

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. :
 :
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ORIGINAL

Pages 59 through 133

Shaler Villa Volunteer
 Fire Company
 960 Saxonburg Boulevard
 Pittsburgh, Pennsylvania 15223

DOCUMENT
FOLDER

Thursday, July 13, 2006

Met, pursuant to notice, at 10:00 a.m.

BEFORE: LARRY GESOFF, Administrative Law Judge

APPEARANCES:

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P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE LARRY GESOFF: We're on
3 the record. Good morning. I am Larry Gesoff, the
4 Administrative Law Judge assigned by the Pennsylvania Public
5 Utility Commission to preside over the Duquesne Light rate
6 case.

7 Can I be heard in the back? Ms. Cohen, can you
8 hear me in the back? Louder? How is that? Okay. What this
9 means is that anybody that speaks has to put the microphone
10 right about at their chin. It works. It doesn't work here;
11 does it? No. It doesn't work there. It works here.

12 All right. I'm going to make opening remarks
13 that take about five minutes. I'm going to tell you six
14 things. These are the things I'm going to tell you.

15 First, I'm going to explain the ratemaking
16 process briefly. The Commission's regulations determine the
17 conduct of this proceeding, and that is one of the items that
18 I must cover. Second, I'm going to tell you what has happened
19 so far in this case.

20 Third, I'm going to tell you what will happen
21 with this case after this hearing. Fourth, I'm going to
22 explain what options you have to participate in this public
23 input hearing.

24 Fifth, I'm going to introduce some of the
25 attorneys who are representing the parties in this case; and

1 sixth, I'm going to take your testimony or statements.

2 Now, I'm going to start with number one, the
3 ratemaking process. To stay in business, a public utility
4 must collect enough money from its customers to cover its
5 expenses. These expenses are operating expenses, depreciation
6 expenses, and taxes.

7 Operating expenses are the costs of labor,
8 maintenance, materials, and supplies. Depreciation expense is
9 the loss of service value of the utility property through its
10 use in providing service; and taxes, the State, Federal and
11 other taxes that a utility must pay.

12 Added to these expenses is a reasonable return
13 on the value of the property that a utility uses to provide
14 service. The utility is authorized in the ratemaking process
15 by the Commission to earn this rate of return, but it is not a
16 guarantee. It is up to the utility to conduct its operations
17 in a way that they actually earn that return.

18 The expenses and the return added together are
19 called the utility's revenue requirement; that is, the amount
20 the utility needs to collect in its rates to meet the cost of
21 providing service.

22 Once the Commission determines the revenue
23 requirement amount, then the utility service must be priced.
24 What this means is that the utility has to design tariffs,
25 schedules of rates, that are intended to produce the revenue

1 that the utility is permitted to collect.

2 This is not an easy process. It requires the
3 exercise of seasoned and informed judgment regarding many
4 economic, financial, accounting, engineering, and other
5 considerations. That's number one.

6 Number two is what has happened so far in this
7 case. On April 7th Duquesne Light filed with the Commission a
8 request to change its distribution rates intending to collect
9 about \$143.7 million in additional revenues.

10 In addition, Duquesne Light also told the
11 Commission that it expects transmission service charges
12 reflected in retail rates to increase by about \$19 million.
13 Duquesne Light requested that the increase go into effect on
14 June 1.

15 On May 4th the Commission opened an
16 investigation into the proposed rate increase and suspended it
17 until January 6th of next year.

18 The following filed against the proposed
19 increase: Duquesne Industrial Interveners, which is a group
20 of industrial customers; Industrial Energy Consumers of
21 Pennsylvania, which is an association representing industrial
22 users; the Office of Consumer Advocate; the Office of Small
23 Business Advocate; and the Pennsylvania Large Energy Users
24 Coalition. In addition to that, there were three residential
25 customers that filed complaints but subsequently withdrew

1 them.

2 Then there were several parties that asked to
3 intervene in the case; a union; two nonprofit corporations
4 concerned with consumer environmental protection; a trade
5 association of retail energy providers; four electric
6 generation suppliers; an electric facility in Duquesne Light's
7 territory; and an association representing Pennsylvania's
8 community action agencies which provide antipoverty planning
9 and community development activities for low income customers;
10 a cable TV company, Comcast; and a large commercial user,
11 Wal-Mart.

12 In addition, the Commission's Office of Trial
13 Staff filed a Notice of Appearance and is participating in
14 this case. Duquesne Light has filed the testimony of 14
15 witnesses, and the other parties filed testimony on July 7, I
16 think about 20 witnesses.

17 A public input hearing similar to this one was
18 held last night in Beaver Falls, and another one will be held
19 this afternoon in Castle Shannon at two o'clock. That means
20 we have to finish by noon at least so we can all get something
21 to eat and get over there. I think that will not be a
22 problem.

23 Okay. Number three, what will happen in this
24 case after today's hearing, the parties will file more rounds
25 of testimony. They filed them in writing in advance of the

1 hearing. They'll do that on August 2nd and August 16th, and I
2 think at least 34 witnesses are scheduled to testify.

3 The Commission will hold technical evidentiary
4 hearings in Harrisburg for five days beginning on August 21.
5 At those hearings, the witnesses that filed their testimony
6 will be cross-examined.

7 Then the parties will file what's called briefs
8 on September 18th and October 10th. Briefs are a summary of
9 the positions of the parties based upon the record, the
10 testimony, the evidence. They try to persuade myself and
11 ultimately the Commission of the rightness of their position.

12 I have about a month to write a decision. It
13 will be sent to the parties on about October 31. It's called
14 a recommended decision. When the parties get it, if they
15 don't like any part of it, they'll file written exceptions and
16 reply exceptions with the Commission, and they always do.

17 There's always somebody that doesn't like
18 something about a decision, and that's the way it should be.
19 If I do my job correctly, there will be exceptions. That's to
20 be expected.

21 Then the Commission will issue its opinion and
22 order before January 6th of next year, and any of the parties
23 can appeal the Commission's opinion and order to the
24 Pennsylvania Commonwealth Court.

25 Number four, your options at this hearing.

1 There are three ways you can participate. First is to testify
2 formally under oath or affirmation and be subject to
3 cross-examination.

4 If so, to the extent the testimony is relevant,
5 material, and competent, I will consider it as evidence in
6 this proceeding, as will the Commission, subject of course to
7 the customary rules of procedure and evidence.

8 The second way you can participate is to make an
9 unsworn or unaffirmed statement which will be off the record,
10 which means the court reporter, who is taking down what is
11 being said, will not do so, and what you say will not be
12 considered by me in my recommended decision.

13 Third is to do neither of those but to give
14 information to the Commission's Office of Trial Staff attorney
15 or the Consumer Advocate or the Small Business Advocate, who
16 will be introducing themselves in a moment, for possible use
17 by them in the hearings at their discretion, and of course
18 another -- that does not preclude anyone from providing
19 information to the company for the same purpose. Okay.

20 Number five is to introduce counsel here. So
21 we're going to start with the company first, and they're going
22 to talk real loud or else come up here on the mic.

23 MR. MacGREGOR: Thank you very much. My name is
24 David MacGregor. I am the lawyer for Duquesne Light Company
25 in this proceeding. We don't have a formal presentation

1 today. We do want to thank everybody for coming out, and we
2 very much look forward to your comments.

3 As the Judge indicated, we filed this case in
4 April. I would like to note, for those of you who are not
5 aware, it's the first increase in distribution rates that
6 Duquesne has filed since 1987, which is almost 20 years ago.

7 We think that's a remarkable achievement, but
8 all good things have to come to an end, and this case was
9 necessitated by a variety of events in April of this year.

10 The Judge listed a number of parties who have
11 intervened in this case, and you're going to hear from some of
12 the other lawyers who are in this case, and I can assure you
13 that this case has been fully investigated by the PUC.

14 We have answered hundreds and hundreds of
15 interrogatories and had numerous formal and informal meetings
16 and conversations with the parties to explain our filing and
17 to explain our position. So you can be assured that the PUC
18 isn't going to rubber stamp any rate increase here. This
19 matter has been fully investigated.

20 We are here to listen. We have a number of
21 people from Duquesne here. My co-counsel, Gary Jack. Also
22 from the company's rates and regulatory affairs department
23 Fred Eichenmiller, John Laudenslager, and Jerry Lucci.

24 Also, apart from this rate increase, if any of
25 you have any concerns about your service or the level of your

1 bill or any questions about your service to the company, we
2 have three folks here today to answer those questions
3 separately, and you can talk to them after the hearing.

4 And they are Vern Edwards from the customer
5 service department, Pam Neihaus, who is a manager at the
6 service center, and Carrie Brockman, of the bill payment
7 assistance department at Duquesne.

8 So apart from the rate increase, if you have any
9 questions or concerns about your service to the company, they
10 can answer those questions and get back to you. Thank you
11 very much for coming, and we look forward to your comments.

12 JUDGE GESOFF: Thank you, Mr. MacGregor. I note
13 that we have somebody videotaping the proceeding. There is no
14 problem with that unless anyone here when they're testifying
15 objects to being videotaped. Just let me know, and we'll have
16 the videotaping stopped while you testify.

17 Okay. We'll start with yourself.

18 MR. ECKENROD: Good morning. My name is Robert
19 Eckenrod with the Commission's Office of Trial Staff. The
20 Office of Trial Staff was created in 1986 by legislation to
21 represent the public interest in rate proceedings such as
22 this.

23 Now, our role is a little bit different than
24 what the OCA, the Office of Consumer Advocate, or the Office
25 of Small Business Advocate is. We have to balance the

1 interest of you, the ratepayers, against the interest of the
2 utility as well.

3 So to do that we also have a team of expert
4 witnesses who take the filing. They examine it and make sure
5 that what the company is looking for matches what they
6 actually need.

7 So I actually have accountants, financial
8 analysts, and engineers who are assigned to this proceeding to
9 review it and write testimony and also to testify in the
10 proceeding.

11 Today is the opportunity for you, the
12 ratepayers, to come out and give us your opinion about the
13 filing, and I would invite you to formally come up here on the
14 record and give your opinion about it so it can be used by
15 myself -- so it can be used by myself or by the Office of
16 Consumer Advocate or any of the other parties in this
17 proceeding during the testimony. So thank you for coming out,
18 and I look forward to hearing from you.

