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March 20, 2012

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**RE: Duquesne Light Company Supplement No. 57 to Tariff Electric - Pa. P.U.C. No. 24**  
**Docket No. R-2012-**

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's ("Duquesne Light") Supplement No. 57 to Tariff Electric – Pa. P.U.C. No. 24 and Statement of Reasons. Supplement No. 57 sets forth two new Time-of-Use Pilot Programs for Duquesne Light's customers. Please note that Duquesne Light is also filing, contemporaneously, a Petition for Special Permission to File Supplement No. 57 To Become Effective On Less Than Sixty Days Notice, on or before April 27, 2012.

Copies will be provided as indicated on the certificate of service.

Please direct any questions to the undersigned.

Respectfully Submitted,

Anthony D. Kanagy

ADK/skr

Enclosures

cc: Certificate of Service  
Brent W. Killian (via email)

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# Attachment 1

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# **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: March 20, 2012

EFFECTIVE: May 19, 2012

Issued in compliance with Commission Order dated June 23, 2010, at Docket No. P-2009-2149807.

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# **NOTICE**

**THIS TARIFF SUPPLEMENT INTRODUCES A NEW APPENDIX  
AS PART OF THE COMPANY'S RESIDENTIAL SERVICE TIME-OF-USE PILOT PROGRAM**

**See Page Two**

**LIST OF MODIFICATIONS MADE BY THIS TARIFF**

**CHANGES**

**Table of Contents**

**Seventeenth Revised Page No. 3  
Cancelling Sixteenth Revised Page No. 3**

Appendix B — Rate R-TOU – Residential Service Time-of-Use has been placed into the Table of Contents.

**Appendix B — Rate R-TOU – Residential Service Time-of-Use**

**Original Pages No. 117 - 119**

Per Commission Order dated June 23, 2010, at Docket No. P-2009-2149807, Appendix B — Rate R-TOU – Residential Service Time-of-Use is being placed into the Tariff as part of the Company's Smart Sense Pilot Program.

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(C) – Indicates Change

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**APPENDIX B**

(C)

**RATE R-TOU - RESIDENTIAL SERVICE TIME-OF-USE**  
(Applicable to Rate Schedules RS, RH and RA)**AVAILABILITY**

Available only to residential customers who voluntarily enrolled in the Company's Time-of-Week ("TOU-1") or Time-of-Day ("TOU-2") Smart Sense Pilot Programs as of June 1, 2011. The Company's filings and the Commission's Orders at Docket No. P-2009-2149807 provide details about the Smart Sense Pilot Programs. Appendix B shall be effective June 1, 2012, through September 30, 2012, after which it will be terminated.

**MONTHLY RATE****Customer Charge**

The Customer Charge of the participants' applicable Rate Schedule (RS, RH or RA) shall apply.

**Supply — TOU-1 Pilot Program**

The supply charges of the participants' applicable Rate Schedule (RS, RH or RA) shall apply.

The TOU-1 pilot program is a time-of-week plan. This pilot is a temporary program that will evaluate the participants' ability to reduce their weather normalized electricity use on weekdays during the months of June 2012 through September 2012, as compared to their weather normalized usage during the same time period in 2011.

The TOU-1 pilot program is designed to provide participants with an incentive to reduce their weather normalized weekday usage during the months of June 2012 through September 2012 from the weather normalized baseline consumption mark set during those months in 2011. Effective June 1, 2012, if a participant can reduce their usage by 10% or more below their 2011 baseline kilowatt-hour usage, the participant will receive an additional 10% credit on the supply portion of their bill. As an added incentive, participants who reduce their monthly consumption by at least 10% for all four 2012 months – June 2012 through September 2012 – will receive an additional 10% off of their September 2012 supply charges.

Participation in the TOU-1 pilot program is available only to those residential default service customers who voluntarily pre-enrolled in the Company's TOU-1 pilot program as of June 1, 2011. No additional customers will be permitted to participate in the TOU-1 pilot program.

