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**Adrienne D. Kurtanich**  
Counsel

September 20, 2016

RECEIVED

SEP 20 2016

**VIA OVERNIGHT MAIL**

Ms. Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2nd Floor  
400 North Street  
Harrisburg, PA 17120

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

P-2016-2540046

**Re: Duquesne Light Company – Rider No. 22 Distribution System Improvement Charge (“DSIC”)  
Supplement No. 141 to Tariff Electric – PA. P.U.C. No. 24**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Duquesne Light Company (“Duquesne Light” or “Company”) please find an original copy of Supplement No. 141 to Tariff Electric – PA P.U.C. No. 24 issued on September 20, 2016 upon ten days of notice to become effective on October 1, 2016 in compliance with Pennsylvania Public Utility Commission Order on September 15, 2016 (“September 15 Order”) at Docket No. P-2016-2540046. Also enclosed is a redlined copy of Supplement No. 141 in comparison to Exhibit No. DBO-1 from testimony provided in the above mentioned proceeding. Supplement No. 141 proposes to implement the Company’s Rider No. 22 Distribution System Improvement Charge (“DSIC”).

Additionally, the September 15 Order required the Company to provide an estimate of the anticipated number of new jobs added for the specific replacement projects within the revised DSIC tariff. Duquesne Light currently estimates that the necessary increases to current staffing for the specific replacement projects, measured in full time equivalents (“FTE”), to be as follows: 23 FTEs in 2017, 85 FTEs in 2018, 108 FTEs in 2019, 23 FTEs in 2020, 12 FTEs in 2021, and 19 FTEs in 2022. Please note that the annual estimates of the additional FTEs are cumulative with 23 FTEs added in 2017, 63 FTEs added in 2018, and 22 added in 2019, with a subsequent decline thereafter. The addition of FTEs corresponds to the DSIC spend with a peak in the maximum number of additional FTEs in 2019.

Should you have any questions, please feel free to contact me.

Respectfully Submitted,

Adrienne D. Kurtanich  
Counsel, Regulatory

Enclosures  
cc: Certificate of Service



# SCHEDULE OF RATES

For Electric Service in Allegheny and Beaver Counties

(For List of Communities Served, see Pages No. 4 and 5)

Issued By

**DUQUESNE LIGHT COMPANY**  
411 Seventh Avenue  
Pittsburgh, PA 15219

**Richard Riazzi**  
President and Chief Executive Officer

**RECEIVED**

SEP 20 2016

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

ISSUED: September 20, 2016

EFFECTIVE: October 1, 2016

Issued in compliance with Commission Order entered September 15, 2016,  
at Docket No.P-2016-2540046.

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## NOTICE

**THIS TARIFF SUPPLEMENT ADDS RIDER NO. 22 – DISTRIBUTION SYSTEM  
IMPROVEMENT CHARGE (“DSIC”) TO TARIFF NO. 24**

**See Page Two**

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LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGE

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**Thirty-Second Revised Page No. 3  
Cancelling Thirty-First Revised Page No. 3**

Original Page No. 112B, Original Page No. 112C, Original Page No. 112D and Original Page No. 112E have been added to retail Tariff No. 24 and, therefore, to the Table of Contents.

Rider No. 22 - Distribution System Improvement Charge ("DSIC") has been added to retail Tariff No. 24 and, therefore, to the Table of Contents.

**Rider Matrix**

**Sixth Revised Page No. 79A  
Cancelling Fifth Revised Page No. 79A**

Rider No. 22 - Distribution System Improvement Charge ("DSIC") has been added to retail Tariff No. 24 and, therefore, to the Rider Matrix.

**Rider No. 22 – Distribution System Improvement  
Charge ("DSIC")**

**Original Page No. 112B  
Original Page No. 112C  
Original Page No. 112D  
Original Page No. 112E**

In Compliance with the Commission's Order entered September 15, 2016, at Docket No. P-2016-2540046, Rider No. 22 – Distribution System Improvement Charge ("DSIC") has been added to retail Tariff No. 24 to recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems. The DSIC is applicable to all rate classes.