19 MR. EVRARD: Thank you, and I hope I have this
20 at my chin. Good morning, everyone. My name is David Evrard.
21 I am an attorney in the Office of Consumer Advocate. Our
22 office was created by the State legislature 30 years ago, in
23 1976, and our statutory mandate is to represent the interests
24 of all consumers in rate matters and other proceedings that
25 come before the Public Utility Commission.

1 While that is true, that our mandate is to
2 represent all consumers, often in very large cases like this
3 industrial consumers have their own counsel. The Office of
4 Small Business Advocate is involved on behalf of commercial
5 customers.

6 There have been other commercial customers come
7 into this case with separate counsel, and it ultimately falls
8 to us in cases such as this to represent the residential -- or
9 the interests of residential customers, folks such as
10 yourself. So we really appreciate your being here and look
11 forward to hearing from you.

12 In terms of what our office has done thus far in
13 the case, we did indeed file a formal complaint opposing the
14 rate increase. We hired a number of experts to help us
15 analyze and review the case, and as of last week we filed
16 testimony in which we recommended a much smaller rate increase
17 for Duquesne Light.

18 I would hasten to add however that just because
19 we recommended it, that doesn't mean that that's what will
20 happen. Ultimately the decision has to be made, as Judge
21 Gesoff has indicated, by the Commission itself.

22 But we are really interested in hearing from
23 you. We're happy you're here, and we look forward to hearing
24 your testimony. As counsel Rob Eckenrod said, it would be
25 most helpful if you offer that testimony on the record so that

1 it can be used by us in further testimony and filings with the
2 Commission. Thank you.

3 MS. WEBB: Good morning. Thank you all for
4 coming. My name is Sharon Webb. I'm here on behalf of the
5 Office of Small Business Advocate. We represent the interests
6 of small business consumers in rate proceedings before the
7 Commission and other agencies.

8 As counsel has already said, we encourage you to
9 testify on the record. This is your opportunity to put your
10 issues out there. It will allow us to use the information in
11 going forward. Our office also has experts. We have an
12 economist looking at the numbers and has already filed
13 testimony in the case, and we'll continue to investigate it.

14 I'll stick around a little bit after the
15 proceeding. I'm not sure if time will permit today, but if
16 there are any small business customers that have issues or
17 concerns, I can give you my contact information, and we'll try
18 and help you out. Thank you all for coming.

19 JUDGE GESOFF: Okay. Thank you. Now it's time
20 for you to participate. We're going to begin with
21 representative Shawn Flaherty. Do you want to be sworn?

22 MR. FLAHERTY: Yes.

23 Whereupon,

24 SHAWN FLAHERTY,
25 having been duly sworn, testified as follows:

DIRECT TESTIMONY

1 JUDGE GESOFF: State your name.

2 MR. FLAHERTY: My name is Shawn Flaherty. May
3 it please this Honorable Court, I live at 61 Spring Valley
4 Lane, Pittsburgh 15238. I am a state representative for the
5 30th District. My district is comprised of the neighborhoods
6 of Fox Chapel, Hampton, Ross, Shaler.

7 UNIDENTIFIED SPEAKER: And O'Hara.

8 MR. FLAHERTY: And O'Hara. Did I mention
9 O'Hara? I also want this Court to know that I am a Duquesne
10 Light subscriber. I believe that the Court is already well
11 aware that many, many of the residents and businesses located
12 in these neighborhoods are also Duquesne Light subscribers.

13 I want to welcome and thank this Court for
14 taking the time and making the effort to come here to Shaler
15 Villa this morning so that the residents can allow their
16 voices to be heard on this very important Duquesne Light
17 request.

18 I want to also welcome and thank the counsel for
19 Duquesne Light for coming. They're working with us in
20 bringing their employees to help better understand your rate
21 request. I look forward today to a valuable exchange of
22 information.

23 I also want to welcome the consumers' counsels.
24 These are the counsels who are representing us, that are doing
25 the research, the valuable research, looking into exactly what

1 this rate increase will entail, and I will say that they are
2 doing an excellent job in representing our interests and the
3 interests of all Duquesne Light customers.

4 Finally, I want to welcome you, the residents,
5 for taking time out of your busy days and your busy schedules
6 to come down here to put on the record what your thoughts are
7 and what your concerns are of this rate increase.

8 The overall consensus of Duquesne Light is that
9 they are a very good corporate citizen. They employ many fine
10 people here and throughout the district. They provide quality
11 electricity at a reasonable price.

12 They are also sensitive to the needs of its
13 customers. That is why they have brought so many of their
14 consumer advocates and their consumer people here to answer
15 your questions, and I'm sure that they will remain for a
16 period of time to talk to you one on one afterwards, and I
17 encourage you to do so.

18 Several years ago the Duquesne Light Company
19 announced a capital project. This is a very expensive capital
20 project, and it includes upgrades and expansions. In April of
21 this year, the Duquesne Light Company filed with the Public
22 Utility Commission a request for an increase. This increase
23 will affect all customers. It will affect some customers by
24 as much as 20 to 24 percent.

25 This Honorable Court knows all too well that in

1 the last several years gas prices have spiraled out of
2 control. Home heating oil has gone through the roof, and now
3 we are facing a 20 plus or minus percent increase in our
4 electricity.

5 A majority of the residents in this district are
6 on budgets. Their budgets are stretched and they are thin.
7 It is important that this Court review this rate increase with
8 sensitivity towards the customers.

9 The residents and the customers of this district
10 don't necessarily question that they have to pay for
11 electricity and that they have to pay a reasonable cost. They
12 also recognize that the upgrades in part are going to be
13 passed on to the consumer, but the question here today is the
14 percentage rate of this increase.

15 I have also been asked to point out by members
16 of this district that in the years 2004 and 2005, the Duquesne
17 Light Company did not reduce its dividend to its shareholders.
18 I have been also asked to point out that just two weeks ago
19 Macquarie Infrastructure Partners announced it was purchasing
20 all of the shares of Duquesne Light holdings for a \$20 per
21 share fee. This \$20 per share renders it at an almost 22
22 percent premium on each share.

23 I have walked the streets of these communities.
24 I have talked with many people in the area who, like me, are
25 Duquesne Light customers. I present to this Court over 500

1 signatures, 500 signatures, e-mails, and letters asking this
2 Court to consider the rate increase and asking -- and
3 directing that they believe that it's too high.

4 I have supplied the Court with originals and two
5 copies. I will give Duquesne Light counsel a copy. I also
6 have one copy for the consumer counsels and ask if anybody
7 needs an additional copy, please contact me, and we will be
8 glad to give you more.

9 I am anxious and proud that each member of this
10 group will be able to come forward today and put on the record
11 what their thoughts are about this increase. I ask that you
12 speak clearly. Speak from the heart. Tell the Court what you
13 honestly think and believe about this rate increase. This is
14 your opportunity today for our voices to be heard. The Judge
15 will take into account everything that we say today.

16 Basically the people in this district are saying
17 20 percent is too high. We know that this Court will be fair.
18 We thank the Court for its patience, and we look forward to
19 your decision. Thank you very much, Your Honor.

20 JUDGE GESOFF: Okay. Just some housekeeping.
21 We have to identify what has been presented, and I think the
22 company might have two copies. I'm going to need one of them.

23 Let the record show that the documents in
24 question are in orange folders, and they consist of what
25 appears to be a large number of e-mails that have been printed

1 out and a petition and what appear to be letters from
2 individual ratepayers. We're going to identify the entire
3 stack as Representative Flaherty Exhibit 1.

4 (Whereupon, the documents were marked as
5 Representative Flaherty Exhibit No. 1 for identification.)

6 JUDGE GESOFF: Is there any objection to their
7 being admitted into the record?

8 MR. MacGREGOR: No objection.

9 JUDGE GESOFF: No objections. Now I can use
10 these documents to the extent that they meet the rules of
11 evidence, and the individuals that have signed these documents
12 and have sent these documents in are not all going to be
13 cross-examined, which means that what is here is called
14 classic hearsay.

15 They cannot be reliable unless the individuals
16 that made the statements are here to be tested as to what they
17 have said and be cross-examined basically. So to the extent
18 that they are hearsay, I have to take that into consideration.
19 Let's see. So without objection they're admitted into
20 evidence. Let me make sure I give the court reporter the
21 right ones.

22 (Whereupon, the documents previously marked as
23 Representative Flaherty Exhibit No. 1 were received in
24 evidence.)

25 JUDGE GESOFF: Now we're going to take

1 witnesses. I'm going to call you up two at a time so that we
2 can save a little time in coming up here. It might take a
3 while. So the first person is Dave Price, and the second one
4 is Gerald Schiller. Come on up. This might not be in the
5 order in which you signed, but I picked the sheets up. So
6 we'll have time for everyone. Mr. Price.

7 MR. SCHILLER: Gerald Schiller.

8 JUDGE GESOFF: Okay. We'll take you first.

9 Whereupon,

10 GERALD SCHILLER,

11 having been duly sworn, testified as follows:

DIRECT TESTIMONY

12 JUDGE GESOFF: State your name.

13 MR. SCHILLER: Gerald Schiller. I live in
14 Verona. Specific address?

15 JUDGE GESOFF: No. That's okay. Spell your
16 last name for the court reporter.

17 MR. SCHILLER: S-c-h-i-l-l-e-r. Gerald. I just
18 learned of this hearing last night in the newspaper article.
19 So I hope this is coherent. As a Duquesne Light customer and
20 long-time Duquesne Light stockholder for over 30 years, I
21 oppose Duquesne Light's request for the outrageous 20 percent
22 rate increase.

23 Based on Duquesne Light's, quote, materially
24 false and misleading statements about its false financial
25 health a few years back, I do not believe the PUC can rely on

1 any financial information provided by Duquesne Light's current
2 management for any rate increase.

3 In 2000 Duquesne Light's false and rosy public
4 statements hyped its stock price over \$40 a share, at which
5 time they used the \$900 million -- \$900 million from a 1.7
6 billion dollar sale that's our generation assets to buy back
7 Duquesne Light stock shares.

8 A year later, when the truth came out about
9 Duquesne Light's real financial position, the dividend was cut
10 40 percent, and the stock price plummeted to \$13 a share. A
11 class action suit and an SEC investigation resulted.