**Supply — TOU-2 Pilot Program**

The TOU-2 pilot program is a time-of-day plan. This pilot is a temporary program that will evaluate the participants' ability to shift energy usage away from peak periods of electricity demand and evaluate their response to rates that change throughout the day.

The TOU-2 pilot program is designed to provide optional pricing for electric generation service to encourage these participants to shift their electricity usage from on-peak periods when wholesale electricity demands and prices are higher, to off-peak periods when demands and prices are lower.

**APPENDIX B – (Continued)**

(C)

**RATE R-TOU - RESIDENTIAL SERVICE TIME-OF-USE – (Continued)**  
(Applicable to Rate Schedules RS, RH and RA)**Supply — TOU-2 Pilot Program – (Continued)**

The supply charges of the participants' applicable Rate Schedule (RS, RH or RA) shall apply. Effective June 1, 2012, the following supply charges shall be available to participants in the TOU-2 pilot program. The participants must select one of the time-of-day options prior to May 1, 2012. Participants cannot switch options once a selection has been made. Participants who do not make a selection by May 1, 2012, will be placed on the Time-of-Day 1 rate. Effective October 1, 2012, the supply charges of the participants' applicable Rate Schedule (RS, RH or RA) shall apply.

	Time-of-Day 1	Time-of-Day 2
On-Peak Period	Weekdays 1 p.m. to 6 p.m.	Weekdays 4 p.m. to 6 p.m.
Off-Peak Period	12:00 a.m. – 1:00 p.m. and 6:00 p.m. – 12:00 a.m. weekdays and all weekend hours*	12:00 a.m. – 4:00 p.m. and 6:00 p.m. – 12:00 a.m. weekdays and all weekend hours*
On Peak Rate	15.72 cents/kWh	31.44 cents/kWh
Off Peak Rate	6.13 cents/kWh	5.86 cents/kWh

\*Independence Day (Wednesday, July 4, 2012) and Labor Day (Monday, September 3, 2012) will be considered off-peak all day.

The purpose of selecting on-peak and off-peak prices is to encourage customers to reduce demand during periods of high system usage and to provide participants who can reduce demand at those times an opportunity for savings.

Participation in the TOU-2 pilot program is available only to those residential default service customers who, as of June 1, 2011, voluntarily pre-enrolled in the Company's TOU-2 pilot program and had an Alpha electronic meter installed at their residential premise. No additional customers will be permitted to participate in the TOU-2 pilot program.

**Distribution**

The Distribution Charge of the participants' applicable Rate Schedule (RS, RH or RA) shall apply.

**Transmission**

The Transmission Charge (Appendix A of this Tariff) of the participants' applicable Rate Schedule (RS, RH or RA) shall apply.

**METERING**

Participants in the TOU-2 pilot program granted the Company permission to install an Alpha electronic meter capable of recording and storing energy consumption in hourly intervals on their home. The Company installed these Alpha meters in the spring of 2011 at no cost to the pilot program participants. The Alpha meter shall remain installed until replaced by the Company or at the participants' request.

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**APPENDIX B – (Continued)****(C)****RATE R-TOU - RESIDENTIAL SERVICE TIME-OF-USE – (Continued)**  
(Applicable to Rate Schedules RS, RH and RA)**LATE PAYMENT CHARGE**

Bills will be calculated on the rates stated herein and are due and payable on or before twenty days from the date of mailing of the bill to the ratepayer. The bill is overdue when not paid on or before the due date indicated on the bill. An overdue bill is subject to a Late Payment Charge of 1.25% interest per month on the full unpaid and overdue balance of the charges billed by the Company. The Late Payment Charge shall be calculated on the overdue portion(s) of the charges on the bill and shall not be charged against any sum that falls due during a current billing period. A Late Payment Charge on a disputed bill may be reduced or eliminated by the Company, or upon order by the Commission, to facilitate payment by the disputing customer.