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(C) – Indicates Change

**STANDARD CONTRACT RIDERS – (Continued)**

**RIDER MATRIX**

	RS	RH	RA	GS/GM	GMH	GL	GLH	L	HVPS	AL	SE	SM	SH	UMS	PAL
Rider No. 1	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 2				X	X	X	X								
Rider No. 3				X	X	X	X	X							
Rider No. 4				X	X	X	X								
Rider No. 5	X	X	X												
Rider No. 6				X											
Rider No. 7	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 8	X	X	X	X	X					X	X	X	X	X	X
Rider No. 9						X	X	X	X						
Rider No. 10	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 11				X		X									
Rider No. 12				X	X										
Rider No. 13				X											
Rider No. 14	X														
Rider No. 15															
Rider No. 15A	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 16				X	X	X	X	X							
Rider No. 17						X	X	X	X						
Rider No. 18	X	X	X	X	X	X	X								
Rider No. 19															
Rider No. 20	X	X	X	X	X	X	X	X	X	X					
Rider No. 21	X	X	X	X	X	X									
Rider No. 22	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Appendix A	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

(C)

Rider Titles:

- Rider No. 1 — Retail Market Enhancement Surcharge
- Rider No. 2 — Untransformed Service
- Rider No. 3 — School and Government Service Discount Period
- Rider No. 4 — Budget Billing HUD Finance Multi-Family Housing
- Rider No. 5 — Universal Service Charge
- Rider No. 6 — Temporary Service
- Rider No. 7 — SECA Charge
- Rider No. 8 — Default Service Supply
- Rider No. 9 — Day-Ahead Hourly Price Service
- Rider No. 10 — State Tax Adjustment
- Rider No. 11 — Street Railway Service
- Rider No. 12 — Billing Option – Volunteer Fire Companies and Nonprofit Senior Citizen Centers
- Rider No. 13 — General Service Separately Metered Electric Space Heating Service
- Rider No. 14 — Residential Service Separately Metered Electric Space and Water Heating
- Rider No. 15 — Intentionally Left Blank
- Rider No. 15A — Phase III Energy Efficiency and Conservation Surcharge
- Rider No. 16 — Service to Non-Utility Generating Facilities
- Rider No. 17 — Emergency Energy Conservation
- Rider No. 18 — Rates for Purchase of Electric Energy from Customer-Owned Renewable Resources Generating Facilities
- Rider No. 19 — Intentionally Left Blank
- Rider No. 20 — Smart Meter Charge
- Rider No. 21 — Net Metering Service
- Rider No. 22 — Distribution System Improvement Charge ("DSIC")
- Appendix A — Transmission Service Charges

(C)

(C) – Indicates Change

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**STANDARD CONTRACT RIDERS - (Continued)**

(C)

**RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE****(Applicable to All Rates)**

In addition to the net charges provided for in this Tariff, a charge of 0.28% (zero point two eight percent) will apply consistent with the Commission Order entered September 15, 2016, at Docket No. P-2016-2540046 approving the Distribution System Improvement Charge ("DSIC").

**GENERAL DESCRIPTION****PURPOSE**

To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

**ELIGIBLE PROPERTY**

The DSIC-eligible property will consist of the following:

- Poles and towers (account 364);
- Overhead conductors (account 365) and underground conduit and conductors (accounts 366 and 367);
- Line transformers (account 368) and substation equipment (account 362);
- Any fixture or device related to eligible property listed above including insulators, circuit breakers, fuses, reclosers, grounding wires, cross arms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

**EFFECTIVE DATE**

The DSIC will become effective October 1, 2016.

STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – (Continued)

(Applicable to All Rates)

COMPUTATION OF THE DSIC

CALCULATION

The initial DSIC, effective October 1, 2016, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service between June 1, 2016, and August 31, 2016. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	Date to which DSIC-Eligible Plant Additions Reflected
January 1	September 1 through November 30
April 1	December 1 through February 28 or 29
July 1	March 1 through May 31
October 1	June 1 through August 31

DETERMINATION OF FIXED COSTS

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

1. **Depreciation:** The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.
2. **Pre-tax return:** The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Utility's last fully litigated base rate proceeding for which a Final Order was entered not more than two (2) years prior to the effective date of the DSIC. If more than two (2) years shall have elapsed between the entry of such a Final Order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

APPLICATION OF DSIC

The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for the State Tax Adjustment Surcharge (STAS).

