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Gary A. Jack
Assistant General Counsel

January 31, 2011

VIA OVERNIGHT MAIL

Contains Confidential Information

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

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

Dear Secretary Chiavetta:

Enclosed for filing and approval please find one (1) original and three (3) copies of the Supplement to the Application for Approval of Duquesne Light's Assessment of Needs, Technology Solutions and Vendor Selection, filed on December 30, 2010, pursuant to its Smart Meter Procurement and Installation Plan. **Please note that Exhibit A to this Supplement contains confidential information and should be accorded confidential treatment by the Commission. It has been placed in a separate confidential envelope and should not be placed as part of the public record.**

Please contact me if you have any questions.

Sincerely yours,

Gary A. Jack
Assistant General Counsel

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Enclosures .

cc: Service List (via Electronic Mail and United States First Class Mail)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Duquesne Light Company :
Smart Meter Procurement : **Docket No. M-2009-2123948**
And Installation Program :

**SUPPLEMENT TO APPLICATION FOR APPROVAL OF DUQUESNE LIGHT'S
ASSESSMENT OF NEEDS, TECHNOLOGY SOLUTIONS AND VENDOR
SELECTION**

Duquesne Light Company (“Duquesne” or “Duquesne Light” or “Company”) hereby files supplemental information (“Supplement”) to its Application seeking approval of its Advanced Metering Infrastructure (“AMI”) Assessment of Needs, Technology Solutions and Vendor Selection, filed on December 30, 2010, (“Application”) pursuant to its Smart Meter Procurement and Installation Plan (“SMPI Plan”), approved as detailed in a Commission Order dated May 11, 2010, as well as approval for an updated range of projected project costs. In support of this Application and Supplement, Duquesne states as follows:

Introduction

1. Duquesne is a public utility as that term is defined under Section 102 of the Public Utility Code, 66 Pa.C.S. § 102. Duquesne is also an electric distribution company (“EDC”) as that term is defined under the Restructuring Act, Section 2803 of the Public Utility Code, 66 Pa.C.S. § 2803, and a default service provider (“DSP”) per Section 2803 of the Public Utility Code. Duquesne is certified by the Pennsylvania Public Utility Commission (“Commission or “PUC”) and provides electric service to

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approximately 579,000 customers in the City of Pittsburgh, and in Allegheny and Beaver Counties, Pennsylvania.

2. Pursuant to Act 129 of 2008, signed into law by Governor Rendell on November 14, 2008, and the Smart Meter Procurement and Installation Implementation Order (Docket No. M-2009-2092655) issued on June 24, 2009 by the Commission, Duquesne Light submitted a Smart Meter Procurement and Installation Plan (“SMPI Plan” or “Plan”) on August 14, 2009. See Duquesne Light Smart Meter Procurement and Installation Program, PUC Commission Docket No. M-2009-2123948, August 14, 2009. This Plan was approved by the Commission on May 11, 2010, and Duquesne Light subsequently submitted an amended Smart Meter Plan on June 10, 2010, to comply with the issues addressed in PUC’s approval order. See Smart Meter Plan, Revision 1, Docket No. M-2009-2123948, June 10, 2010.

3. Pursuant to the approved Smart Meter Plan, Duquesne is required to provide the Commission with periodic updates and make filings for approvals on its Smart Meter Procurement and Installation Program, including an Assessment of Needs, Technological Solutions and Selection of Technologies and Vendors (“Assessment”).

4. Duquesne Light filed its Assessment of Needs, Technology Solutions, and Vendor Selection on December 30, 2010. That filing assessed the Company’s needs and proposed a final technology solution. In summary, Duquesne plans to replace all existing Itron Advanced Meter Reading (“AMR”) meters with new smart meters that will provide two-way communication between each customer premise and the utility, and will comply with all requirements of Act 129 and the Commission’s June 2009 Implementation Order. All single phase meters will be equipped with an internal ZigBee

chip to provide customers direct access to interval usage data and provide a platform for future home area network (“HAN”) applications. The local area network (“LAN”) will operate in the 900 megahertz (“MHz”) ISM communication band, and Duquesne will utilize its existing leased fiber network for backhaul communication. An intermediate network (from the AMI collection points/routers to the fiber network take-out points located at the substations) is still being analyzed, and has not been selected at this time. Duquesne will file its Communication and Network Design in March 2011. The AMI solution will provide the capability for 15-minute interval data for all meters and single phase meters will be able to be equipped with an internal disconnect switch for remote connections/disconnections. The technology solution recommended pursuant to this Assessment is a Radio Frequency (“RF”) Mesh.

However, as explained in that filing, the Company was unable at that time to make a final vendor selection given that some services and cost information had to be further examined for each of the finalist vendors. Thus, Duquesne Light committed to file a subsequent filing on or before January 31, 2011, disclosing the bid costs and identifying its proposed final AMI primary vendor selection.

