



Duquesne Light
Our Energy...Your Power

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Gary A. Jack
Assistant General Counsel

December 21, 2011

VIA OVERNIGHT MAIL

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

RECEIVED

DEC 21 2011

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. 54 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, 2012. This surcharge and the filing of the Supplement on less than statutory notice were authorized by Commission by its Opinion and Order issued May 11, 2010 in this proceeding. The new surcharge rate of \$0.72/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 rate. 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

RECEIVED

DEC 21 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ISSUED: December 22, 2011

EFFECTIVE: January 1, 2012

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

NOTICE

THIS TARIFF SUPPLEMENT INCREASES RATES WITHIN AN EXISTING RIDER

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

INCREASES

Rider No. 20 – Smart Meter Charge

Eleventh Revised Page No. 108
Cancelling Tenth Revised Page No. 108

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

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	\$0.72
Poly-Phase	\$0.72

(I)
(I)

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.

(I) – Indicates Increase

Duquesne Light Company
Smart Meter Cost Recovery Charge
Calculation of Smart Meter Charge Rates
Tariff Rider No. 20
Effective January 1, 2012

<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)	11.40%	11.40%	11.40%
<u>Formula and Calculation</u>			
6	$SMC = [((NPIS * PTRR/4) + Dep/4 + O\&M - S + e/4) / M] * (1/(1-T))$		
7	$(Plant\text{-}accrued\ depreciation\text{-}ADIT) * Return + Depreciation + O\&M - Savings + e\text{-}Factor$		
8	$Meters\ per\ Quarter * (1\text{-}Gross\ Receipts\ Tax)$		
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	2.85%	2.85%	2.85%
14 Return	\$0	\$0	\$0
15 Depreciation/4	\$0	\$0	\$0
16 O&M Expense (Projected for Quarter)	\$1,200,000	\$0	\$0
17 Savings	\$0	\$0	\$0
18 e-Factor/4 (1)	\$43,435	\$0	\$0
19 Smart Meter Revenue Requirement (SMRR)	\$1,243,435	\$0	\$0
20 Meters		589,289	21,937
21 Share of Total Meters		96.4%	3.6%
22 Allocated Common Plant SMRR Based on Meters		\$1,198,808	\$44,627
23 Total Revenue Requirement by Meter Type for Upcoming Quarter		\$1,198,808	\$44,627
24 Current Meter Count		589,289	21,937
25 Projected Meter Count for Quarter for Billing Purposes		1,767,867	65,811
26 Monthly Charge per Meter for Upcoming Quarter		\$0.68	\$0.68
27 Pennsylvania Gross Receipts Tax Rate (PA GRT)		5.9%	5.9%
28 Monthly Smart Meter Charge Including GRT (\$/month/meter)		\$0.72	\$0.72

(1) E-factor component of \$173,739 under collection for the period August 1, 2009 through June 30, 2011 per the Company's reconciliation filing August 1, 2011 at Docket No. M-2011-2255248. Under collection to be recovered over the one-year period commencing on January 1, 2012.

Duquesne Light Company
Smart Meter Cost Recovery Charge
Weighted Average Cost of Capital
Tariff Rider No. 20
Effective January 1, 2012

LinePre-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)	48.38%	6.14%	2.97%		2.97%
2 Preferred Equity (2)	5.62%	5.88%	0.33%	1.70921	0.56%
3 Common Equity (3)	<u>46.00%</u>	10.00%	<u>4.60%</u>	1.70921	<u>7.86%</u>
4 Total Return	100.00%		7.90%		11.40%

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 the Company's Third Quarter 2011 Financial Report filed with the PA PUC.
- 2/ Preferred equity ratio and cost of preferred equity per Company's Third Quarter 2011 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 and cost of common equity based on the Company's most recent base case proceeding at Docket No. R-2010-2179522, in accordance with Commission's Order entered February 24, 2011.

**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):

VIA EMAIL AND US MAIL

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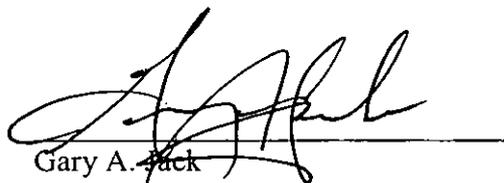
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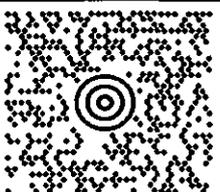
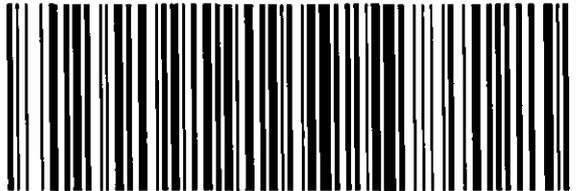
Dated December 21, 2011

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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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GARY A. JACK 4123931541 DUQUESNE LIGHT 411 SEVENTH AVENUE, MAIL DROP PITTSBURGH PA 15219	2 LBS PAK 1 OF 1	
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