(C) – Indicates Change

## STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – (Continued)

(Applicable to All Rates)

## COMPUTATION OF THE DSIC – (Continued)

## APPLICATION OF DSIC – (Continued)

The DSIC shall be applied on a bills rendered basis at the effective date of each change.

To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

## FORMULA

The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{((\text{DSI} * \text{PTRR}) + \text{Dep} + e) * (1 / (1 - T))}{\text{PQR}}$$

## WHERE:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC-eligible property.

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be acquired or lost by the beginning of the applicable service period.

Revenue shall be based upon the summation of projected revenues for the applicable three-month period.

T = Pennsylvania Gross Receipts Tax ("GRT") rate in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the DSIC. DSIC charges shall not be a part of the monthly rate schedule minimum nor be subject to any credits or discounts.

The State Tax Adjustment Surcharge ("STAS") included in this Tariff is applied to charges under the DSIC.

(C) – Indicates Change

ISSUED: SEPTEMBER 20, 2016

EFFECTIVE: OCTOBER 1, 2016



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**STANDARD CONTRACT RIDERS - (Continued)**

(C)

**RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – (Continued)**

(Applicable to All Rates)

**QUARTERLY UPDATES**

Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Commission's Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

**CUSTOMER SAFEGUARDS**

1. **CAP** The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.
2. **AUDIT / RECONCILIATION** The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, et seq., shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307 (e), over a one-year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.) and will be refunded in the same manner as an over-collection.
3. **NEW BASE RATES** The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
4. **CUSTOMER NOTICE** Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.
5. **ALL CUSTOMER CLASSES** The DSIC shall be applied equally to all customer classes.
6. **EARNINGS REPORTS** The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Reports show that the Utility would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section.

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**(C) – Indicates Change**

ISSUED: SEPTEMBER 20, 2016

EFFECTIVE: OCTOBER 1, 2016

SUPPLEMENT NO. XXX141  
TO ELECTRIC – PA. P.U.C. NO. 24



# SCHEDULE OF RATES

For Electric Service in Allegheny and Beaver Counties

(For List of Communities Served, see Pages No. 4 and 5)

Issued By

**DUQUESNE LIGHT COMPANY**

411 Seventh Avenue  
Pittsburgh, PA 15219

**Richard Riazzi**  
President and Chief Executive Officer

ISSUED: September 20, 2016

EFFECTIVE: October 1, 2016

Issued in compliance with Commission Order entered September 15, 2016,  
at Docket No. P-2016-2540046.

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# NOTICE

**THIS TARIFF SUPPLEMENT ADDS RIDER NO. 22 – DISTRIBUTION SYSTEM  
IMPROVEMENT CHARGE (“DSIC”) TO TARIFF NO. 24**

**See Page Two**

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**Sixth Revised Page No. 79A  
Cancelling Fifth Revised Page No. 79A**

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(C)

(C) – Indicates Change

**STANDARD CONTRACT RIDERS – (Continued)**

**RIDER MATRIX**

	R S	R H	R A	GS/GM	GMH	G L	GL H	L	HVP S	AL	S E	SM	S H	UMS	PA L
Rider No. 1	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 2				X	X	X	X								
Rider No. 3				X	X	X	X	X							
Rider No. 4				X	X	X	X								
Rider No. 5	X	X	X												
Rider No. 6				X											
Rider No. 7	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 8	X	X	X	X	X					X	X	X	X	X	X
Rider No. 9						X	X	X	X						
Rider No. 10	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 11				X		X									
Rider No. 12				X	X										
Rider No. 13				X											
Rider No. 14	X														
Rider No. 15															
Rider No. 15A	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Rider No. 16				X	X	X	X	X							
Rider No. 17						X	X	X	X						
Rider No. 18	X	X	X	X	X	X	X								
Rider No. 19															
Rider No. 20	X	X	X	X	X	X	X	X	X	X					
Rider No. 21	X	X	X	X	X	X									
Rider No. 22	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Appendix A	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

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Rider Titles:

- Rider No. 1 — Retail Market Enhancement Surcharge
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- Rider No. 22 — Distribution System Improvement Charge ("DSIC")
- Appendix A — Transmission Service Charges

(C)

(C) – Indicates Change

## STANDARD CONTRACT RIDERS - (Continued)

(C)

**RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

(Applicable to All Rates)

In addition to the net charges provided for in this Tariff, a charge of 0.28% (zero point two eight percent) will apply consistent with the Commission Order entered September 15, 2016, at Docket No. P-2016-2540046 approving the Distribution System Improvement Charge ("DSIC").