Duquesne Light’s Costs and Vendor Selection

5. Further cost analysis had to be conducted by Duquesne since different bidders proposed different services and scope or amount of services to be provided. In order to compare the bids on an equal cost basis, Duquesne contacted all bidders to determine if there were changes to their bids and held further discussions with the short-listed bidders on scope of services and associated costs included in the bids. This process enabled Duquesne to perform the necessary additional due diligence to assure that the

comparison of the bids for costs were on an equal apples to apples basis. Having completed that review in January 2011, Duquesne Light submits that the recommended primary contractor to design, construct, implement, and oversee its Smart Meter program is Itron, Inc. Itron, Inc. scored highest from a technical evaluation of the bids and proposals and, moreover, provided the lowest cost solution of the four bidders. Exhibit A, attached hereto as a confidential exhibit, provides further detail on the confidential bids submitted by the four vendors. It also sets forth a summary of Duquesne's vendor proposal evaluations performed by both R. W. Beck, Duquesne's outside consultant on the smart meter program, and Duquesne Light itself on various identified criteria evaluated as part of the selection process, including both the technical requirements and costs. The details of the selection process and the RFP procedure are contained within the December 30, 2010 filing in this proceeding.

6. Duquesne seeks review by the Commission and parties and approval by the Commission of its Assessment of Needs, Technology Solution, and Selection of Vendor filed December 30, 2010 filing as well as this Supplemental filing incorporating costs into the vendor selection.

7. If this primary vendor is approved, Duquesne Light believes that its estimated costs for its Smart Meter development and deployment will be lower than previously anticipated. In its original filing made in September 2009 in this proceeding, Duquesne Light estimated the costs for the entire project to be in the range of \$152 to \$262 million. Now, based on actual received bids for this segment of the project and the proposed selection of Itron as the low cost bidder, Duquesne Light believes the overall costs for the

entire project will be lower than originally anticipated and will be in the range of \$125 to \$240 million.

8. Duquesne Light plans to immediately begin contract negotiations with Itron, Inc. Once the contract is finalized, Duquesne will submit the contract to the PUC for approval. If Duquesne and Itron cannot reach agreeable terms or if material changes occur to the proposed statement of work and/or system costs, Duquesne will advise the Commission and commence negotiations with the next highest ranking bidder.

Conclusion

9. Duquesne Light Company requests that the Commission issue an Order approving: (1) the process and methodology used to evaluate and select the recommended primary AMI vendor; (2) the Assessment of Needs shown in Section II of the Report filed in the Application on December 30, 2010; (3) the Technology Solution of RF mesh and findings supported in Section IV of the Report filed on December 30, 2010; (4) the selection of Itron, Inc. as its Primary AMI vendor; (5) an updated cost range for the entire Smart Meter Project and Deployment of \$125 to \$240 million; and (6) any other approvals that the Commission deems necessary or advisable.

WHEREFORE, Duquesne requests review and Commission approval of its Assessment of Needs, Technology Solution, and Selection of its primary smart meter Vendor, and such other relief as may be appropriate.

Respectfully submitted,

Duquesne Light Company

A handwritten signature in black ink, appearing to read 'Gary A. Jack', written over a horizontal line.

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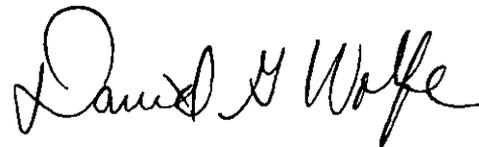
Dated: January 31, 2011

VERIFICATION

I, David Wolfe, state that I am authorized to make this Verification on behalf of Duquesne Light Company, being a Director, Technology, that the facts and information set forth in Supplement to Application for Approval of Duquesne Light's Assessment of Needs, Technology Solutions and Vendor Selection are true and correct to the best of my knowledge, information and belief, and I expect to be able to prove the same at any hearing held in this matter. I understand that the statements herein are made subject to penalties relating to unsworn falsification.

1-31-2011

Date



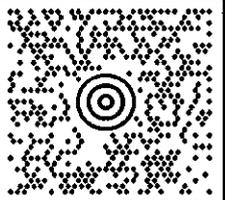
David G. Wolfe

UPS CampusShip: View/Print Label

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GARY A. JACK 4123931541 DUQUESNE LIGHT 411 SEVENTH AVENUE, MAIL DROP PITTSBURGH PA 15219		2 LBS	PAK	1 OF 1
SHIP TO: ROSEMARY CHIAVETTA, SECRETARY 000-000-0000 PA PUBLIC UTILITY COMMISSION 2ND FLOOR COMMONWEALTH KEYSTONE BUILDING 400 NORTH STREET HARRISBURG PA 17120				
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**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 Supplement to the Application for Approval of the Assessment of Needs, Technology Solutions and Vendor Selection of Duquesne Light Company 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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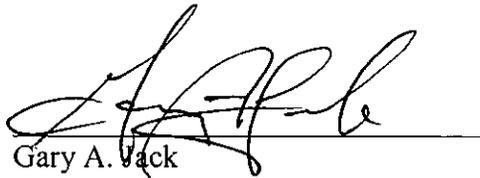
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Dated: January 31, 2011