12 Outraged stockholders are still waiting for
13 answers that were shouted at Duquesne Light's management and
14 directors at the 2002 stockholders' meeting. How many
15 insiders who had to know the roof was going to collapse bailed
16 out at the artificially inflated \$40 per share price?

17 Duquesne Light's management has severe
18 credibility problems. Morgan O'Brien, a senior executive of
19 finance and development during the deception, was promoted to
20 CEO. And as a further slap in the face to stockholders, three
21 of the directors during the stockholder debacle are still on
22 the board.

23 This same management team is now touting the \$20
24 a share buyout of the whole company to an Australian
25 consortium as a boon to the stockholders. Mr. Flaherty

1 mentioned the 22 percent premium. Ask long-time stockholders
2 what their basic price is.

3 Given Duquesne Light's recent history of deceit,
4 the outlandish rate increase is in all probability tied to the
5 buyout, and I suspect the buyout will be another fleecing of
6 average long-term stockholders just as the rate increase is an
7 attempt to fleece utility customers. Thank you.

8 (Applause.)

9 JUDGE GESOFF: Hold on, Mr. Schiller. Any
10 cross-examination?

11 MR. MacGREGOR: No.

12 JUDGE GESOFF: You're excused. Okay. That was
13 a rousing round of applause. Let me explain to you what
14 applause means to me. Nothing. When I read this testimony,
15 after it's given to me in a month or so, I won't remember the
16 applause. It might not even be noted on the transcript. What
17 I will do is read the words. You can applaud if you want to.
18 It just takes time. If it makes you feel better, go and do
19 it, but it disrupts the proceeding. Okay? That's my speech.
20 I always give that after the first round of applause.

21 (Applause.)

22 JUDGE GESOFF: Thank you very much. Mr. Price,
23 are you here?

24 MR. PRICE: Here.

25 JUDGE GESOFF: While he's here, let's have Amy

1 Strutt and Heather Sage come up. You can sit right over here.
2 Let me just mention for the record Mr. Schiller's address is
3 123 Faybern Court, Verona 15147. Mr. Price.

4 Whereupon,

5 DAVID PRICE,

6 having been duly sworn, testified as follows:

7 DIRECT TESTIMONY

8 JUDGE GESOFF: State your name and spell your
last name.

9 MR. PRICE: My name is David Price. I reside at
10 152 Wynoka Street, Pittsburgh. I'm a night manager for the
11 Brashier Association on the South Side.

12 I have come here today as a ratepayer. I'm not
13 on anybody's payroll. I'm a consumer of services, and I have
14 been watching the situation with Duquesne Light over the
15 years. Some 25 years I have been involved with community
16 groups like Tri Valley Energy, Pennsylvania Alliance for Jobs
17 and Energy, South Pittsburgh Action Workers, and basically we
18 were representing a lot of the people on fixed income and the
19 working poor, and we're deeply concerned about the rate
20 increase hearings that are being sought today.

21 And some of the issues that we think need to be
22 improved, Duquesne Light's performance in specific areas, and
23 I state for the record these statistics that I give are
24 straight out of the Bureau of Consumer Services Consumer
25 Activity Reports. So they are accurate, and I'm deeply

1 concerned about the issues of the areas and specifically in
2 complaints.

3 In 2003 the complaint rate was 20 -- or 15
4 percent. In 2005 it was 20 percent. That's up, a 5 percent
5 increase. These are categories specifically in complaints.
6 Personnel problems, 2003, 8 percent; 2004, 14 percent, a 6
7 percent increase.

8 And this company is tied with two other
9 companies in the State in the category of personnel problems.
10 That could be anything from people that you deal with over the
11 phone to deal with your utilities as far as coming up with an
12 agreement or anything. It could be people that restore your
13 meter. It could be anything in that category.

14 Quality of service complaints, 2004, there were
15 4 percent; 2005, they went up to 7 percent. Termination
16 rates -- and this is the one that deeply concerns me,
17 termination rates. 2003, 9,138 of the citizens in this area
18 got terminated; 2004, 10,694. And I'm sure that there are
19 probably some other cases that were not included in this.

20 This represents a trend -- this particular
21 thing, the termination issue, represents a trend from '01 to
22 '03 when we actually had declining terminations, and now we
23 have reversed that trend, and we have terminations that are
24 starting to skyrocket because you've got people on fixed
25 income. You've got people that are the working poor that

1 simply cannot afford the utilities anymore. So these issues
2 are a very serious problem.

3 The next category, request for payment plans.
4 2003, 7,298; 2004, 7,799. Now, this is when the Bureau of
5 Consumer Services of the Public Utility Commission intervenes
6 between the company and the ratepayer. The ratepayer would
7 have had to have called the utility, tried to work out
8 arrangements, and the only time that they intervened in these
9 cases is if they're requested. So what we have here is
10 sometimes failed mediation techniques by the company when they
11 can't come to an agreement on people's budgets.

12 Duquesne Light needs to improve in these service
13 areas, and before taking into consideration any rate increase,
14 they really need to be as good as they say they are in their
15 public relations.

16 I really -- I'm all for having the number one
17 electric company. Of course, it probably is, because we're
18 supposed to have competition. Competition has failed
19 miserably in this area. So it's unfortunate that we couldn't
20 just unplug and replug into somebody else at times.

21 For the PUC to grant this rate increase would be
22 a hardship on low income and fixed people, fixed income
23 people. It takes us back -- quite frankly, it would be like
24 restoring the rates of the times when our rates were 20
25 percent higher than the rest of the nation, and to me we just

1 got -- in my opinion we just got rid of stranded costs. That
2 was the additional cost that the nuclear power plants put into
3 rate base.

4 We just got rid of that. We have been paying
5 for it for a lot of years, and to me it looks like we're going
6 back to the era of the '80s, and that was a very cruel era for
7 a lot of working people. Low income families are spending
8 roughly about 40 percent of their income on utilities alone.
9 So that doesn't leave much for rent and everything else.

10 One of the issues too, also, the collection
11 model that all of the utilities use is a real problem, and
12 that is basically -- they use this a lot, particularly with
13 low income customers. That is the issues of past due notices,
14 threats to terminate, terminations, and shut-offs.

15 This can happen to anybody in any neighborhood.
16 I don't care how affluent you are or how poor. It doesn't
17 make any difference. Sometimes it's pay -- if you don't pay,
18 you don't get it.

19 So the utilities -- basically there are other
20 issues as far as that goes. One of the things I think would
21 be important here is that I represent more or less people that
22 are low income, and they have been squeezed a lot.

23 Now, we have the CAP programs that are good for
24 them, and they do work to a certain degree. But, quite
25 frankly, a lot of the times the low income people get

1 squeezed.

2 I get deeply concerned about people that, quite
3 frankly, do have income and don't pay their bills, and there
4 are some of those. And I cite, just briefly, from a book
5 here. It's called Utility Consumer Policies, and it was Penn
6 State back in 1995. There was a conference that a lot of us
7 attended. There was a fellow by the name of Drew Hyman and
8 John Schindler who had a theory about the classifications of
9 customers.

10 Basically, you have the established interest
11 people who have higher incomes; the system managers, who are
12 the mid income people; households that are marginal, on the
13 bubble and very close to not being able to afford utilities;
14 and the survivalists, who just can't make it.

15 What their basic theory was is that the people
16 in the established interest group and the system managers,
17 they are saying why not institute an interest rate on their
18 bill so that this would not be passed on to other people but
19 those people who deliberately used the system.

20 And Senate Bill 689 did some of that to address
21 it, but the whole issue is there are people who use that in
22 the higher income area to use -- to control their cash flow.
23 I mean, poor people do it too, but I see that just as much
24 with the wealthy people, you know.

25 And I'm sorry if I would offend anybody if I

1 would say anything like that, if it would offend too many
2 people, but the bottom line is some of that does go on.

3 One thing I would like to make a comment about,
4 I had an experience a while ago. There is a payment center
5 downtown where people come to pay their bill. I walked in
6 there one time, and I had to go down and verify a payment.

7 I walked in there, and I was amazed at what I
8 saw. I saw cameras all over. I saw guards. I saw
9 bullet-proof glass around the whole area where the reception
10 area was. And I said to myself, "I don't understand this at
11 all. I really don't."

12 So when I got in there to talk to somebody, I
13 said, "Do you really like working in an armed camp?"

14 The one person said, "Well, we have had
15 threats."

16 Well, I wouldn't wonder why you would have
17 threats if you use certain tactics. It seems like a few years
18 ago people were a little more civil about collecting money
19 from the utility -- the utility companies were a little bit
20 better on being a little more understanding, a little more
21 compassionate.

22 That's why I was saying that we're basically
23 going back to the '80s, and a lot of the protections that the
24 customers had are just being chipped away. So little by
25 little, you're use losing your rights as far as utilities go.

1 And this has been -- a lot of legislators who
2 have had a hand in this, a lot of the regulators who have had
3 a hand in it being -- and also particularly a lot of
4 lobbyists, a lot of money being spread around Harrisburg, and
5 certainly the public utility is not without some blame. They
6 need to be a little more pro consumer.

7 The Public Utility Commission should not mean
8 "pity us consumers." It should be "protect us consumers."
9 You're our advocates. You're the people that we depend on.
10 You've got electric deregulation coming, and you've got a
11 choice and you got all these issues.

12 We don't need to make the mistakes that happened
13 with Enron or anything like other states that had problems
14 like this. The bottom line is protect us from all these
15 problems.

16 My experience as a night manager at Brashier,
17 Brashier Association, we have -- it's a social service agency.
18 We have a food bank. We have a job bank, and we see a lot of
19 people and utility issues. And I will tell you just observing
20 in the evening -- in the afternoon when the job bank is being
21 held and the job bank and also the food bank, we are seeing
22 new faces of people that we have never seen before.

23 And every time we open up twice a week, we're
24 seeing new people. We're not seeing just the same people
25 anymore. It's new people, and a lot of these people are

1 probably middle class people. So as I say, this could happen
2 to anyone. And generally, if they need food, they're having
3 problems with utilities. They're having problems with medical
4 and everything else.

