



Duquesne Light

Our Energy...Your Power

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Gary A. Jack
Assistant General Counsel

December 22, 2010

VIA OVERNIGHT MAIL

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

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

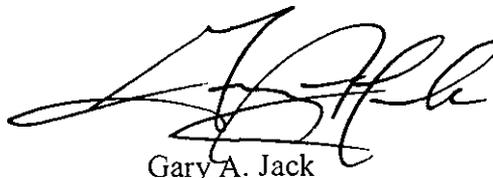
**Re: Petition of Duquesne Light Company for Approval of Smart Meter
Technology Procurement and Installation Plan
Docket No. M-2009-2123948**

Dear Secretary Chiavetta:

Enclosed for filing are the original and eight (8) copies of Duquesne Light Company's Supplement No. 40 to its Tariff Pa PUC No. 24 updating its quarterly smart meter recovery charge to be effective for electric service rendered on and after January 1, 2011. This surcharge and the filing of the Supplement on less than statutory notice were authorized by Commission in its Opinion and Order issued May 11, 2010 in this proceeding. The surcharge rate of \$0.33/meter/month is to be effective for three months.

Attachment 1 is the proposed tariff and Attachment 2 provides the calculation of the Smart Meter Charge rates. Should you have any questions, please do not hesitate to contact me or Bill Pfrommer, Manager of Rates.

Sincerely yours,



Gary A. Jack

Enclosures

c: 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

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SECRETARY'S BUREAU

ISSUED: December 22, 2010

EFFECTIVE: January 1, 2011

Issued in compliance with Commission Order dated May 11, 2010,
at Docket No. M-2009-2123948.

NOTICE

THIS TARIFF SUPPLEMENT MAKES CHANGES AND MAKES DECREASES IN A RIDER

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGE

List of Modifications

Pages No. 2A through 2C

These pages are to be removed from the tariff as they are no longer necessary.

Table of Contents

**Thirteenth Revised Page No. 3
Cancelling Twelfth Revised Page No. 3**

Page No. 2A, Page No. 2B and Page No. 2C have been removed from the Tariff.

DECREASE

Rider No. 20 – Smart Meter Charge

**Seventh Revised Page No. 108
Cancelling Sixth Revised Page No. 108**

The Smart Meter Charge has been adjusted as required by the provisions of the Rider.

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(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 20 – SMART METER CHARGE

(Applicable to Rates RS, RH, RA, GS/GM, GMH, GL, GLH, L, HVPS and AL)

PURPOSE

The Smart Meter Charge (“SMC”) is instituted as a cost recovery mechanism to recover all costs to implement the Company’s Smart Meter Procurement and Implementation Plan (“Plan”). The SMC has been added per Commission Order at Docket No. M-2009-2123948. Act 129 (“Act”) became effective November 14, 2008, requiring all Pennsylvania electric distribution companies (“EDCs”) with more than 100,000 customers to implement smart meters. Act 129 set forth the timeline for implementation, the definition of smart meters and the provisions for full and current cost recovery of all costs incurred by EDCs to install and make fully functional a smart meter system defined in and required by Act 129. The Company filed its Plan on August 14, 2009, in compliance with the Act, including this Charge and provisions for cost recovery. This Charge shall be updated as described below to recover all costs associated with implementing the Plan.

The SMC is a non-bypassable charge and shall be applicable to the monthly bill of all metered customers based on the number of meters installed at the premise.

ELIGIBLE COSTS

The SMC recovers all eligible costs incurred by the Company to implement smart meter technology and the supporting infrastructure. Eligible costs, described in 66 Pa.C.S. § 2807(f), include capital and expense items relating to all Plan elements, equipment and facilities, as well as all related administrative costs. Plan costs include, but are not limited to, capital expenditures for any equipment and facilities that may be required to implement the Plan, as well as depreciation, operating and maintenance expenses, a return component based on the EDC’s weighted cost of capital and taxes. In general, eligible administrative costs include, but are not limited to, incremental costs relating to Plan development, cost analysis, measurement and verification and reporting. The costs associated with testing, upgrades, maintenance and personnel training are considered eligible costs.

MONTHLY SMART METER CHARGE

Meter Type	Monthly Charge Per Meter
Single-Phase	\$0.33
Poly-Phase	\$0.33

(D)
(D)

The SMC, calculated independently for each meter type, shall be applied to all applicable customers served under the Tariff. Customers will be billed based on the number of meter types installed at their premise. Customers with multiple meters will incur multiple charges. The SMC shall be determined in dollars and cents per month per meter in accordance with the formula described in the “Calculation of Charge” section and shall be applied to all applicable customers served during any part of a billing month.