**SPECIAL TERMS AND CONDITIONS**

The TOU-1 and TOU-2 pilot programs are a part of the Company's Smart Sense Pilot Program and all terms and conditions of the Smart Sense Pilot Program shall apply.

Participants are free to remove themselves from the pilot program at any time. However, participants that remain in the Smart Sense Pilot Program through November 2012 will receive an incentive gift card of \$100.00 to encourage participation in the pilot programs.

All other applicable rules and riders of this Tariff shall apply.

This pilot is a temporary program that will run from June 2012 through September 2012.

# Attachment 2

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**DUQUESNE LIGHT COMPANY  
SUPPLEMENT NO. 57 TO TARIFF ELECTRIC-PA.P.U.C. NO. 24**

**STATEMENT OF REASONS**

Duquesne Light Company (“Duquesne Light” or the “Company”) hereby submits this Statement of Reasons in support of Tariff Supplement No. 57 to Tariff Electric-Pa. P.U.C. No. 24 (“Supplement No. 57”). In Supplement No. 57, Duquesne Light proposes to implement two residential time of use (“TOU”) pilot programs: (1) the TOU-1 Smart Sense Time of Week pilot program, which will evaluate the customers’ ability to reduce their electricity use on weekdays during the months of June 2012 through September 2012, as compared to their weather normalized usage for the same time period in 2011; and (2) the TOU-2 Smart Sense Time of Day pilot program, which will provide optional pricing for default service supply applicable to enrolled residential customers that encourages these customers to shift their electricity usage from on-peak periods to off-peak periods. Also attached to Supplement No. 57 is the supporting data required by 52 Pa. Code §§ 53.52(a) and (b).

A primary goal of the TOU pilot programs is to solicit customer input to help Duquesne Light better develop its TOU programs that will benefit all Duquesne Light customers. At the same time, these pilot programs also will enhance participating customers’ understanding of their daily electricity use. The proposed TOU programs will be effective from June 1, 2012 through September 30, 2012.

Duquesne Light notes that it is also filing a Petition to File Supplement No. 57 to become effective on less than 60 days notice, or on or before April 27, 2012. Duquesne Light provided substantial information regarding its TOU-1 and TOU-2 pilot programs to the Pennsylvania Public Utility Commission (“Commission”) and to parties in its Time of

Use and Real Time Pricing Plan First Progress Report (“TOU Progress Report”) that was filed on November 30, 2012 at Docket No. P-2009-2149807. No party has objected to or commented on the TOU Progress Report. For the reasons that follow, approval of the proposed tariff supplement is proper and in the public interest.

**A. Background**

On October 15, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129. Act 129 required, among other things, that electric distribution companies with at least 100,000 customers file a TOU plan on January 1, 2010, or at the expiration of a cap on generation rates, whichever is later. 66 Pa.C.S. § 2807(f)(5). Under Act 129, default service providers must offer the TOU rates to all customers that have been provided with smart meter technology. A time-of-use rate is defined as “a rate that reflects the costs of serving customers during different time periods, including off-peak and on-peak periods, but not as frequently as each hour. 66 Pa.C.S. § 2807(f)(5).

Duquesne Light’s current meter reading system and infrastructure cannot support TOU rates other than for large C&I customers over 300 kW demand. On August 14, 2009, Duquesne Light filed its Smart Meter Procurement and Installation Plan at Docket No. M-2009-2123948, which was approved with modifications by the Commission in an Order entered May 11, 2010. Pursuant to the Commission-approved Smart Meter Procurement and Installation Plan, Duquesne Light will begin deployment of its smart meters on a limited basis in 2013. A comprehensive TOU plan cannot be implemented until after the roll-out of the new smart meters and infrastructure in 2013.

On December 28, 2009, Duquesne Light filed its TOU plan, together with analyses related to its tariff rate structures, system load, PJM locational marginal pricing,

customers consumption, and market evaluation. Because the roll-out of smart meters will not begin until 2013, Duquesne Light proposed to conduct a market analysis and submit for Commission approval pilot residential TOU programs to be implemented in 2012.