5 So even just a case the other day, somebody came
6 in. They got their food from the food bank, and they were in
7 the restroom. What were they doing? They were filling up
8 gallon jugs of water. They had -- their water service had
9 been terminated. I haven't seen this kind of stuff since the
10 '80s. This is crazy.

11 Sensitivity and the whole idea and the attitude
12 anymore is I got mine; I don't care about you. Well, ladies
13 and gentlemen, we need to start a little more compassion and
14 understanding about low income people, people on fixed income,
15 because you can find yourself on this train anytime.

16 You can be gainfully employed one day and lose
17 that job the next day along with your mortgage and everything
18 else. It's coming down. It's coming down fast.

19 So the bottom line is I think we just need to
20 not rush through this thing, the deregulation and everything
21 else. Take your time. Make a very prudent decision and just
22 weigh the situation. Thank you.

23 (Applause.)

24 JUDGE GESOFF: Next is Amy Strutt.

25

1 Whereupon,

2 AMY STRUTT,

3 having been duly sworn, testified as follows:

4 DIRECT TESTIMONY

5 JUDGE GESOFF: Would you state your name and
6 spell it for the court reporter and your address and for whom
7 you work.

8 MS. STRUTT: My name is Amy Strutt. It is
9 spelled A-m-y, S-t-r-u-t-t. My address is 3011 Ponderosa,
10 P-o-n-d-e-r-o-s-a, Drive, Allison Park 15101. I am currently
11 employed with State Representative Shawn Flaherty as a
12 legislative assistant.

13 As a person who is a single mom and is disabled,
14 to have a 20 percent increase in my electric bill would be
15 very, very difficult for me to make ends meet. I have a six
16 year old at home, and anybody that has kids know, kids leave
17 lights on constantly whether it's daylight or nighttime. And
18 having 20 percent more in my bill each month is really, really
19 going to make this very tough for me.

20 I also am a consumer advocate for the Office of
21 Vocational Rehabilitation, and I know many people that are
22 disabled and are on Social Security disability, and they
23 cannot afford to pay any more than what they're paying now.
24 It will be very detrimental to these people to have more money
25 taken out of money they don't have to begin with.

With gas prices being what they are, working for

1 State Representative Flaherty, we have seen a lot of people
2 call about their heating bills. They can't afford to keep
3 their heat on because they couldn't afford those. To raise
4 their electricity rate on top of that is just going to be a
5 double-edged sword. It's going to make it worse for those
6 consumers.

7 So I humbly ask that 20 percent is just
8 absolutely too high for a lot of people, and I understand I
9 have great electricity. I understand it's a good company. I
10 can't complain that my electric goes out a lot, because it
11 does not. But the 20 percent is very, very high. I think it
12 needs to be lower. Thank you.

13 (Applause.)

14 JUDGE GESOFF: All right. While Ms. Sage is
15 coming up, next would be Andrea Boykowycz.
16 Whereupon,

17 HEATHER SAGE,

18 having been duly sworn, testified as follows:

19 JUDGE GESOFF: ^{DIRECT TESTIMONY} If you could state your name,
20 spell it, and give your employment.

21 MS. SAGE: Good morning. My name is Heather
22 Sage. It's spelled H-e-a-t-h-e-r, S-a-g-e. I reside at 454
23 44th Street, Pittsburgh 15201, and I work for Citizens for
24 Pennsylvania's Future.

25 I am a Duquesne Light customer. Thank you for

1 the opportunity to testify in this matter. While those of us
2 living in the Duquesne Light service territory have enjoyed
3 the relative cost savings that came with restructuring post
4 1996, it is reasonable that rates will and should increase at
5 some level.

6 However, this region has not benefited from the
7 creation of programs that exist elsewhere in the State that
8 serve to promote and develop renewable energy options or
9 energy conservation programs. Duquesne Light Company is in
10 many ways in my experience a good neighbor and a good partner
11 in the Pittsburgh region, but there is more that can and
12 should be done.

13 In all the other major electricity service areas
14 in the Commonwealth, sustainable development funds were
15 created. These funds spur programs that result in new skilled
16 jobs, economic growth, enhancement to the environment, and
17 improvements in health. With such a fund, individuals,
18 businesses, and even municipalities and counties within the
19 region can benefit from grants.

20 Why renewable energy? New, truly green sources
21 of electricity including wind, solar, and methane recovery
22 result in new jobs, less pollution, and lower electricity
23 prices for all of us in the long run. Diversifying fuels used
24 to generate electricity adds to our security and prevents us
25 from relying on any one source too much.

1 In Southwestern Pennsylvania we are in an area of
2 nonattainment for fine particles under the Federal Clean Air
3 Act. The major source of particulates is coal-fired power
4 plants. Soot from power plants causes premature deaths,
5 cardiovascular problems, and increased rates of serious
6 respiratory conditions like asthma.

7 We must move toward the development of renewable
8 energy whenever possible, and the sustainable development fund
9 will also help us to continue to excel in the arena of green
10 building, an industry that is improving health and quality of
11 life in the region.

12 The Public Utility Commission should also
13 require that the Duquesne Light Company invest in a
14 comprehensive program to increase and encourage energy
15 conservation from consumers at every level.

16 Conserving energy quite simply reduces demand
17 for it, helping keep our prices low over time. Energy
18 conservation strategies are a win for all of us but are not
19 comprehensively pursued or widely known.

20 Lastly, Duquesne Light should implement a system
21 for customers who save energy during peak demand and make
22 choices to use electricity during off-peak hours to be
23 rewarded.

24 I consciously make choices at my home to run
25 large appliances, such as my electric dryer and electric

1 dishwasher, later at night, rather than during the day. But
2 if I change my usage behavior or, more importantly, if larger
3 commercial customers take steps to conserve energy at peak
4 times, the cost of the electricity used at an off-peak time is
5 the same. This discourages energy conservation and adds to
6 the demand burden in the heat of the summer or in the middle
7 of the workweek. Technology exists to monitor electricity
8 usage and relate it to demand. Duquesne Light needs to move
9 to a more advanced system. Thank you.

10 JUDGE GESOFF: Thank you. Let me just mention
11 that Citizens for Pennsylvania's Future is a party in this
12 proceeding. They have filed the testimony of three witnesses,
13 one of whom is John Hanger, who is the executive director and
14 used to be a commissioner, a Public Utility Commission
15 commissioner. I read their testimony yesterday at work I
16 think, and that was a very good synopsis of it.

17 Andrea Boykowycz? While she's coming up, Karen
18 Wagner and Victor Fiore.
19 Whereupon,

20 ANDREA BOYKOWYCZ,
21 having been duly sworn, testified as follows:

22 DIRECT TESTIMONY
23 JUDGE GESOFF: State your name and spell it and
24 give your address.

25 MS. BOYKOWYCZ: My name is Andrea Boykowycz. My
last name is spelled B-o-y-k-o-w-y-c-z. Andrea, A-n-d-r-e-a.

1 I reside at 3440 Parkview Avenue, Pittsburgh, Pennsylvania
2 15213, and I have a very brief comment.

3 I am here today as a Duquesne Light customer to
4 request that Duquesne Light demonstrate its long-term
5 commitment to its customers and shareholders as well as all
6 the residents of our region and make a strong commitment to a
7 cleaner, more energy-efficient future.

8 Duquesne Light must extend its energy-efficient
9 programs to all its customers. Energy conservation
10 initiatives will reduce everybody's electric bills, especially
11 those who participate in the program.

12 Furthermore, Duquesne Light should follow the
13 example of its competitors and create a fund to support
14 renewable energy projects for families, businesses, and
15 municipalities and counties within its service territory.

16 Such a fund administered by the Pennsylvania
17 Energy Development Authority would create incentives for
18 people to invest in and develop new renewable energy projects.
19 More electricity coming from wind, solar, methane, and other
20 forms of clean and renewable energy will mean new jobs in our
21 region, less pollution, and lower electricity prices.

22 As Heather Sage just testified, we currently pay
23 for our electricity not only with our hard-earned cash, but
24 with our health and the health of our planet. I want my
25 utility dollars to go towards meaningful investment in new

1 technology that can give me some peace of mind about the
2 future. Thank you.

3 JUDGE GESOFF: Thank you. Let me just note for
4 the record that Ms. Boykowycz is self-employed as a stained
5 glass restorer. Ms. Wagner?

6 Whereupon,

7 KAREN WAGNER,
8 having been duly sworn, testified as follows:

9 DIRECT TESTIMONY
10 JUDGE GESOFF: State your name, your address,
11 your employment.

12 MS. WAGNER: My name is Karen Wagner, K-a-r-e-n,
13 W-a-g-n-e-r. My address is 4684 Greenwood Drive, Allison
14 Park, PA 15101. I work for Holy Family Institute. I'm a
15 Universal Services case manager. May I sit?

16 JUDGE GESOFF: Yes.

17 MS. WAGNER: Thank you. As a Universal Services
18 case manager with Holy Family administering Duquesne Light's
19 programs, the Universal Services programs consist of Customer
20 Assistance Program, or CAP; Customer Assistance Referral and
21 Evaluation Services program or the CARES program; and the
22 Smart Comfort or usage reduction program.

23 These programs are designed to help low income,
24 fixed income, and payment-troubled customers keep their
25 services on or gain affordable electric service. The CAP
program establishes an affordable monthly payment based on

1 income and family size and usage. CAP also provides arrearage
2 forgiveness and CAP customers full on-time payments, help to
3 forgive that arrearage.

4 The CARES program assists payment-troubled
5 customers with special needs obtain necessary social services
6 and energy assistance. CARES representatives make home visits
7 to help customers apply for energy assistance grants, other
8 social services such as the food bank or career services and
9 customers who qualify enroll in CAP; and referrals are made to
10 Smart Comfort, the usage reduction program, as well.

11 The Smart Comfort program provides usage
12 reduction for eligible customers, and these visits are done in
13 the home and provide education on usage reduction majors with
14 the goal to help customers adjust their consumption, making
15 the monthly bill more affordable for these families.

16 The customers who benefit from Universal
17 Services are the working poor, persons on disability, senior
18 citizens on fixed incomes, and families experiencing temporary
19 income loss or people on DPA or unemployment.

20 Universal Services is a cost-effective way to
21 ensure that payment-troubled customers have access to
22 affordable energy. By establishing an affordable payment
23 plan, customers are able to maintain electric service.

