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December 3, 2013

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DEC - 3 2013

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

PA PUBLIC UTILIT: COMMISSION
SECRETARY'S BUREAU

Re: Proposed Rulemaking Order Re: Review of Long-Term
Infrastructure Improvement Plan
Docket No. L-2012-2317274

Dear Secretary Chiavetta:

Enclosed for filing is Duquesne Light Company Comments on the above referenced
Proposed Rulemaking Order.

Sincerely,

Vernon J. Edwards
Manager, Regulatory Affairs

Enclosures

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PA PUBLIC UTILITY COMMISSIC
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

3032

Re: Proposed Rulemaking: Review of
Long-Term Infrastructure Improvement Plan

Docket No. L-2012-2317274

COMMENTS OF
DUQUESNE LIGHT COMPANY

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The Pennsylvania Public Utility Commission ("Commission"), through its Proposed Policy Statement Order adopted September 26, 2013 and published in the Pennsylvania Bulletin on October 19, 2013 at Docket No. L-2012-2317274, seeks comments on a proposed Rulemaking which addresses Review of Long-Term Infrastructure Improvement Plan.

Duquesne Light Company ("Duquesne Light") has reviewed the comments filed by the Energy Association of Pennsylvania ("EAP") in this proceeding and fully supports those comments.

Duquesne Light appreciates the opportunity to offer its specific comments on this matter, as set forth below.

Background

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 ("Act 11"), which, inter alia, authorizes water and wastewater utilities, electric distribution

companies ("EDCs"), and natural gas distribution companies ("NGDCs") or a city natural gas distribution operation to petition for a distribution system improvement charge ("DSIC").¹

The DSIC is a ratemaking mechanism that allows for the recovery of prudently incurred costs related to the repair, improvement and replacement of eligible utility infrastructure through a surcharge that is subject to reconciliation, audit and other consumer protections.

A precondition to obtaining approval of a DSIC is the filing and approval of a Long-Term Infrastructure Improvement Plan ("LTIIIP").² The purpose of a LTIIIP is to ensure that utilities are planning and executing capital expenditures that will maintain and improve the efficiency, safety, adequacy and reliability of existing distribution infrastructure at a faster pace than they have done historically.

On May 11, 2012, the Commission entered a Tentative Implementation Order at Docket No. M-2012-2293611 that proposed procedures and guidelines necessary to implement Act 11, including the elements of and standards for approval of a LTIIIP, the ability to use previously approved plans, and the subsequent periodic review parameters of the LTIIIP.

At its August 2, 2012 Public Meeting, the Commission adopted a Final Implementation Order. Specifically, the Final Implementation Order, inter alia, set forth the elements a LTIIIP must contain and outlined the procedures and process for the filing and review of LTIIIPs. Accordingly, the proposed rulemaking incorporates many of the aspects already

¹ 66 Pa.C.S. § 1353.

² 66 Pa.C.S. §§ 1352 and 1353(b)(3).

discussed in the Final Implementation Order. On March 14, 2013, the Commission adopted a proposed rulemaking order which sets forth regulations for filing a LTIIP to ensure that utilities are planning and executing expenditures that will maintain and improve safety, adequacy and reliability of existing distribution infrastructure.

Proposed Regulations

§ 121.2. Definitions

Within the proposed definitions in § 121.2, four (4) circumstances are laid out which constitute a major modification. Duquesne Light respectfully suggests that if it is the intent of the regulations that any one of the circumstances would trigger a major modification, the addition of "or" should be included between subsection (3) and (4). Furthermore, the Company recommends the elimination of the fourth circumstance, (iv) "Otherwise reflects a substantial change to the current Commission-approved LTIIP." If it is to remain in the definition of *major modification*, Duquesne Light respectfully suggests that an additional definition of "substantial change" may be required.

§ 121.4. Filing and Commission Review Procedures

The Commission's Final Implementation Order set forth two key components of a LTTIP. The LTIIP should reflect acceleration of infrastructure over the utility's historic level of capital improvement and that the plan is designed to maintain safe, adequate and reliable service to consumers. In § 121.4 Filing and Commission review procedures, Duquesne Light agrees that the Commission's determination of whether a LTIIP accelerates or maintains an accelerated rate of infrastructure replacement should remain flexible. That is, while utilities with Commission-approved LTIIPs set forth

varying methods of "acceleration" in their filings, all utilities still effectively demonstrated this key element.

The Company respectfully requests the Commission consider revising the language in § 121.4(e)(1) to read "Accelerates or maintains an accelerated rate of infrastructure repair, improvement, or replacement." Duquesne Light believes that not limiting the requirement to "replacement" alone is more consistent with the language proposed in the Final Implementation Order.

Lastly, Duquesne Light believes the draft regulations do not address how previously approved DSIC charges would be treated while awaiting the Commission's actions to approve a refiled LTIIP. Duquesne Light respectfully suggests that charges for an approved DSIC can continue to charge to the DSIC if the new LTIIP is not acted on by the Commission within 120 days. Duquesne Light suggests the Commission add language stating "DSIC charges currently in effect pursuant to a previously approved LTIIP may continue to be charged if the Commission does not approve the new LTIIP within the 120 days or rejects the new LTIIP."

§ 121.6. AAO plan filings

Duquesne Light is concerned with the language contained within § 121.6(d). Specifically, the Company respectfully suggests that the following sentence be removed: "If the Commission determines that a major modification to the LTIIP is necessary to maintain and improve the safety, adequacy, and reliability of its existing *distribution infrastructure*, the Commission will direct the utility to file a petition for modification as outlined in § 121.5(a)."

Duquesne Light believes that § 121.6(d) pertains to the Commission's review of an AAO plan in order to determine whether the utility adhered to its approved LTIP. Only if the Commission determines that the utility did not adhere to its approved LTIP, then the Commission could request the utility to file a petition for a major modification as outlined in § 121.5(a). This would allow the utility to determine if modifications are necessary to maintain and improve the safety, adequacy and reliability of its system moving forward. The Commission may not have sufficient information to make the determination that an additional major modification is necessary to ensure reliable service. But, the Commission would be in the position to determine whether the utility adhered to its plan.

§ 121.7. Periodic Review of a LTIP

This section states that a periodic review will be conducted every five years or more frequently if deemed necessary, and, upon such review, the utility may have to revise or update its LTIP. As with the comments proffered above pertaining to § 121.6, Duquesne Light is concerned that the Commission may not have sufficient information to make the determination that "changes to the LTIP are necessary to maintain and improve the efficiency, safety, adequacy and reliability of [the utility's] existing distribution infrastructure." The Company respectfully asks the Commission to consider the removal of the language contained within § 121.7(b)(2) and instead, limit the review to a determination of whether the utility adhered to its plan.

Conclusion

Duquesne Light generally supports the regulations contained within the proposed rulemaking. The Company believes that the DSIC and its preconditioned LTIP

provides utilities with a mechanism to accelerate capital expenditures to replace, repair, or rehabilitate distribution system infrastructure. Duquesne Light appreciates the opportunity to offer specific comments for the Commission's consideration on the Proposed Rulemaking, as contained herein.

Respectfully Submitted,

Duquesne Light Company

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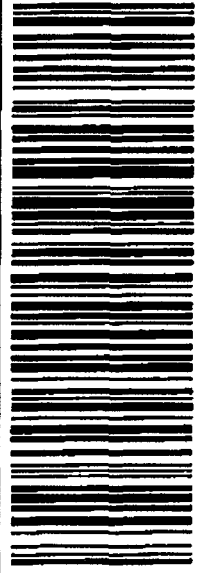

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