Duquesne Light's first proposed residential TOU pilot program ("TOU-1") is a summertime time-of-week plan designed around the limited capabilities of the Company's existing residential meter infrastructure. Under the TOU-1 program, the Company will evaluate customers' ability to reduce their weather normalized electricity usage on weekdays during the months of June 2012 through September 2012, as compared to each customer's usage for the same time period in 2011. Duquesne Light's second proposed residential TOU pilot program ("TOU-2") is a summertime weekday plan in which a customer's rate will vary between on-peak and off-peak usage each day. Duquesne Light's third residential TOU pilot program ("TOU-3") will be a more comprehensive plan that will be based on the findings from TOU-1 and TOU-2 and implemented to align with the full deployment of smart meters. It is anticipated Duquesne Light will file for Commission approval of its TOU-3 program in the first quarter of 2013.

On June 23, 2010, the Commission issued an order directing Duquesne Light to submit a supplemental filing that provided a description of the design of the residential TOU-1 and TOU-2 pilot programs, together with supporting research and market data. On November 30, 2011, Duquesne Light submitted the TOU Progress Report at Docket No. P-2009-2149807 that described the design of the proposed residential TOU pilot programs for 2012, together with the supporting information requested in the Commission June 23, 2012 Order.

By separate Petition, Duquesne Light requests approval to implement the TOU-1 and TOU-2 pilot programs on less than 60 days notice or on or before April 27, 2012. Duquesne Light is seeking expedited approval to implement the TOU-1 and TOU-2 pilot programs in order to ensure that these residential TOU pilot programs are available and effective during the applicable summer months of 2012, *i.e.*, June 1, 2012 through September 30, 2012. In addition, Duquesne Light needs to allow time to communicate to both TOU-1 and TOU-2 program pre-enrolled customers in advance of June 1, 2012 to prepare for the effective period and so that TOU-2 customers can select a rate option under the TOU-2 pilot program.

**B. TOU Rates Overview**

Act 129 established opportunities to reduce electricity requirements in the Commonwealth of Pennsylvania. In addition to TOU and real-time pricing (“RTP”) rate options, Act 129 established energy efficiency and demand reduction targets; criteria for implementation of smart meter technology for all customers in the Commonwealth; and guidelines for default service supply. The results of these initiatives should not only reduce electricity consumption and electricity demand, but, in theory, should reduce the cost of electricity supplied to the consumer. However, the key to success for these initiatives is the consumer. TOU and RTP products must be embraced by the consumer. Consequently, input from the customer is essential as the programs are designed and implemented. The TOU pilot program designs proposed herein rely heavily on customer input and use empirical data to design final programs. Duquesne Light has conducted multiple surveys to select customer input on TOU programs. The survey results were provided as attachments 12 and 13 to the TOU Progress Report.

The objective of a TOU program is to provide pricing that encourages customers to shift electricity usage from on-peak periods, when wholesale electricity demands and prices generally are higher, to off-peak periods, when demands and prices generally are lower. The shifting of use from on-peak to off-peak periods reduces peak demands on generation resources, contributes to reducing wholesale electricity prices during the hours of highest demand, and provides customers with an opportunity to reduce their monthly electric bills. However, such a program also requires participants to pay closer attention to when they use electricity in order for the program to achieve these benefits and for the participants themselves to save money.

Duquesne Light's current residential meters and their back end systems are not capable of fully supporting TOU rates. While the meters and infrastructure can provide daily reads, the system cannot provide, store, or bill a comprehensive TOU offering. Development and installation of new smart meters and infrastructure, however, will change those capabilities.

Per the Smart Meter Plan approved by the Commission on May 11, 2010, at Docket No. M-2009-2123948, Duquesne Light is utilizing the Grace Period (April 2010 to October 2012) to assess, analyze, design, and decide the appropriate smart meter technology and infrastructure for the Company and for its customers. The roll-out of smart meters will begin on a limited basis in 2013. A comprehensive TOU plan will necessarily have to await the new smart meters and infrastructure.