**GENERAL DESCRIPTION****PURPOSE**

To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

**ELIGIBLE PROPERTY**

The DSIC-eligible property will consist of the following:

- Poles and towers (account 364);
- Overhead conductors (account 365) and underground conduit and conductors (accounts 366 and 367);
- Line transformers (account 368) and substation equipment (account 362);
- Any fixture or device related to eligible property listed above including insulators, circuit breakers, fuses, reclosers, grounding wires, cross arms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

**EFFECTIVE DATE**

The DSIC will become effective October 1, 2016.

## STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – (Continued)

(Applicable to All Rates)

## COMPUTATION OF THE DSIC

## CALCULATION

The initial DSIC, effective October 1, 2016, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service between ~~July~~ June 1, 2016, and August 31, 2016. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	Date to which DSIC-Eligible Plant Additions Reflected
January 1	September 1 through November 30
April 1	December 1 through February 28 or 29
July 1	March 1 through May 31
October 1	June 1 through August 31

## DETERMINATION OF FIXED COSTS

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

- Depreciation:** The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.
- Pre-tax return:** The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Utility's last fully litigated base rate proceeding for which a Final Order was entered not more than two (2) years prior to the effective date of the DSIC. If more than two (2) years shall have elapsed between the entry of such a Final Order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

## APPLICATION OF DSIC

The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for the State Tax Adjustment Surcharge (STAS).

(C) – Indicates Change

ISSUED: SEPTEMBER 20, 2016EFFECTIVE: OCTOBER 1, 2016

## STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – (Continued)

(Applicable to All Rates)

## COMPUTATION OF THE DSIC – (Continued)

## APPLICATION OF DSIC – (Continued)

The DSIC shall be applied on a bills rendered basis at the effective date of each change.

To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

## FORMULA

The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{((\text{DSI} * \text{PTRR}) + \text{Dep} + e) * (1 / (1 - T))}{\text{PQR}}$$

## WHERE:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC-eligible property.

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be acquired or lost by the beginning of the applicable service period.

Revenue shall be based upon the summation of projected revenues for the applicable three-month period.

T = Pennsylvania Gross Receipts Tax ("GRT") rate in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the DSIC. DSIC charges shall not be a part of the monthly rate schedule minimum nor be subject to any credits or discounts.

The State Tax Adjustment Surcharge ("STAS") included in this Tariff is applied to charges under the DSIC.

(C) – Indicates Change

ISSUED: SEPTEMBER 20, 2016EFFECTIVE: OCTOBER 1, 2016



## STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – (Continued)

(Applicable to All Rates)

## QUARTERLY UPDATES

Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Commission's Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

## CUSTOMER SAFEGUARDS

1. **CAP** The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.
2. **AUDIT / RECONCILIATION** The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, et seq., shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307 (e), over a one-year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.) and will be refunded in the same manner as an over-collection.
3. **NEW BASE RATES** The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
4. **CUSTOMER NOTICE** Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.
5. **ALL CUSTOMER CLASSES** The DSIC shall be applied equally to all customer classes.
6. **EARNINGS REPORTS** The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Reports show that the Utility would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section.

(C) – Indicates Change

ISSUED: SEPTEMBER 20, 2016EFFECTIVE: OCTOBER 1, 2016

**Duquesne Light Company**  
**Schedule 1 - Computation of Cumulative Distribution System Improvement Charge**  
**October 1, 2016 through December 31, 2016**

<u>Line No.</u>		<u>Total</u>	
1	Applicable Plant	10,987,085	Schedule 2, Line 2, Column C
	Less:		
2	Accumulated Depreciation	32,090	Schedule 2, Line 3, Column C
3	Retirements	-	Schedule 2, Line 4, Column C
	DSI = Distribution System Improvement Projects		
4	Net of Accumulated Depreciation and Retirements	10,954,995	Line 1 - Line 2 - Line 3
	PTRR = Pre-tax return rate applicable to DSIC-eligible property	2.74%	Schedule 3, Line 5, Column F
6	Pre-Tax Return	300,003	Line 4 * Line 5
7	Dep = Depreciation Expense	32,090	Schedule 2, Line 6, Column A through C
8	E = Experienced Net (Over)/Under Collections	-	
9	Net Amount to be Recovered, including (Over)/Under Collections (w/o GRT)	<u>332,093</u>	Line 6 + Line 7 + Line 8
10	Net Amount to be Recovered, including (Over)/Under Collections (w/ GRT)	<u>352,914</u>	Line 9 * Note 1
11	PQR = Projected Quarterly Distribution Revenue	<u>126,962,474</u>	Schedule 2, Line 7, Columns E through G
12	DSIC = Distribution System Improvement Charge Rate % of Billed Distribution Revenues (w/ GRT)	0.28%	Line 10 / Line 11

