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December 16, 2008

BY HAND

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

**RE: Supplement No. 17 to Tariff Electric Pa. P.U.C. No. 24
Docket No. R-_____
Duquesne Light Company
Default Service Plan for the Period January 1, 2008 through December 31, 2010
Docket No. P-00072247**

Dear Secretary McNulty:

Enclosed for filing on behalf of Duquesne Light Company are an original and seven copies of Supplement No. 17 to Tariff Electric Pa PUC No. 24. On December 1, 2008, Duquesne Light Company filed for Commission approval of tariff Supplement No. 16 to its tariff adjusting the POLR supply rates for its customers with monthly metered demand of 25 kW or greater taking service on Rate Schedules GS/GM and GMH. (Customers less than 25kW demand are on fixed price service and are 80% of the customers on these Rate Schedules) The adjustments for the customers above 25kW, which are designed to align the POLR supply rates to market prices for these commercial and industrial customers, are to be made every six months, beginning January 1, 2009 with the final change becoming effective July 1, 2010 as described in tariff Rider No. 20 – Market Price Adjustment Rate Multiplier.

On December 4, 2008, the Office of Small Business Advocate (OSBA) filed a complaint against Supplement No. 16, contending the adjustment of POLR rates to reflect increased capacity costs is not consistent with Rider 20. Duquesne does not agree that its increase is inconsistent with the Rider, but does believe that the Rider can be made clearer since PJM's RPM capacity market has now been implemented.

Duquesne proposed market adjustments in its POLR IV filing on January 25, 2007 for these customers to adjust the POLR supply rates to reflect market prices and maintain and encourage a competitive market in Duquesne's service area. The market adjustment to the supply rates for these Duquesne commercial and industrial POLR customers is meant to adjust rates to market level prices so that customer shopping is not disrupted and customers have competitive choices. Approximately 25% of these customers over 25 kW are indeed shopping with alternative electric generation suppliers ("EGS") at this time. For many of the settling parties in the POLR IV proceeding, it was important that these prices be reset to market every six months to avoid shopping disruption or unfair pricing competition.

Throughout the proceeding, it was also important to many parties that Duquesne redesign the rate structure to be more indicative of the price structure customers see in competitive markets and in offers from EGS's. Parties to the above proceeding agreed with Duquesne's proposal to phase-out supply-related demand charges and declining block energy rates that were not indicative of market pricing, typically a flat price per unit of energy.

At the time of the POLR IV settlement in April 2007, the results of PJM's first and subsequent Reliability Pricing Model ("RPM") capacity auctions were unknown. The capacity market price component at that time was small (\$5 to \$10/MW/day.) The base rate approved by the Pennsylvania Public Utility Commission ("Commission") for these customers of \$70.83/MWh¹ includes, as part of that overall rate, capacity costs. Since capacity prices were a very small portion of the total rate, a market adjustment to the total POLR rates tied to a visible market was appropriate to reflect changes in future energy and capacity prices. The market adjustment procedure proposed by Duquesne and adopted by the Commission, therefore, does, in fact, include an adjustment for capacity, but it is controlled by energy pricing. For example, if energy prices increased by 20%, then the capacity component included in the rates would increase 20%.

The vast disruption that occurred, though, was the implementation of PJM's new RPM capacity model, which has resulted in dramatic increases in capacity despite declining energy prices. The result is a market price adjustment defined in Duquesne's tariff that no longer reflects the conditions of the market or PJM pricing. In order to account for this recent and extreme regulatory change, Duquesne proposes to modify the Market Price Adjustment Rate Multiplier Rider No. 20 of the tariff to separate the two components of capacity and energy that are contained in market base level price of POLR rates. The proposed adjustment to the calculation of the market price adjustment rate multiplier more appropriately adjusts the POLR supply rates to market prices and will ensure the competitive market is not disrupted.

The base capacity component proposed by Duquesne in the market adjustment filed December 1, 2008 is \$40.69/mw/day (the results from the first RPM auction), which is a very conservative amount since it reflects the results of PJM's first RPM capacity auction, which was well above projections of capacity prices at the time of the POLR IV proceeding.

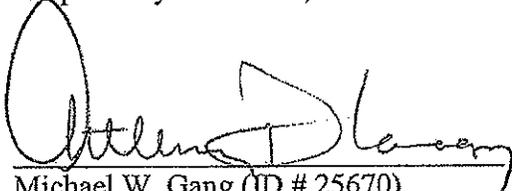
¹ Unadjusted for demand charges.