Here, Duquesne Light seeks Commission approval to implement two experimental TOU pilot programs to obtain customer input and data that will help Duquesne Light develop TOU programs. Using the information from the TOU pilot

programs, Duquesne plans to develop a comprehensive TOU Plan that will be designed to be integrated with and complement the Company's Smart Meter Plan.

**C. Description of the TOU Pilot Programs**

**1. TOU-1 Smart Sense Time of Week Pilot Program**

The TOU-1 pilot program is a time-of-week plan designed around the limited capabilities of the Company's existing residential meter infrastructure. This pilot is a temporary program that will evaluate the customers' ability to reduce their electricity use on weekdays during the months of June 2012 through September 2012, as compared to the same time period in 2011.

During the months of June 2011 through September 2011, the Company collected baseline electricity use data for 1200 customers that enrolled to participate in the TOU-1 Smart Sense Time of Week pilot program. Electricity consumption for these customers was collected through the standard residential meters read daily by the Company's automated meter reading infrastructure.

After collecting baseline electricity consumption data, the Company provided a variety of free energy-saving products and tips for participating customers to put into use. Under the TOU-1, the Company will evaluate how the participating customers have responded to these free products and ideas during the summer of 2012.

The TOU-1 is designed to provide residential customers with an incentive to reduce their weather normalized weekday usage during the months of July through September from a baseline consumption mark set during those months in the previous year. Under TOU-1, if a customer can reduce its monthly weather normalized usage by 10% or more below their 2011 baseline kilowatt-hour usage, the customer will receive an additional 10% credit on the supply portion of their bill for that month. As an added

incentive, participants who reduce their monthly consumption by at least 10% for all four 2012 months – June 2012 through September 2012 – will receive an additional 10% off of their September 2012 supply charges. Incentive credits to the customer will be provided in the following month's bill.

The benchmark for receiving the incentive is a 10% reduction. Participants who reduce their 2012 consumption by less than 10% will not receive the incentive. Participants who reduce their 2012 monthly consumption by more than 10% will only receive the 10% incentive off of their default supply charges. While there is no guarantee of savings, there is no risk to the customer.

Participation in the TOU-1 is available only to those residential default service customers that voluntarily enrolled in the Company's Smart Sense Pilot Program as of June 1, 2011.

## **2. TOU-2 Smart Sense Time of Day Pilot Program**

The TOU-2 pilot program is an experimental time of day plan designed to provide optional pricing for electric generation service applicable to the residential customers that enrolled in the TOU-2 pilot program. TOU-2 encourages these customers to shift their electricity usage from on-peak periods when wholesale electricity demands and prices are higher, to off-peak periods when demands and prices are lower. This pilot is a temporary program with an effective date of June 2012 through September 2012. The TOU-2 pilot program will help Duquesne Light better develop TOU programs that will benefit all Duquesne Light customers.

Duquesne Light's current meter reading system and infrastructure cannot support TOU rates for residential customers. To offer and implement the TOU-2 Smart Sense Time of Day pilot program for the customers that voluntarily enrolled, it was necessary

for Duquesne Light to replace the customers' standard meters with an Alpha meter capable of hourly meter readings and data storage. At no cost to the participating customers, Duquesne Light meter technicians installed an Alpha electronic meter capable of recording and storing energy consumption in hourly intervals on the homes of pre-enrolled TOU-2 customers. The Alpha electronic meters provide twenty-four hourly intervals that are electronically transmitted back to Duquesne Light once per day.

During the months of June 2011 through September 2011, the Company collected baseline electricity use data for 100 customers that pre-enrolled to participate in the TOU-2 Smart Sense Time of Day pilot program. After collecting baseline electricity consumption data, the Company provided a variety of free energy-saving products and tips for participating customers to put into use.