(D) – Indicates Decrease

Duquesne Light Company
Smart Meter Cost Recovery Charge
Calculation of Smart Meter Charge Rates
Tariff Rider No. 20
Effective January 1, 2011

<u>Line</u>	<u>Common Plant</u>	<u>Single Phase Meters</u>	<u>Poly Phase Meters</u>	
1	Average Projected Smart Meter Plant In Service	\$0	\$0	\$0
2	Annual Depreciation (years)	10	15	15
3	Annual Depreciation	\$0	\$0	\$0
4	Accrued Depreciation	\$0	\$0	\$0
5	Weighted Average Pre-Tax Rate of Return (PTRR)(page 2)	12.18%	12.18%	12.18%
<u>Formula and Calculation</u>				
6	SMC = [(((NPIS * PTRR/4) + Dep/4 + O&M - S + e/4) / M) * (1/(1-T))			
7	<u>(Plant-accrued depreciation-ADIT)*Return + Depreciation + O&M - Savings + e-Factor</u>			
8	<u>Meters per Quarter * (1-Gross Receipts Tax)</u>			
9	Smart Meter Plant In Service	\$0	\$0	\$0
10	Less Accrued Depreciation	\$0	\$0	\$0
11	Less Accumulated Deferred Income Taxes	\$0	\$0	\$0
12	Net Plant	\$0	\$0	\$0
13	Weighted Rate of Return/4	3.04%	3.04%	3.04%
14	Return	\$0	\$0	\$0
15	Depreciation/4	\$0	\$0	\$0
16	O&M Expense (Projected for Quarter)	\$450,000	\$0	\$0
17	O&M Expense (Incurred through June 30, 2010 / 4)(1)	\$110,546	\$0	\$0
18	Savings	\$0	\$0	\$0
19	e-Factor	\$0	\$0	\$0
20	Smart Meter Revenue Requirement (SMRR)	\$560,546	\$0	\$0
21	Meters		588,982	21,852
22	Share of Total Meters		96.4%	3.6%
23	Allocated Common Plant SMRR Based on Meters		\$540,493	\$20,053
24	Total Revenue Requirement by Meter Type for Upcoming Quarter		\$540,493	\$20,053
25	Current Meter Count		588,982	21,852
26	Projected Meter Count for Quarter for Billing Purposes		1,768,946	65,556
27	Monthly Charge per Meter for Upcoming Quarter		\$0.31	\$0.31
28	Pennsylvania Gross Receipts Tax Rate (PA GRT)		5.9%	5.9%
29	Monthly Smart Meter Charge Including GRT (\$/month/meter)		\$0.33	\$0.33

1/ Total Smart Meter Plan expenses of \$442,182 Incurred November 14, 2008 through June 30, 2010.

Duquesne Light Company
Smart Meter Cost Recovery Charge
Weighted Average Cost of Capital
Tariff Rider No. 20
Effective January 1, 2011

Line

Pre-Tax Weighted Average Cost of Capital

	<u>Weight</u>	<u>Cost</u>	<u>Weighted Average Cost</u>	<u>Gross Revenue Conversion Factor</u>	<u>Pre-Tax Weighted Average Cost</u>
1 Debt (1)	43.07%	7.29%	3.14%		3.14%
2 Preferred Equity (2)	6.79%	5.89%	0.40%	1.70921	0.68%
3 Common Equity (3)	<u>50.14%</u>	9.75%	<u>4.89%</u>	1.70921	<u>8.36%</u>
4 Total Return	100.00%		8.43%		12.18%

Calculation of Gross Revenue Conversion Factor

	<u>Rate</u>	
5 Gross Revenue Charge		100.00%
6 Less: State Income Taxes	9.99%	<u>9.99%</u>
7 Income Before Federal Income Taxes		90.01%
8 Less: Federal Income Taxes	35.00%	<u>31.50%</u>
9 Income After Income Taxes		58.51%
10 Gross Revenue Conversion Factor		1.70921

Notes:

- 1/ Debt ratio of capitalization is the residual share based on preferred equity and common equity ratios. Cost of debt per Company's First Quarter 2010 Financial Report filed with the PA PUC.
- 2/ Preferred equity ratio and cost of preferred equity per Company's First Quarter 2010 Quarterly Financial Report filed with the PA PUC.
- 3/ Common equity ratio and cost of common equity determined in accordance with Commission's Order entered May 11, 2010 in the Company's Smart Meter Plan filing at Docket No. M-2009-2123948. Common equity ratio based on the average of Electric Utility Barometer Companies group per Bureau of Fixed Utility Services Quarterly Earnings Report for the Period Ended June 30, 2010 page 14. Cost of common equity based on the Smart Meter Barometer Group Return per Bureau of Fixed Utility Services Quarterly Earnings Report for the Period Ended June 30, 2010 page 13.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

DUQUESNE LIGHT COMPANY :
Smart Meter Procurement and : Docket No. M-2009-2123948
Installation Program :

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the surcharge filing in the above-referenced proceeding 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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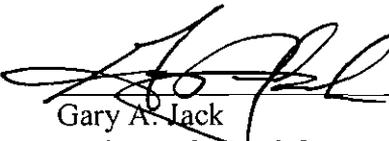
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Dated December 22, 2010