24 Through the arrearage forgiveness program,
25 customers are given hope and a real incentive to participate

1 and act more responsibly. By helping customers become more
2 connected to community resources, they move forward toward
3 greater levels of self-sufficiency.

4 Through education and conservation majors,
5 customers are able to reduce their consumption to a more
6 affordable level. Community-based organizations partner with
7 Duquesne Light to administer the CAP program in the Greater
8 Pittsburgh area and to provide easy access to families in
9 need.

10 Holy Family has several offices throughout the
11 area as Catholic Charities and Goodwill and North Hills
12 Community Outreach to help administer these programs to
13 people. And the CARES representatives travel throughout the
14 Beaver County area and Allegheny County areas to provide
15 service in the home for people who are not able to get out.

16 Right now there are -- at the end of June 30th,
17 there were 24,318 families enrolled in the CAP program. Now,
18 I'm a CARES rep. I have been going to peoples' homes for
19 several years and hooking up -- not only do we provide them
20 with the CAP program that reduces their monthly bill and
21 forgives their arrearages that they may have, we also hooked
22 them up to community resources such as -- I can't tell you how
23 many people have said, "I need to use my Pul (phonetic) money
24 in order to pay my bill," and we don't want them to do that.
25 Duquesne Light doesn't want them to do that. Holy Family

1 doesn't want them to do that.

2 We hooked them up with a prescription program,
3 hooked them up with the Department of Aging program,
4 transportation programs, food banks, food programs, any kind
5 of prescription coverage that we can help in any -- the State
6 tax rebate programs we help them fill out, help them file for
7 disability. We help them get their rent rebates.

8 Whatever their needs are, we try to address
9 those needs and hook them up to the resources that are
10 available, because a lot of people do not know that these
11 resources exist.

12 One of the ways we get to these people is
13 because they're having payment troubles with their utility
14 bill. That's how we find them. That's how we get to them,
15 and that's how we provide many of these services so that they
16 do not have to face termination.

17 So I hope that Duquesne Light is able to
18 continue to afford to keep this program going, because there
19 are 24,318, like I said, as of June that have benefited from
20 the Universal Services program. Thank you.

21 JUDGE GESOFF: Thank you. While Mr. Fiore is
22 coming up, Mr. Stein, Jim Stein, and Stanley Kaczowski.
23 Whereupon,

24 VICTOR FIORE,
25 having been duly sworn, testified as follows:

DIRECT TESTIMONY

1 JUDGE GESOFF: State your name, your address.

2 MR. FIORE: My name is Victor Fiore, and I am
3 the president of the Local 29 at the International Brotherhood
4 of Electrical Workers and represent the employees on Duquesne
5 Light property. I have provided copies.

6 JUDGE GESOFF: Your address?

7 MR. FIORE: The address is -- our offices are in
8 Greentree at 986 Greentree Road, Pittsburgh 15220.

9 JUDGE GESOFF: You can mention that they are a
10 party in this proceeding. The union is a part of this
11 proceeding.

12 MR. FIORE: Yes, they are. We are a party to
13 this proceeding. Thank you, Your Honor. I have already
14 mentioned my name. I would like to say that not only do we
15 represent the employees on the Duquesne Light property --

16 JUDGE GESOFF: You have to turn around and face
17 them.

18 MR. FIORE: Can you hear now?

19 JUDGE GESOFF: Put it right under your chin.

20 MR. FIORE: I usually talk pretty loud, but
21 okay. I represent not only --

22 JUDGE GESOFF: Put it under your chin.

23 MR. FIORE: -- hundreds of employees for
24 Duquesne Light, but also we have other utility companies in
25 the area where we have quite a few hundred employees, and

1 that's First Energy and Reliant Energy.

2 I want to speak on behalf of the Duquesne Light
3 Company on its efforts to increase rates even though many of
4 us are as unhappy as everyone else having to pay higher rates.
5 We understand -- I have lived in this area my entire life. I
6 have been a rep on the property dealing with Duquesne light
7 and other companies for 44 years.

8 The Duquesne Light is making an important
9 investment in the future of Pittsburgh and Beaver County.
10 Along with those investments, it means that Duquesne's costs
11 are going to go up. I will focus on three investments that I
12 think are important enough to justify paying higher rates.
13 Pardon me a second.

14 JUDGE GESOFF: Remember to keep it under your
15 chin.

16 MR. FIORE: Yeah. First I want to talk about
17 Duquesne Light's investment in the electrical delivery system
18 spending over \$5 million at this time, which is a substantial
19 amount of money. I don't know too many companies that are
20 doing that right now, but to improve this area it's important
21 that the corporate headquarters in our area and the companies
22 that reside there do invest in the infrastructure of this
23 community.

24 Duquesne Light in my opinion is pretty
25 impressive at this point. And I think it's important at this

1 point, since there were comments made about O'Brien and the
2 people that were here before -- I thought there were more on
3 the board than three, by the way.

4 The carpetbaggers that were here originally and
5 spoken by a previous speaker are gone. Unfortunately they did
6 do themselves well before they left. They're with other
7 companies now.

8 O'Brien grew up in our area, grew up in Carrick.
9 He's a local person. Even though he worked with those
10 individuals, I don't look at him as a carpetbagger or any of
11 those people that were brought in by that board.

12 I'll go on from that point. I'm not here really
13 to defend it, but I think it's important to bring out some of
14 the facts that actually occurred during that time since it was
15 spoken today.

16 Since Morgan O'Brien took over as CEO, he has
17 adopted a back-to-basics policy, a strategy that is getting
18 the company back on the right track. We used to be called the
19 hometown company, and we're trying to re-establish our
20 reputation, because we all live here, just like all of you do.

21 I'm also a ratepayer. I'm a family person. I
22 have my children being educated in this community. Everything
23 that happened here impacts not only myself but my family and
24 friends and neighbors that I care about.

25 So I would like to go on and say I believe that

1 his idea to prosper financially by reinvesting in the
2 community is a good plan. I don't know much about that, but I
3 do know that Duquesne has upgraded the poles, the wires, the
4 substations to make sure that we have electricity in our homes
5 and businesses.

6 Duquesne employees support this back-to-basics
7 strategy move. We think it's good for Allegheny and Beaver
8 County, and we hope it's also good for the company.

9 Duquesne Light's second important investment is
10 safety. The company has adopted a total safety -- company
11 safety program originating and developed -- originally
12 developed by the DuPont Corporation.

13 The safety program starts with the CEO -- that's
14 Mr. O'Brien at the very top -- and goes down to every employee
15 of the company. Work crews come together for job orientation
16 meetings each day to discuss the best methods of performing
17 the necessary work.

18 Now, I want to stop at this point and say there
19 are focus groups too who try to advise people what customers
20 are saying some of the problems that we see going on, and
21 O'Brien's plan is to go back and deal with business people and
22 corporate and commercial and in residential to try to solve
23 the problems, as was spoken previously, of all people, not
24 just the senior citizens, the people in need, but people who
25 have to come here and do their work and being able to run

1 their business.

2 They are important, as important, maybe in some
3 cases more important. If they don't stay here, we don't have
4 jobs and we don't have a good infrastructure, the way I look
5 at it. Those workers come together, and I want to make sure
6 all of us -- that all employees will return to their families
7 each day through the safety program and return again the next
8 day.

9 JUDGE GESOFF: Under your chin.

10 MR. FIORE: This kind of safety program isn't
11 cheap. It helps to protect the people who are out there
12 making repairs, hooking up new customers, and making sure we
13 have electricity when we need it.

14 The third area that I would like to emphasize is
15 training and hiring new employees to replenish the workforce.
16 Now, believe me, a lot could be said here about deregulation.
17 Somebody mentioned Enron. Believe me, they were in your
18 state. A lot of you people don't know some of the damage that
19 was done. I'm not here for that, by the way.

20 But believe me, we have an aging workforce.
21 There was a lot of downsizing that went on because of
22 deregulation. Duquesne Light, like our other companies, had
23 to downsize because the investors of course left, and Duquesne
24 Light has had a lot of problems bringing around money. They
25 have done a good job of it recently, and I feel O'Brien again

1 is back on track.

2 And, of course, as you know, there was a sale of
3 the company. I'm not here to talk about that, but I think
4 O'Brien is making some good decisions. To be able to do the
5 building of the infrastructure that we want here is important
6 not only to build an infrastructure, but have people to go out
7 and fix it and repair it and improve it.

8 Last I looked, by the way, our average age on
9 our property is 52 years of age. By the way, I can have
10 months where as many as 20 people retire that actually do that
11 work. Now, I need them to be able to train the new people
12 that I bring in on my property and train to go do work out
13 there.

14 You don't learn how do that work -- by the way,
15 a lot of people aren't aware of this. The majority of every
16 day's work is done live so that we don't interrupt your
17 electricity. You have to work up there with electricity going
18 through these lines. If you make a mistake, you usually don't
19 get a second chance. You're not talking about 110 in your
20 house. You're talking about high voltage.

21 I think it's important to bring out and
22 understand some of the things that the company has to contend
23 with, the type of training, not incidental training, but
24 heavy-duty long-term training in evolution for people to be
25 able to do that work.

1 Many are going to continue to retire, by the
2 way, as I speak. Keep in mind that it takes about eight
3 years -- I know that sounds pretty long, but it takes about
4 eight years to get a well-seasoned lineman, an overhead
5 lineman or an underground lineman that does work
6 underground.

7 JUDGE GESOFF: Keep it under your chin.

8 MR. FIORE: Yes. It takes years to train as
9 well as making him a seasoned person. All of the moments
10 we -- at the moment we are -- we aren't exactly where we'd
11 like to be, but we are far ahead of many other electric
12 companies.

13 I want to tell you that when a survey was taken
14 a while back, unlike many utilities in Pennsylvania, Duquesne
15 never eliminated its training program, never stopped hiring
16 new workers.

17 About four years ago Duquesne Light set up a
18 program with the Community College of Allegheny County to
19 train employees in the academic needs of the company at the
20 college. This was coupled with a hands-on training program at
21 Duquesne.

22 Duquesne recently opened a new state-of-the-art
23 center for training at the new Beaver Avenue location. Right
24 now it is training line personnel and will train substation
25 and shops, electricians, underground mechanics, underground

1 cable splicers.

