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File #: 163980

August 25, 2016

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of Duquesne Light Company for Approval of a Distribution System Improvement Charge - Docket No. P-2016-2540046

Dear Secretary Chiavetta:

On May 26, 2016, Duquesne Light Company (“Duquesne Light” or the “Company”) filed its Petition for Approval of a Distribution System Improvement Charge (“DSIC”) in the above-referenced proceeding. Therein, Duquesne Light proposed an initial DSIC effective date of October 1, 2016, reflecting eligible plant that is placed in service on or after July 1, 2016. See, e.g., Petition, p. 5. If the DSIC is approved with an effective date of October 1, 2016, Duquesne Light should have stated in the Petition, Testimony and Exhibits that the initial DSIC will reflect eligible plant that is placed in service in June, July and August 2016. See Petition, p. 5; Duquesne Light St. No. 3, pp. 4, 9; and Duquesne Light Exhibits DBO-1 – DBO-3.

Duquesne Light is including a Revised Exhibit DBO-3 with this letter, which provides an estimate of the initial DSIC. In the Revised Exhibit DBO-3, the initial DSIC is estimated to be 0.55%. Duquesne Light proposes to modify its proposed DSIC tariff to accommodate the revisions discussed herein in its compliance filing.

Rosemary Chiavetta, Secretary
August 25, 2016
Page 2

Please direct any questions regarding this matter to the undersigned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Anthony D. Kanagy". The signature is written in a cursive style with a large initial "A".

Anthony D. Kanagy

ADK/skr
Enclosure

cc: Certificate of Service
Richard Layton (*via e-mail*)

AMENDED EXHIBIT DBO-3

Duquesne Light Company

Schedule 1 - Computation of Cumulative Proposed DSIC

Illustrative Example - Initial Application Period - October 1, 2016 through December 31, 2016

Line No.	Distribution System Improvement Charge	Total
1	Applicable Plant	20,776,499
	Less:	
2	Accumulated Depreciation	86,569
3	Retirements	-
4	DSI = Distribution System Improvement Projects net of accumulated depreciation and retirements	20,689,931
5	Pre-tax return rate applicable to DSIC-eligible property (PTRR)	2.78%
6	Pre-Tax Return	574,693
7	Dep = Depreciation Expense	86,569
8	Net Amount to be Recovered (w/o GRT)	661,262
9	Net Amount to be Recovered (w/ GRT)	702,723
10	PQR = Projected Quarterly Distribution Revenue	126,962,474
11	DSIC = Distribution System Improvement Rider Rate % of Billed Distribution Revenues (w/ GRT)	0.55%

Note 1:

1/(1-T) = (T = 5.9% Gross Receipts Tax)

Duquesne Light Company

Schedule 2 - Computation of Cumulative Propose DSIC by Month
 Illustrative Example - Initial Application Period - October 1, 2016 through December 31, 2016

Line No.	(A) Jun-16	(B) Jul-16	(C) Aug-16	(D) Sep-16	(E) Oct-16	(F) Nov-16	(G) Dec-16
1	\$ 6,925,500	\$ 6,925,500	\$ 6,925,500	\$ -	\$ -	\$ -	\$ -
2	6,925,500	13,851,000	20,776,499	-	-	-	-
3	14,428	43,284	86,569	-	-	-	-
4							
DSI = Distribution System Improvement Projects							
5	\$ 6,911,072	\$ 13,807,715	\$ 20,689,931	\$ -	\$ -	\$ -	\$ -
6	14,428	28,856	43,284	-	-	-	-
7			\$ 43,005,065	\$ 40,659,575	\$ 40,719,144	\$ 40,719,144	\$ 45,583,754

Line 2 - Line 3 + Line 4

Duquesne Light Company

Schedule 3 - Computation of Cumulative Proposed DSIC Pre-Tax Rate of Return
 Illustrative Example - Initial Application Period - October 1, 2016 through December 31, 2016

Line No.	(A) Description	(B) Capitalized Ratio (1)	(C) Embedded Cost	(D) Rate of Return	(E) Tax Multiplier (3)	(F) Pre-Tax Rate of Return (PTRR)
1	Long-Term Debt	46.81%	4.83% (1)	2.26%	-	2.26%
2	Preferred	1.49%	4.09% (1)	0.06%	1.70921	0.10%
3	Common Equity (2)	51.70%	9.90% (2)	5.12%	1.70921	8.75%
4	Total	<u>100.00%</u>		<u>7.44%</u>		<u>11.11%</u>
5					Annual PTRR / 4 Quarters =	2.78%

(1) From the Company's Year End 2015 Earnings Report.

(2) Cost of common equity reflects the published Market Based Returns on Common Equity in the Q3 2015 Quarterly Earnings Report Summary, Docket No. M-2016-2522717

(3) The tax multiplier is calculated as follows: $1 / [(1 - \text{Pa. Tax Rate}) \times (1 - \text{Fed. Tax Rate})]$ where the Pa. tax rate is 9.99% and the Fed. Tax rate is 35%
 $1 / [(1 - 9.99\%) \times (1 - 35\%)] = 1.709211797$

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

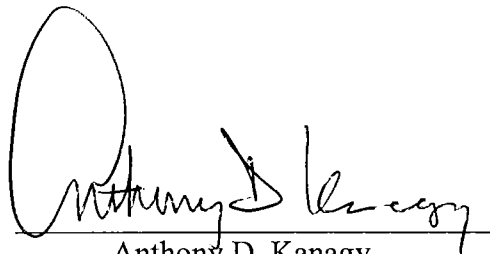
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Theodore S. Robinson, Esquire
Citizen Power Inc.
2121 Murray Avenue
Pittsburgh, PA 15217
Counsel for Citizen Power

Date: August 25, 2016


Anthony D. Kanagy