Note 1:

$1/(1-T) = (T = 5.9\% \text{ Gross Receipts Tax} = \text{GRT})$

Duquesne Light Company  
 Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month  
 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	\$ 2,983,936	\$ 4,023,446	\$ 3,979,703	\$ -	\$ -	\$ -	\$ -	
2	2,983,936	7,007,382	10,987,085	-	-	-	-	
3	3,054	13,370	32,090	-	-	-	-	
4	-	-	-	-	-	-	-	
<hr/>								
5	\$ 2,980,882	\$ 6,994,011	\$ 10,954,995	\$ -	\$ -	\$ -	\$ -	Line 2 - Line 3 + Line 4
6	3,054	10,316	18,719	-	-	-	-	
7				\$ 43,005,065	\$ 40,659,575	\$ 40,719,144	\$ 45,583,754	

**Duquesne Light Company**  
**Schedule 3 - Computation of Cumulative Distribution System Improvement Charge Pre-Tax Rate of Return**  
**October 1, 2016 through December 31, 2016**

(A)	(B)	(C)	(D)	(E)	(F)	
Line No.	Description	Capitalized Ratio (1)	Embedded Cost	Rate of Return	Tax Multiplier (3)	Pre-Tax Rate of Return (PTRR) (1)
1	Long-Term Debt	46.15%	4.79% (1)	2.21%	-	2.21%
2	Preferred	1.47%	4.09% (1)	0.06%	1.70921	0.10%
3	Common Equity (2)	52.38%	9.65% (2)	5.05%	1.70921	8.64%
4	Total	<u>100.00%</u>		<u>7.33%</u>		<u>10.95%</u>
5				Annual PTRR / 4 Quarters =		2.74%

(1) The pre-tax rate of return is calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. See Schedules 4 and 5 for additional detail.

(2) Cost of common equity reflects the published Market Based Returns on Common Equity in the Q1 2016 Quarterly Earnings Report Summary, Docket No. M-2016-2555791.

(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%  
 $1/[(1 - 9.99\%) \times (1 - 35\%)] = 1.709211797$

**Duquesne Light Company**  
**Schedule 4 - Calculation of Capital Structure and Related Ratios**  
**As of August 31, 2016**

<u>Line No.</u>	<u>Total Company Actual Amount Outstanding</u> (1)	<u>Ratios</u> (2)
1	Total Debt (Sch. 5., Col. 1)	\$ 1,034,102,745 46.15%
2	Total Preferred & Preference Stock (Sch. 5., Col. 1)	32,985,500 1.47%
3	<u>Common Equity:</u>	
4	Common stock	-
5	Premium on capital stock	-
6	Other paid in capital	988,426,521
7	Capital stock expense	-
8	Retained earnings	207,566,982
9	Unappropriated undistributed sub earnings	(14,639,879)
10	Accumulated other comp income	(7,760,189)
11	Total Common Equity	<u>1,173,593,435</u> 52.38%
12	Total Capital	<u>\$ 2,240,681,680</u> 100.00%