2 And it isn't that they're not trained in the
3 meantime, they just don't have the setters set up yet to do
4 that, but all of their training is going to be at that center.
5 It's a very appropriate time. Again, it's unfortunate that
6 this didn't start sooner, but it takes money to build all
7 these things.

8 By the way, to retrofit that building, you're
9 not talking peanuts. The type of training facility you have
10 now, it actually simulates what goes on out in the field, so
11 that when you bring new apprentices in, you can actually show
12 them the whole operation in mini-form. There's poles there
13 that they teach you to climb. They have manholes that you
14 climb down in, safety equipment you have to use every day.

15 So the training program has really evolved to a
16 pretty good program. I know that will help to -- probably to
17 somewhat speed up perhaps what needs to be taught to these
18 people, but the fact is it's still going to take quite a few
19 years, and we are a little bit behind the eight ball on that.

20 Duquesne also led the way on other types of
21 training. Duquesne was the first utility company in
22 Pennsylvania to sign on with the Keystone Development
23 Partnership. Keystone is a statewide partnership of labor
24 unions, employers, to develop career advancement and training
25 programs.

1 Finding a partnership -- or funding for this
2 partnership came from the Federal and State government,
3 employers, and labor unions. It started with the transit
4 industry in Philadelphia, by the way, and it is trying to
5 expand into manufacturing, utilities, infrastructure. So
6 they're again going to help us develop our training programs.

7 We already have started a pilot training program
8 at the transportation maintenance department at Duquesne.
9 That program was already adopted through the transit
10 authority. So we're just going to bring a lot of -- not going
11 to reinvent the wheel. We're bringing a lot of men to our
12 property and plant that program on Duquesne Light.

13 Duquesne -- this program improves the skill and
14 other existing work and helps ensure that the new workers get
15 the training they need to be part of the long-term future of
16 Duquesne Light and our area.

17 So that's why I think Duquesne rates need to go
18 up, to help keep the electric system reliable and to help make
19 sure that we have people working on the system who are well
20 trained and know how to do their job safely.

21 And I would like to add something. I'm not sure
22 it has anything to do with the rate case, but this company has
23 been a good citizen in spite of who has been here in the past.
24 The employees are still here. We're stuck here no matter who
25 runs our company, and our employees do care about their

1 company, their community, and they care about you.

2 And I can tell you that whenever the two floods
3 were here, it wasn't just Duquesne. It was the unions, Local
4 5 in particular and other building trade unions who came in
5 and used their men to come in here to volunteer their time to
6 help the people that were flooded out.

7 As you know, many homes were condemned. Other
8 homes could be put back on, but we got together with the
9 Catholic church over in Etna -- that's where they set up the
10 headquarters -- and Duquesne Light employees were volunteered,
11 and Duquesne Light said to us, "You tell us what whatever you
12 need, and we'll help."

13 To get those houses in, you can't just go in and
14 turn the switch on. You got to rip the walls open. You got
15 to look at the electric system. You got to check the
16 electrical box. This company has never denied us help
17 whenever we had to help our citizens.

18 So I do want to say that I think they have been
19 a good citizen, and Bill O'Brien in particular has impressed
20 me in the past. I thank you, and I trust that you will be
21 fair with your decision when it comes.

22 JUDGE GESOFF: Thank you. We're going to try to
23 limit remarks from now on to about five minutes so that we can
24 get done in time and so that everyone has a chance to speak.

25 Jim Stein.

1 Whereupon,

2 JAMES STEIN,

3 having been duly sworn, testified as follows:

4 DIRECT TESTIMONY

5 JUDGE GESOFF: State your name, your address,
6 your employment.

7 MR. STEIN: My name is Jim Stein. I live in
8 Shaler Township. I'm not an employee of Duquesne Light. I'm
9 not a stockholder at Duquesne Light. I am a customer of
10 Duquesne Light, but I have looked at this problem. I saw this
11 thing from Shawn. I says, "Great. We're going to have a
12 hearing."

13 But in that literature, I saw nothing to support
14 why the rate shouldn't be 20 percent, such as the pay that
15 they pay the union members is too high, the amount that they
16 pay for their wire, because this has nothing to do with
17 generating. From what I understand, this is for transmission.
18 Is that correct?

19 MR. MacGREGOR: Right.

20 MR. JACK: Right.

21 MR. STEIN: So when we talk about how much the
22 coal costs, which went up, that I know, from \$20 a ton to \$40
23 a ton -- it's probably more -- that money doesn't come out of
24 the sky.

25 The transmission, electric wire -- I just heard
a fellow was doing some wiring, and he said, "What cost me \$30

1 is now a hundred dollars per spool," or whatever it is. That
2 wire gets the electricity to us.

3 But when we got this thing from Shawn, there was
4 nothing in there telling us why this rate increase was too
5 high, and then I find out it hasn't been increased for 20
6 years. That's one percent per year.

7 Look what they do with the ball players,
8 football players and the Pirates and that. They go up
9 millions of dollars a year. Nobody says, "Oh, we got to pay
10 it." We need reliable electricity, and I hope that you and
11 your Commission looks at it as you have done.

12 And I looked at something before I came down
13 here. I went on the Internet. I got the Standard & Poor's
14 for Duquesne Light. They make 4 percent on assets. I can
15 take my money over to Pittsburgh National Bank and get more
16 than 4 percent. So why should I invest in Duquesne Light when
17 they're not making a lot of money?

18 I looked at the price of their stock. Five
19 years ago it was around 20, went down to 15. It's been around
20 15 to 16. When you look -- go into the stock market. You
21 look there. You find out whether a company is a worthwhile
22 investment.

23 If it isn't a worthwhile investment for you to
24 put your money in -- and a lot of us here, whether we own
25 Duquesne Light or not, if you have pensions, if you have money

1 in mutual funds, they probably have some Duquesne Light stock.

2 The question to ask right now, if you think this
3 is an unjust increase -- and I don't know. I don't have the
4 facts. I just know that labor rates went up. The price of
5 raw materials went up. They haven't increased their prices
6 for 20 years. I don't want to have unreliable electricity
7 coming to my place.

8 I had a business at one time. You may know me.
9 I had the Eat Your Heart Out Restaurant. I needed a wire to
10 bring three phase in because I had a three-phase ice cream
11 machine. It didn't cost me a penny for them. Because of PUC
12 regulations, they had to bring a wire from the middle of the
13 Mount Royal Shopping Center all the way around the street to
14 my place, put extensions on the poles. Where does that money
15 come from? That has to come from us.

16 Now, somebody said, "Well, Duquesne Light has to
17 be more concerned about people who can't pay their bills." I
18 think they are. But remember, if Duquesne Light is going to
19 go into the business of giving charity, we the taxpayers or
20 the people who pay the bills -- and that's who's here. We're
21 not the people from Brashier or other places like that. We're
22 the people that pay that. If they have to give electricity
23 away, that means we're going to pay for it.

24 I say that Shawn has to go to the Federal -- to
25 the State government, which by the way, I hope that he has a

1 hearing like this next time they want a pay raise so that we
2 can give our input to it before they do it in the middle of
3 the night. He wasn't in on that, but I hope that we have
4 that.

5 JUDGE GESOFF: Get to the point.

6 MR. STEIN: I would also like to see other
7 taxing agencies -- if you look at how much money -- I was just
8 talking to a gentleman. Our taxes just in Shaler Township go
9 up --

10 JUDGE GESOFF: Stick to the rate increase.

11 MR. STEIN: I will.

12 JUDGE GESOFF: Wrap up the remarks.

13 MR. STEIN: I only have five minutes. So the
14 thing is what I want to know and I hope -- because we haven't
15 been given the input, I hope that you, sir, and the people
16 here talk about what is their real cost and get it so that
17 it's reasonable.

18 And if they have these expenses, I don't want to
19 see this union member, who I'm sure will be supporting Shawn,
20 that they don't get their paycut or they don't get an increase
21 and we have shoddy people because nobody wants to work for
22 them. We need quality lines. If that costs money, we got to
23 pay it.

24 So let's -- because I and you are not experts in
25 what it costs, these people here and the people here and the

1 PUC, they're who -- shawn and people like him are put into the
2 position to determine what the rate should be.

3 All these petitions and things we sign mean
4 nothing. It's what the costs are and how reasonable it is,
5 and I just hope that you take that into consideration and do
6 us a fair job. Thank you.

7 JUDGE GESOFF: Thank you. While Mr. Kaczowski
8 is coming up, it looks like John Duchess and John Heggstad.
9 Whereupon,

10 STANLEY KACZMORSKI,
11 having been duly sworn, testified as follows:

12 DIRECT TESTIMONY
13 JUDGE GESOFF: State your name, address,
14 employment.

15 MR. KACZMORSKI: My name is Stanley Kaczowski,
16 K-a-c-z-m-o-r-s-k-i. 103 Reel Avenue, Pittsburgh,
17 Pennsylvania 15237. I am an employee of the Allegheny County
18 Controller's Office. I'm here on behalf of Mark Patrick
19 Flaherty and the Controller's Office of Allegheny County, whom
20 we all live in, and I'm here to be brief and talk about one of
21 our best vendors, Duquesne Light, about the situation that
22 affects us all.

23 We're here to express our concern over a 20
24 percent rate increase. I personally work daily in the
25 contracts division of Allegheny County. We do thousands of
contracts a year with over 800 providers.

1 Every one of those providers affects you one way
2 or another during your lifetime. It's very, very important,
3 but I'm here to tell you this 20 percent rate increase that we
4 see unfortunately is going to affect you first. It's going to
5 affect our taxpayer or our providers out there, those 800
6 providers again.

7 That's a second hit. It's almost a double
8 whammy, but I can tell you working with the budget at
9 Allegheny County we have no way, shape, or form that we can
10 afford to take a 20 percent tax hit in our budget. We have no
11 money sitting aside to do that. It's very, very difficult.

12 We have a company that's a very, very good
13 vendor to us. But 20 percent, even though it has been for
14 over 20 years that they haven't taken a rate increase, this is
15 very difficult, because I can tell you for a fact that we in
16 Allegheny County have no -- and I can repeat this one, two,
17 three times. We have no money in our budget to do that. So
18 that money will be passed on to us as a taxpayer, which is
19 very difficult for us to save.

