and 16.8 percent for its

1 industrial customers. This is an average increase for
2 non-residential customers when appropriately weighted of
3 roughly 10 percent.

4 Residential customers, while using less than
5 half the electricity than that of commercial and industrial
6 customers, will incur an 18.8 percent increase in their
7 monthly bills.

8 This is not an equatable distribution of burden.
9 Residential customers, of whom I am one, do not receive a
10 better or worse product than the average non-residential
11 customer. Why then should we expect to see a higher rate
12 increase? If all customers are to share in the increase as
13 well as the benefits of improved infrastructure, shouldn't we
14 all then equally share the burden of a rate increase?

15 According to Duquesne Light's 2005 annual
16 report, residential customers use over 4 million megawatt
17 hours of electricity or less than 30 percent of the total that
18 the company provides.

19 The other nearly 10 million megawatt hours of
20 electric energy or over 70 percent of the total was used by
21 commercial and industrial customers. This percentage rate
22 increase being proposed by Duquesne Light simply burdens
23 residential customers unfairly.

24 I understand this discount may be present for
25 non-residential customers as a means of Duquesne Light

1 obtaining economies of scale. Production increases or in this
2 case distribution, the costs typically involve decrease. If
3 this is the case, then the company is passing along the
4 savings to commercial and industrial customers at the expense
5 of its residential customers.

6 There is a pricing strategy called price
7 discrimination, and it allows Duquesne Light to set different
8 prices to different consumer classes in order to capture a
9 larger portion of the total market, which in this region the
10 company already has an almost monopolistic hold on.

11 This market presence must have played some role
12 in Macquarie Infrastructure Partners purchasing the company
13 last week for a reported \$1.59 billion. Macquarie focuses on
14 infrastructure investments in the U.S. and Canada. They
15 thrive on such investments.

16 Duquesne Light's CEO, Morgan O'Brien, has said
17 and I quote, "The change should not be noticeable to customers
18 but should allow Duquesne Light to raise capital for expansion
19 and to help pay for \$500 million in infrastructure
20 improvements."

21 This statement would lead one to believe that
22 Macquarie plans to financially support this project and that
23 Duquesne Light can depend more on their new parent company and
24 less on the customers to finance it.

25 Duquesne Light is showing its dedication to this

1 region and its customers by undertaking a proactive approach
2 to improvement. The company is not only a leader in the
3 transmission and distribution of electric energy, but they are
4 a leader in the economic landscape of this region.

5 As a leader in the industry, the company should
6 process the most advanced and safest infrastructure for all of
7 its customers, but as a leader in the community, it should do
8 so in a manner that is fair to all of those involved.

9 So in the spirit of this sought fairness, I
10 welcome the opportunity to fairly evaluate any explanation
11 that may help residential customers to better understand how
12 this proposed rate increase does not improperly encumber them.

13 I have attempted to obtain such explanations
14 from Duquesne Light but have received nothing more than a
15 letter acknowledging that I registered an inquiry.

16 As I stated, I do not debate the justification
17 for Duquesne Light raising its rates to improve its product
18 for all of its customers, such a rate increase and the reasons
19 for it should they be necessary.

20 The company's reasoning for the increase is more
21 than satisfactory. The unfair obligation that residential
22 customers must endure is not. I ask only for an equal and
23 fair rate increase for all customers or at least a fair and
24 just explanation as to why this is not possible. Thank you
25 for allowing me to register my statement and for your careful

1 attention to it.

2 JUDGE GESOFF: Thank you. Is there anyone else
3 that wishes to testify? Those are all the names that were on
4 the sign-in sheets. Okay. Can you come up here a little
5 closer, sir?

6 Whereupon,

7 KRIS MOSER,

8 having been duly sworn, testified as follows:

9 DIRECT TESTIMONY

10 JUDGE GESOFF: Would you state and spell your
11 name, please.

12 MR. MOSER: Kris, K-r-i-s, Moser, M-o-s-e-r.

13 JUDGE GESOFF: Your address?

14 MR. MOSER: 2002 Borland Road, Pittsburgh 15243.

15 JUDGE GESOFF: And your occupation?

16 MR. MOSER: I'm a software engineer.

17 JUDGE GESOFF: Your employer?

18 MR. MOSER: Indus International. I-n-d-u-s.

19 JUDGE GESOFF: Thank you. Go ahead.

20 MR. MOSER: I have a couple points regarding
21 this rate increase. I moved to Scott Township, which is where
22 I live currently, last March from Bethel Park. In Bethel Park
23 I had Allegheny Power, and when I moved to Scott Township, I
24 received Duquesne Light.