**Duquesne Light Company**  
**Schedule 5 - Cost of Debt and Preferred Stock as Adjusted**  
**As of August 31, 2016**

Line No	Description	[ 1 ] Amount Outstanding	[ 2 ] Percent to Total	[ 3 ] Effective Interest Rate	[ 4 ] Annual Interest Cost	[ 5 ] Average Weighted Cost Rate
1	1st Mortgage Bond 4.76% due 2/3/42	\$ 200,000,000	18.87%	4.79%	\$ 9,576,068	0.90%
2	1st Mortgage Bond 4.97% due 11/14/43	\$ 160,000,000	15.10%	4.99%	\$ 7,983,302	0.75%
3	1st Mortgage Bond 5.02% due 2/4/44	\$ 45,000,000	4.25%	5.04%	\$ 2,268,091	0.21%
4	1st Mortgage Bond 5.12% due 2/4/54	\$ 85,000,000	8.02%	5.14%	\$ 4,365,558	0.41%
5	1st Mortgage Bond 3.78% due 3/2/45	\$ 100,000,000	9.43%	3.79%	\$ 3,794,882	0.36%
6	1st Mortgage Bond 3.93% due 3/2/55	\$ 200,000,000	18.87%	3.94%	\$ 7,882,291	0.74%
7	1st Mortgage Bond 3.93% due 7/15/45	\$ 160,000,000	15.10%	3.95%	\$ 6,314,049	0.60%
8	Beaver County 1999 Series D	\$ 44,250,000	4.17%	4.57%	\$ 2,022,278	0.19%
9	Beaver County 1999 Series B	\$ 13,700,000	1.29%	4.97%	\$ 680,970	0.06%
10	Beaver County 1999 Series C	\$ 18,000,000	1.70%	4.97%	\$ 894,485	0.08%
11	Ohio Water Development Authority 1999 Series C	\$ 33,955,000	3.20%	4.97%	\$ 1,687,346	0.16%
12	Sub-Total	1,059,905,000	100.00%		47,469,321	4.48%
13	Amortization of loss on reacquired debt	(25,802,255)			2,094,878	
14	Amortization of gain on reacquired debt	-			-	
15	Net Long-Term Debt	<u>\$ 1,034,102,745</u>			<u>\$ 49,564,199</u>	<u>4.79%</u>

Preferred Stock

Line No	Description	Amount Outstanding	Percent to Total	Effective Cost Rate	Annual Cost	Weighted Cost Rate
1	3.75% Preferred Stock	7,400,000	22.43%	3.77%	\$ 279,250	0.85%
2	4.15% Preferred Stock	6,622,500	20.08%	4.17%	275,840	0.84%
3	4.20% Preferred Stock	5,000,000	15.16%	4.23%	211,349	0.64%
4	4.10% Preferred Stock	5,993,000	18.17%	4.12%	247,023	0.75%
5	\$2.10 Preferred Stock	7,970,000	24.16%	4.19%	334,299	1.01%
6	Total Preferred Stock	<u>\$ 32,985,500</u>	<u>100.00%</u>		<u>\$ 1,347,762</u>	<u>4.09%</u>

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. § 1.54 (relating to service by a participant).

**VIA U.S. MAIL**

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
400 North Street, 2nd Floor West  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Citizen Power Inc.  
2121 Murray Avenue  
Pittsburgh, PA 15217

Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Office of Small Business Advocate  
Commerce Tower, Suite 202  
300 North Second Street  
Harrisburg, PA 17101



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Adrienne D. Kurtanich, Esq.  
Duquesne Light Company  
411 Seventh Avenue, 15-7  
Pittsburgh, PA 15219  
Phone: 412-393-1482  
Fax: 412-393-5711  
akurtanich@duqlight.com

Dated: September 20, 2016

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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2. **Fold the printed label at the solid line below.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

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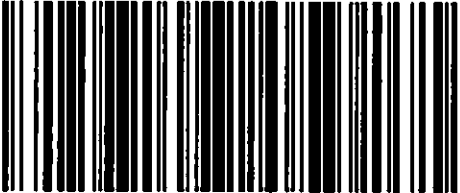
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 PITTSBURGH, PA 15203

UPS Access Point™  
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 237 BROWNSVILLE RD  
 PITTSBURGH, PA 15210

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ADRIENNE KURTANICH, ESQ. 412.393.1482 DUQUESNE LIGHT COMPANY 411 SEVENTH AVENUE PITTSBURGH PA 15219		<b>0.0 LBS LTR</b>	<b>1 OF 1</b>
<b>SHIP TO:</b> ROSEMARY CHIAVETTA, SEC. PA PUBLIC UTILITY COMMISSION COMMONWEALTH KEYSTONE BUILDING 2ND FLOOR, ROOM-N201 400 NORTH STREET <b>HARRISBURG PA 17120-0200</b>			
	<b>PA 171 9-20</b> 		
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Cost Center: 004			
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