20 Mark Flaherty and I have looked at this
21 situation over and over, trying to found out ways to save
22 money all over Allegheny County. This is something that we
23 can't find anyplace, way, shape or form as of this time.

24 We are asking with this statement, you know, and
25 with this short statement to all of you, we are taking -- that

1 being said, we are urging the PUC to not grant any rate
2 increase at this time.

3 (Applause.)

4 JUDGE GESOFF: Thank you. Mr. Duchess.

5 MR. DUCHESS: That's Duchess.

6 JUDGE GESOFF: Mr. Duchess.

7 MR. DUCHESS: Hello. My name is John Duchess.

8 It's D-u-c-h-e-s-s.

9 JUDGE GESOFF: Your address and your employment.

10 MR. DUCHESS: My address is 120 Campbell Avenue.

11 I'm the vice president for WG Tomko. I'm not here today to
12 discuss the rate increase, for or against it.

13 JUDGE GESOFF: I have to swear you in.

14 MR. DUCHESS: I'm sorry.

15 JUDGE GESOFF: That's okay. My fault.

16 Whereupon,

17 JOHN DUCHESS,

18 having been duly sworn, testified as follows:

19 DIRECT TESTIMONY
JUDGE GESOFF: Go ahead.

20 MR. DUCHESS: I guess I'll start over.

21 JUDGE GESOFF: Go ahead. You can continue.

22 MR. DUCHESS: Like I said, I'm not here to
23 discuss this rate increase, for or against it. Why I am here
24 is to discuss a project that we're doing for Duquesne Light.
25 Again, I'm the vice president of WG Tomko. We're a company, a

1 local company who is locally owned and operated for 53 years
2 in this area.

3 We employ anywhere between 4 and 600 people.
4 They're all union, local union people. At any given time,
5 like I say, we employ between 4 and 600 people. Our volume is
6 about 60 to 70 million dollars per year.

7 We entered into a contract to provide Duquesne
8 Light with two eight-inch underground conduit, high-pressure
9 conduit lines to tie in two substations. The reason for this
10 project is to provide more capacity which gives everyone more
11 reliability, which I have heard that go through several
12 different speakers here for Duquesne Light to be reliable, and
13 that's what this project is involved in.

14 And on this project we have numerous local
15 suppliers, such as concrete, asphalt, aggregate, pipe, steel,
16 anything that goes underground, and all the materials are
17 being purchased from local Pittsburgh -- around this vicinity,
18 distributors. We also are going to employ on this project
19 anywhere from 30 to 60 employees on a regular basis between
20 now and the end of 2006.

21 Additionally, the project is -- well, it started
22 out last -- actually, this month, in July. And Duquesne Light
23 is on the project every day, and they're making sure that this
24 project is done to their satisfaction safety-wise and
25 reliability-wise. So I just want to let you people know that

1 these people are trying to provide the services that everyone
2 seems to want here. That's about all I have to say.

3 JUDGE GESOFF: Thank you. While Mr. -- I hope I
4 pronounce this correctly -- Heggstad is coming up, Judith
5 Perman and Roger Lyle, and the last one on this list is Tim
6 Sullivan.

7 Whereupon,

8 JOHN HEGGESTAD,

9 having been duly sworn, testified as follows:

10 DIRECT TESTIMONY

11 JUDGE GESOFF: State your name your name, your
12 address, your employment.

13 MR. HEGGESTAD: My name is John Heggstad. I am
14 a resident of Allison Park. I'm retired from a company here
15 in the Pittsburgh area, Mine Safety Appliances, and I'm here
16 to address the PUC hearing.

17 And basically, from some of the comments that I
18 have heard this morning, some of them I think were excellent,
19 but to paraphrase what the Administrative Law Judge was saying
20 in his opening remarks, the rate process -- the rates must
21 cover expenses and a reasonable return. I think I understood,
22 if I understand you correctly.

23 My issue is and from my experience in operations
24 and management and that is: What about the costs? And I
25 would ask the PUC how do Duquesne Light's expenses and costs
compare to other well-run electric utilities in the United

1 States?

2 When we came here 18 years ago, Duquesne Light I
3 believe was one of the top three or four charging expense
4 kilowatt per hour in the United States.

5 JUDGE GESOFF: Top to bottom.

6 MR. HEGGESTAD: On the top. In other words, the
7 cost of the kilowatt hour to the customers was one of the top
8 three or four in the United States. My wife and I have lived
9 in about seven areas before coming to Pittsburgh in our
10 career, and so we have a feel for some of the rates and also
11 some of the services.

12 And I would say that as services go, we have
13 seen more electrical interruptions living in Pittsburgh than
14 in any other area of the country, and that includes the West
15 Coast, the Southeast, the Midwest, if you will.

16 And there's different reasons for that, but what
17 I would like the PUC to look into is: What has Duquesne Light
18 over the years done to eliminate unnecessary costs? Cost
19 reductions, productivity improvements. Use companies like
20 Florida Power and Light, American Electric Power, Consolidated
21 Edison, Duke Power, Benchmark. How have their costs compared
22 in different areas to DQE? What have they done? What has
23 current and past management done to reduce the costs? When
24 you reduce the costs, obviously there's got to be savings.

25 In businesses like many of you probably have

1 retired from, if your costs were not low, your competitors
2 took away the business. So the objective was reduce your
3 costs so your product is marketable and your jobs are secure.
4 There's a lot of examples in the Pittsburgh area where this
5 didn't happen unfortunately.

6 I would also like to indicate that information
7 on the Internet on DQE -- in other words, return on revenues,
8 upward trend since 2002, and the return on equity from 2002 to
9 2005 averaged 16.3 percent starting at 5.4 percent in 2002.

10 Finally, recognizing that services are needed
11 for improvements as far as deliverability, but I would quote
12 from the CEO of Duquesne Light in yesterday's Post-Gazette.
13 I'm sorry, the Tribune Review. He said, "If the deal is
14 approved by State and Federal regulators next year, Macquarie
15 will fund the remainder of Duquesne Light's ongoing \$500
16 million three-year upgrade of its delivery system," unquote.

17 If they can do this and they are investing and
18 as he said in there also, this company, Macquarie, has money
19 that they -- they have more money than they have investments.
20 So obviously Duquesne Electric is a very good opportunity for
21 an investment firm.

22 There must be some very good cost reduction
23 opportunities, because they want a good return, and my guess
24 is it's not predicated on getting a 20 percent increase.

25 Thank you.

1 (Applause.)

2 Whereupon,

3 JUDITH PERMAN,

4 having been duly sworn, testified as follows:

5 DIRECT TESTIMONY
6 JUDGE GESOFF: State your name, address, and
7 your occupation.

8 MS. PERMAN: My name is Judith Perman. I live
9 at 481 Glenhaven Drive here in Shaler Township. I am
10 impressed by most of the people who have come up and have had
11 something to say. I am a consumer. I have lived in
12 Pittsburgh all of my life. I'm not going to tell you how many
13 years, but all of my life. And my approach is rather
14 simplistic as a consumer, like most of us sitting in this
15 room.

16 I have a couple of questions, and I'll start
17 with Mr. MacGregor. I think it was very nice, Mr. MacGregor,
18 that you had to say that you have not -- your company has not
19 under any circumstances raised the cost since 1987, I believe
20 it is.

21 Unless you are not meeting your expenses and
22 realize a reasonable profit, then you would not raise the
23 rates. But obviously in that period of time you have covered
24 your expenses and paid a dividend which I went back and looked
25 at, and it is true that since 19 -- since 2002 the dividend to
the stockholders, of which I am not one of them, has decreased

1 from 42 cents to 25 cents per share quarterly and has
2 maintained that rate.

3 To run a business -- by the way, I do with my
4 son run a business, Perman Funeral right down here on
5 Saxonburg Boulevard. So I'm a little bit aware of how
6 businesses should run. I certainly do not have degrees in
7 that type of expertise, but I'm impressed by it.

8 You have to recognize when you're in business,
9 the need for improvement is ongoing. This is the real world.
10 There are ongoing improvements. So why wouldn't you have
11 increased your rates at one percent perhaps 18 years ago and
12 maybe a year after that one percent?

13 This is almost -- you people are doing the same
14 thing that Harrisburg did to us last summer. You have to
15 anticipate needs. You have to anticipate the needs of your
16 energy. You have to anticipate the needs of the people who
17 work for you, and you obviously haven't done it if you have
18 not raised your rates in 18 or 19 years.

19 You have to put money into improvement plans.
20 Have you been short-sighted to the expenses at our expense, at
21 consumers' expense? Are you short-sighted to the needs?

22 You have made and continue to make, according to
23 my information off of the Internet, that wonderful
24 machinery -- you give school grants. School grants. North
25 Allegheny back in April, North Allegheny High School, you gave

1 them a grant for their rowing team. You gave a grant to
2 Canevin High School for their soccer team.

3 I can't find out how much money that you have
4 given these people. I have no idea. They wouldn't let me
5 into the program to find out. Meanwhile, you're turning off
6 electricity of poor people. How can you do that? And you are
7 supporting rowing teams and soccer teams and turning on lights
8 in Forest Hills, not unless it's protection, but Forest Hills
9 pays tax for protection.

10 I don't understand that, and I listened to some
11 of these people who talked about turning off poor peoples'
12 electricity, and you are supporting high schools and giving
13 them grants. I don't know how much money you're talking
14 about. Maybe you can answer that question.

15 If this was such, a possibly money-losing
16 endeavor -- and I'm talking about Duquesne Light -- why is
17 this big corporation buying you out? I think the last
18 gentleman just announced to us that they're not going to be
19 buying a losing company. No, they're not. But you have got
20 to think of us as the consumers.

21 If you're going to give money away, which I
22 think that you should, because we are, ladies and gentlemen,
23 our brothers' keepers no matter what you say. We are. You
24 give it to the poor and the least among us. Thank you.

25 (Applause.)