25 The current rates for both companies shows that
Duquesne Light's rates are as of today 32 percent higher than

1 Allegheny Power, and I'm using a thousand watt kilowatt hour
2 bill to base that percentage.

3 Under the proposed rate increase, that
4 percentage would go up to 40 percent, and I have been
5 wondering since I lived in Scott Township why I am paying 40
6 percent more for electricity which is no different than what I
7 got in Bethel Park.

8 And I did ask the company -- I sent them
9 correspondence and asked them for an explanation, and their
10 explanation was that it costs more to distribute electricity
11 in an urban area such as Pittsburgh, rather than Allegheny
12 Power who is out in a rural area, which I don't know a whole
13 lot about electric distribution, but I find it hard to believe
14 that it costs 40 percent more to put up telephone poles in
15 Allegheny County than it does in Washington County.

16 My other point that I wanted to bring up was
17 when the natural gas rates went up over the winter, there was
18 a lot of talk about that, but the funny thing about that is
19 that all the companies went up at about the same rate at about
20 the same time.

21 Now we have a rate increase from Duquesne Light
22 that we don't have -- haven't had a rate increase from what I
23 can see from Allegheny Power for quite some time. I'm just --
24 that's confusing to me, in addition to the fact that this rate
25 increase is being contributed to an immediate half a billion

1 dollar investment in the Duquesne Light infrastructure, and I
2 don't understand why that couldn't have been spread out over a
3 longer period of time rather than all at once.

4 I think if the infrastructure would have been
5 kept up over the period of years and maybe a small rate
6 increase every year rather than a large one like this one,
7 then I think that would be more acceptable. Those are my
8 points, and that's all I have to say.

9 JUDGE GESOFF: Thank you. Just a piece of
10 information, that Allegheny Power has filed for an increase.

11 MR. MOSER: They have? I didn't know that.

12 JUDGE GESOFF: They have. Their rate caps
13 aren't going off for a few years, but they want to -- instead
14 of having -- this is as I understand it. It's not my case.
15 Instead of having a large increase when the rate caps go off,
16 they want to do it gradually. That's before the Commission.
17 Whether or not they will be permitted to do it, I don't know.

18 MR. MOSER: Is that a generation rate increase?

19 JUDGE GESOFF: No. I don't think so.

20 MR. MOSER: It's distribution?

21 JUDGE GESOFF: That's part of it. It's actually
22 a pretty complicated proceeding, and I don't fully understand
23 it. But the generation rates, yes, I think they want to
24 increase those slightly too.

25 MR. MOSER: Okay.

1 JUDGE GESOFF: Don't hold me to that.

2 MR. MOSER: Okay.

3 JUDGE GESOFF: Thank you, Mr. Moser. Is there
4 anyone else? Okay. Thank you all very much. You have raised
5 issues which are under examination in this proceeding. They
6 are issues that actually were raised earlier this morning in
7 the public input hearing.

8 It's very interesting to see how the public
9 input hearings have evolved over the years. I have been doing
10 this for 23 years, and initially it was a lot of mostly
11 residential customers who were complaining about not being
12 able to pay their bill, and at times they got fairly heated.

13 But as things have evolved, the witnesses such
14 as yourselves have increasingly become more sophisticated and
15 have addressed the actual issues that are in the case that are
16 being examined in great detail. So I just thought you should
17 know that.

18 So I appreciate you all coming out and telling
19 us how you feel. So this hearing is over. Thank you all very
20 much.

21 (Whereupon, at 2:34 p.m., the hearing was
22 adjourned.)

23

24

25

C E R T I F I C A T E

I hereby certify, as the stenographic reporter,
that the foregoing proceedings were taken stenographically by
me and thereafter reduced to typewriting by me or under my
direction and that this transcript is a true and accurate
record to the best of my ability.

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