James J. McNulty
December 16, 2008
Page 3

Accordingly, enclosed for filing and Commission approval is Supplement No. 17 to Duquesne Light Company's Tariff Electric Rider 20 -- Market Price Adjustment Rate Multiplier as clarified to reflect the separate components of capacity and energy. This change to the tariff clarifies and supports the methodology used to calculate the proposed rates filed December 1, 2008.

Pursuant to separate request filed herewith, Duquesne is requesting this tariff modification be implemented on less than 60 days notice, and specifically by **December 29, 2008**, so that the new rates filed December 1, 2008, in Supplement No. 16 to Tariff No. 24, can be implemented January 1, 2009, as required by the Settlement Agreement approved by the PUC. Duquesne does not intend to change any rate until an order is issued by the Commission. Duquesne agrees that if rates are determined later to be unjust or unreasonable, that the rates implemented January 1, 2009, are subject to refund.

Respectfully Submitted,



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ADK/jl

Enclosures

cc: Certificate of Service
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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 § 1.54 (relating to service by a participant).

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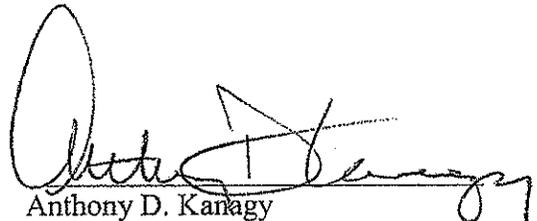
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Anthony D. Kanagy

SUPPLEMENT NO. 17
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

Morgan K. O'Brien
President and Chief Executive Officer

ISSUED: December 16, 2008

EFFECTIVE: February 14, 2009

Issued to provide language to clarify the Market Price Adjustment Rate Multiplier approved at Docket No. P-00072247.

NOTICE

THIS TARIFF SUPPLEMENT MAKES CHANGES TO AN EXISTING RIDER

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

Rider No. 20 – Market Price Adjustment Rate Multiplier

Third Revised Page No. 109
Cancelling Second Revised Page No. 109

This modification provides additional language to clarify the methodology used to calculate the rate multiplier described in Rider No. 20 – Market Price Adjustment Rate Multiplier. This revision supports the proposed rates in Supplement No. 16 to Tariff No. 24 filed December 1, 2008, to become effective January 1, 2009.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 20 - MARKET PRICE ADJUSTMENT RATE MULTIPLIER – (Continued)

(Applicable to Rates GS/GM and GMH)

MARKET INDEX PRICE – (Continued)

(C)

4. The resulting on and off-peak futures prices at NIHUB for January through June 2009 will then be adjusted by multiplying each price by the corresponding on-peak or off-peak basis differential factor as measured over the most recent twelve (12) calendar months. For either the on-peak or off-peak period, the basis differential factor shall be calculated as the simple average of the day-ahead Duquesne Zone locational marginal energy prices divided by the simple average of the day-ahead NIHUB locational marginal energy prices. For the calculation of the on-peak basis differential factor, all day-ahead locational marginal energy prices during the on-peak period will be used. For the calculation of the off-peak basis differential factor, all day-ahead locational marginal energy prices during the off-peak period will be used.
5. The resulting on and off-peak futures prices will then be weighted by the number of on-peak and off-peak hours during the six (6) month period to obtain the energy component of the Market Index Price for the six month index period; and, the Capacity Price Component will be calculated based on a weighting of the PJM capacity charges in effect for the applicable six month index period identified on the PJM website for each June to May planning year and shall be a part of the Market Index Price. The capacity charge in \$/MW-day will be converted to an equivalent \$/MWh charge using the rate class average load factor of 41.3% for the applicable rate classes.

(C)

The same methodology will be used to determine subsequent Market Index Prices, with applicable dates and months, using the applicable data for each time period.

BASE INDEX PRICE

The wholesale electricity forward prices for calendar years 2009 and 2010 as of January 2007 ("Base Index Price") have been calculated. The Base Index Price for calendar years 2009 and 2010 was calculated using the same methodology as for the Market Index Price, except that futures prices as of the 20 trading days immediately preceding January 11, 2007 were used, and locational marginal energy spot price data from the January 2006 – December 2006 period was used to calculate the basis differential factors.