1 JUDGE GESOFF: Roger Lyle. I'm going to swear
2 you in, sir.

3 Whereupon,

4 ROGER LYLE,

5 having been duly sworn, testified as follows:

6 DIRECT TESTIMONY

6 JUDGE GESOFF: I wanted to put that on the mic
7 because you have seen me do it, but you have no idea what I'm
8 saying. It's not anything. It's just the normal oath. Okay.
9 Mr. Lyle, your address, your name, and spell it for the court
10 reporter, the fact that you're retired.

11 MR. LYLE: I'm Roger Lyle, L-y-l-e. 1001 and a
12 half Geyer Road, Pittsburgh 15209. I am just an average
13 person. I recently retired, and I'm finding out what it's
14 like to live on a fixed income. Wow.

15 As you may know, as everyone may know,
16 Pennsylvania is one of the highest group of people that are
17 retired, the highest states in the country of retired people
18 living on fixed incomes.

19 As you may know, people are struggling to pay
20 their present bills on a fixed income. I came here today. I
21 prepared a little kind of speech. This is just going to be a
22 little quick thing here.

23 A 20 percent increase on my part and a lot of
24 people who retired is going to be quite a burden, quite a
25 burden. I've got the lower income. I can't afford to pay 20

1 percent more for my electricity, and so can't a lot of other
2 people.

3 I think Duquesne Light should be considering
4 conserving their forces, running their business better, and
5 making it easier for us retired people instead of putting
6 additional burden. Let me find my notes here. Yes. That's
7 basically all I have to say. I think they should -- a 20
8 percent increase is an awful lot to ask us retired people to
9 take care of. Thank you.

10 (Applause.)

11 JUDGE GESOFF: Tim Sullivan.

12 Whereupon,

13 TIMOTHY SULLIVAN,
14 having been duly sworn, testified as follows:

15 DIRECT TESTIMONY
16 JUDGE GESOFF: State your name, spell it, your
17 address, and your employment.

18 MR. SULLIVAN: My name is Timothy Sullivan,
19 S-u-l-l-i-v-a-n. I live at 414 Stratton, S-t-r-a-t-t-o-n.

20 JUDGE GESOFF: Right up to your chin.

21 MR. SULLIVAN: Stratton Lane, Pittsburgh, PA
22 15206. I have been writing a check to Duquesne Light every
23 month since about 1963 or '64 when I left home.

24 UNIDENTIFIED SPEAKER: Under chin.

25 MR. SULLIVAN: Is that good now?

UNIDENTIFIED SPEAKER: Yeah. Now you can hear.

1 MR. SULLIVAN: In 1963 or 1964. I have been
2 generally satisfied with their service, but I'm becoming
3 concerned about something. I'm a teacher. I teach in the
4 Pittsburgh Public Schools.

5 When I started teaching, I was handed at the
6 beginning of every year a tongue depressor with a whole lot of
7 tape wrapped around one end of it and a list of kids in the
8 room who might have epileptic seizures. We had instructions
9 about how to take care of that. I haven't seen one of those
10 in years. Now I get a list with sometimes 30 and 40 names on
11 it of kids who have asthma and who are allowed to use
12 inhalers.

13 Much of that asthma is coming from two sources;
14 first of all, the tires that we're using because as they wear
15 out, they wear out in such a way that they send out almost
16 microscopic pieces of material that get into kids' lungs. And
17 a lot of it comes from coal-fired power plants.

18 In addition, I have a brother-in-law who loves
19 to fish.

20 JUDGE GESOFF: Keep it under your chin.

21 MR. SULLIVAN: I have often said to him I think
22 he would rather fish than make love. I don't know if that's
23 true or not, but he lives on the Delaware River. He cannot
24 fish in the Delaware anymore for many years now. He hasn't
25 been able to eat the fish that came out of the Delaware

1 because they're full of mercury. Where does the mercury come
2 from? Coal-fired power plants.

3 Ms. Sage and Ms. Boykowycz both said that they
4 wanted Duquesne Light to become involved in a program of
5 looking for and using sustainable energy, something other than
6 coal and oil, something other than fossil fuels.

7 If for no other reason than the fact that
8 children have asthma, they should become involved in that, and
9 this rate increase, some of it should go towards those
10 programs.

11 Last but not least, everybody in here, you say
12 9/11, everybody knows what you mean. Right? If you go
13 back -- and I think many of you will remember as I do when it
14 was going to be the Russians. Do you remember? They were
15 going to come and get us.

16 We did something with our defense system then
17 that involved dispersing all of our intercontinental ballistic
18 missiles, putting them in silos in the middle of corn fields
19 in Kansas and places like that. We put them in places where
20 they would be dispersed and one shot wouldn't get them all.

21 What about our power facilities? How tough
22 would it be for one knowledgeable sabotage expert or one
23 terrorist to get into that electric grid that we all hear
24 about that blew up once? Remember? About five six years ago,
25 New York and the whole East Coast had no electricity for a

1 couple days. Blow five or six different points on that,
2 nobody has any electricity.

3 UNIDENTIFIED SPEAKER: I can't hear you.

4 MR. SULLIVAN: No matter how much we're willing
5 to pay for it, nobody has any electricity. If we begin to use
6 sustainable energy, we can site our power plants, our
7 production facilities in small places all around, say,
8 Allegheny County, instead of in three or four huge plants that
9 again could be taken out by one terrorist with one bomb.
10 Thank you.

11 JUDGE GESOFF: Is there anyone else that wishes
12 to testify?

13 MR. FAGAN: Me.

14 JUDGE GESOFF: Come on up, sir.
15 Whereupon,

16 JOHN FAGAN,
17 having been duly sworn, testified as follows:

18 DIRECT TESTIMONY
19 JUDGE GESOFF: State your name, spell it, your
20 address, your employment.

21 MR. FAGAN: My name is John Fagan, F-a-g-a-n. I
22 live at 104 Illinois Drive, Glenshaw. I'm also a member of
23 the Shaler Villa Volunteer Fire Company, and I'm also a member
24 of the Shaler Township Fire Police.

25 I would like to thank Duquesne Light for the
speed and for the quality of workmanship when they come out to

1 distressed areas, like when trees fall on the wires and short
2 out the transformers and there's fires and everything. They
3 are very, very good at this.

4 But having said that, I would like to ask each
5 and every one of you a question, including the members of the
6 PUC board and the Judge. How many of you -- and I would like
7 to see a show of hands. How many of you have ever received a
8 20 percent increase in your salary, wages, or Social Security?
9 I see one. One out of what? We have a hundred people here?
10 That's all I would like to say. Thank you.

11 (Applause.)

12 Whereupon,

13 ELIZABETH RILEY,

14 having been duly sworn, testified as follows:

15 DIRECT TESTIMONY

16 JUDGE GESOFF: State your name, spell it when
17 you get on here.

18 MS. RILEY: I am Elizabeth Riley. That's
19 R-i-l-e-y. I live at 300 Verna Drive, which is off of
20 Hillwood and also Wible Run.

21 I had a little problem with Duquesne Light. We
22 in the area on Verna Drive and Hillwood experienced many, many
23 power surges, not just power outages. We get those too. But
24 power surges, like they blow your electric panel in your
25 house. If you're in the shower, they might knock you out of
the shower.

1 A few years ago we were in our house. It was
2 January. There was a windstorm. We came home from work. We
3 were sitting down at the table to eat our dinner, and a little
4 power surge came along which blew the lightbulbs out of every
5 fixture in my house, and I had fire coming from the chandelier
6 over the kitchen table. It also destroyed every appliance in
7 my house.

8 I immediately contacted Duquesne Light, and I
9 was told no problem. No problem. Boy, got a new house here,
10 got all new appliances. Just contact them, send them the
11 bills. I did.

12 They in turn told me that that was an act of
13 God; they were not responsible. My homeowner's insurance did
14 not pay for anything. Huh-oh. Well, time to call in the
15 family attorney again. We wound up suing Duquesne Light. We
16 sued Duquesne Light.

17 They in turn sent me a two-page document which
18 had to be filled out. Along with that document, they asked
19 questions A in the front very clearly, turned around and B in
20 the back and confused them, and C I had to produce every
21 receipt of everything that I was claiming.

22 Most people don't have these things. I,
23 unfortunately for Duquesne Light, did. After quite a few
24 months they did reimburse us partially, not completely, for
25 every destroyed appliance. And I'm talking televisions,

1 radios, dryers, washers, microwave, everything in your house.
2 If it has a transistor, a resister, whatever, it was gone.

3 Now, why did that happen? Because the wires --
4 our electric came off of Wible Run Road. The wires on Wible
5 Run Road were so old that in the windstorm, that caused this
6 terrific power surge.

7 There were people on Hillwood Road later that
8 had another terrible power surge. Now, where theirs comes
9 from, I'm not exactly sure. It may be off Soose Road. The
10 point being is I oppose any kind of raise until we are sure
11 that all of these old wires which they have not kept up are
12 replaced so that we may not get these things again, and power
13 surges in that area and outages are quite common.

14 And the other thing is when we call Duquesne
15 Light to see what the problem is, we get a press 1, press 2,
16 and maybe, maybe you might get an answer as to what the
17 problem is and how long you will be without power.

18 Now, about three or four years ago, we were
19 without power for a long time. And if you had a freezer, bye,
20 it's gone. Food's gone. Freezer might be gone too depending
21 on the age and how it was made. So if you don't mind, please
22 do not raise the rates until all of these little problems are
23 corrected. Thank you.

24 (Applause.)

25 JUDGE GESOFF: Okay. I want to thank

1 Representative Flaherty for being responsible I think in large
2 part for having the public input hearing here and for getting
3 you all to appear and give some very good pertinent testimony.

4 I want to assure you that the issues that you
5 have raised today are the very issues that are being examined
6 in great detail, more than I could ever explain to you during
7 this proceeding where we'll have reams of paper, dozens of
8 witnesses, and a lot of time for cross-examination.

9 The amount of paperwork that has flowed back and
10 forth between parties in advance of the hearing is probably
11 much greater than the amount of paperwork that's actually
12 going to be in the record.

13 There's a whole proceeding called discovery
14 where they find out what's going on ahead of time, all of
15 which reduces the issues, crystallizes the issues and reduces
16 hearing time. So thank you very much for your input this
17 morning. We're in recess now, and we'll be at Castle Shannon
18 at 2 o'clock. Thank you all very much.

19 (Whereupon, at 11:45 a.m., the hearing was
20 adjourned.)

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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
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