The Base Index Price for 2009 is \$43.81/MWh and the Base Index Price for 2010 is \$44.49/MWh. The Base Index Price for capacity is \$40.694/MW-day equivalent to \$4.102/MWh based on the GS/GM and GMH rate class load factor.

(C)

RATE MULTIPLIER

The Rate Multiplier for each six (6) month period will be calculated as follows:

$$\text{Rate Multiplier} = (\text{Market Index Price} / \text{Base Index Price})$$

APPENDIX A

DUQUESNE LIGHT COMPANY
Supporting Information
Supplement No. 17 to Tariff No. 24

Page 1 of 3

§ 53.52 Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

(a) Whenever a public utility other than a canal, turnpike, tunnel, bridge and wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision, or supplement, statements showing all of the following:

(1) The specific reasons for each change.

Response: The specific reasons for the change are provided in the cover letter that accompanies this filing. The modifications to Rider No. 20 – Market Price Adjustment Rate Multiplier reflects the separate components of capacity and energy used to calculate the rate multiplier described in the Rider. This revision supports the proposed rates in Supplement No. 16 to Tariff No. 24 filed December 1, 2008, to become effective January 1, 2009.

(2) The total number of customers served by the utility.

Response: As of November 30, 2008, the total number of customers served was 587,457.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

Response: As of November 2008, a total of 6,292 rate GS/GM POLR customers and a total of 857 rate GMH POLR customers.

(4) The effect of the change on the utility's customers.

Response: This change will increase the POLR rates to the affected customers.

(5) The effect, whether direct or indirect, of the proposed change on the utility's revenues and expenses.

Response: Please see response to (b) (4) in regard to the proposed change in revenue.

(6) The effect of the change on the service rendered by the utility.

Response: These tariff modifications will not impact the service provided to customers.

DUQUESNE LIGHT COMPANY
Supporting Information
Supplement No. 17 to Tariff No. 24

Page 2 of 3

- (7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement as to why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. § 1308 (relating to voluntary changes in rates.)

Response: The proposed adjustment to the calculation of the market index multiplier more appropriately adjusts the POLR supply rates to market prices and will ensure the competitive market is not disrupted.

- (8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. § 1308.

Response: There were no studies undertaken by the utility in order to draft the proposed change.

- (9) Customer polls taken and other documents which indicate customer acceptance of and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

Response: There were no polls taken or other document which indicate customer acceptance of the proposed change.

- (10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

Response: All affected GS/GM and GMH POLR customers will be notified through a communication at the time the new rates are billed.

- (11) F.C.C., F.E.R.C., or Commission orders or rulings applicable to this filing.

Response: The POLR rates approved by the Commission at Docket No. P-00072247 for GS/GM and GMH customers with demands equal to or greater than 25 kW change on 6-month intervals based upon a market index to reflect changes in market prices. Duquesne is clarifying the market index adjustment to include a specific adjustment for capacity prices to maintain and encourage a competitive market in Duquesne's service area for GS/GM and GMH customers with demands equal to or greater than 25 kW. Please refer to the cover letter that accompanies this filing for additional details.

DUQUESNE LIGHT COMPANY
Supporting Information
Supplement No. 17 to Tariff No. 24

Page 3 of 3

(b) Whenever a public utility other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing the following:

(1) The specific reasons for each increase or decrease.

Response: Please see response to (a) (1) above.

(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.

Response: Please see attached copy of operating income statement for the twelve-months ended September 30, 2008.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Response: Please see response to (a) (3) above.

(4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

Response: The increase to Rate GS/GM POLR customers is calculated to be approximately \$14 million per year and the increase to Rate GMH POLR customers is calculated to be approximately \$2 million per year.

(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

Response: This modification will not result in a decrease to customer bills.

(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Response: This modification will not result in a decrease to annual revenue.

Duquesne Light Company
Income Statement

12-months
ending
30-Sep-08

1	Total Sales of Electricity	876,858,090
2	Total Other Operating Revenues	55,686,458
3	Total Operating Revenue	932,544,549
4	Total Purchased Power Expenses	387,268,163
5	Operation & Maintenance Expenses	181,325,463
6	Depreciation & Amortization Expense	77,081,532
7	Amortization of Regulatory Items	6,254,139
8	Taxes other than Income Taxes	56,974,083
9	Total Operating Expenses	708,903,380
10	Operating Income	223,641,168
11	Interest and Other Charges	21,477,217
12	Income Before Income Taxes	202,163,951
13	Income Tax Expense	98,108,954
14	Net Operating Income	104,054,997