Customer research suggested that the on-peak period should end by 6 p.m. to allow sufficient time for evening activities. In addition, some customers were comfortable with higher pricing if the opportunity for bill reductions was reasonably achievable. Customers participating in the TOU-2 Smart Sense Time of Day pilot program could experience higher bills if they took no action. Therefore, the Company evaluated rate design options to mitigate significant bill impacts, while at the same time balanced many competing objectives.

Based on the customer research and the company's historic peak loads, the Company established the following parameters for the Time of Day rate design:

- On-peak period between 1 p.m. to 6 p.m. weekdays – This aligns with peak system load, allows for meaningful on-peak rate design, and the ending hour aligns with customer preference.
- June 2012 through September 2012 effective period – The December 2009 Plan suggested June, July and August. Extending the Time-of-Day effective

period through September not only provides opportunity for shoulder month changes but also aligns with the typical summer season.

- Bill impact is less than \$5.00 per month for most participants – Since rates cannot be designed specifically for each customer to be purely revenue neutral, \$5.00 per month was selected as a moderate bill impact. Participants in the Time-of-Day pilot consume at least 1,000 kWh per month, which results in a default service charge of \$78.60 per month. Assuming no behavioral modification by the participant, a \$5.00 per month additional cost is a modest change in their bill for rate design purposes.
- Ability to save – On-peak kWh’s are about 20% of the participants’ total monthly consumption. Customers must have the ability to recognize meaningful savings to shift operation of appliances from on-peak to off-peak period. This shift must reflect the pricing differential.

Duquesne Light’s current residential default service supply charge is 7.86 cents/kWh. The Company proposes two separate TOU Time of Day rate options for the Time of Day Pilot Program participants.

	<u>Time of Day 1</u>	<u>Time of Day 2</u>
On-Peak Period	Weekdays 1 p.m. to 6 p.m.	Weekdays 4 p.m. to 6 p.m.
Off-Peak Period	12:00 a.m. – 1:00 p.m. and 6:00 p.m. – 12:00 a.m. weekdays and all weekend hours*	12:00 a.m. – 4:00 p.m. and 6:00 p.m. – 12:00 a.m. weekdays and all weekend hours*
On Peak Rate	15.72 cents/kWh	31.44 cents/kWh
Off Peak Rate	6.13 cents/kWh	5.86 cents/kWh

\*Independence Day (Wednesday, July 4, 2012) and Labor Day (Monday, September 3, 2012) will be considered off-peak all day.

The purpose of selecting on-peak and off-peak prices is to encourage customers to reduce demand during periods of high system usage and to provide customers who can reduce demand at those times an opportunity for savings. The on-peak rates are based on two and four times the current default service rate based on responses to customer surveys. The off-peak price is designed to mitigate bill impacts to all participants if they used the same electricity consumption as the 2011 baseline period and took no action to modify behavior. The Company will not reconcile TOU pilot program rates.

The Company relied heavily on customer input in developing its TOU-2 rates. The Company's research concluded that customers preferred on-peak periods that ended at 6:00 p.m. In addition, the Company's most frequent peak hour is from 4:00 p.m. to 5:00 p.m. Based on these factors, the Company developed two TOU-2 rate options using the hourly load data from customers pre-enrolled in TOU-2. Five hour and two hour on-peak periods were selected, with on-peak rates two and four times the current default service supply charge. As noted above, customers preferred on-peak rates that were two to four times the current default service supply charge. The off-peak rate was determined by back-solving for a result that would produce revenue neutrality for the enrolled customers in aggregate. Therefore, using this methodology, and assuming no change in customer behavior, half the customers would pay more for supply, half would pay less, bill negative impacts would be moderate at less than \$5.00 per month for about a third of the participants, and there would be no change in revenue.

Once the TOU-2 rates are approved by the Commission, the Company will communicate the options to the Time of Day participants. Participants enrolled in the TOU-2 pilot program will be requested to choose one of the two pricing options. If no selection is made by May 1, 2012, participants will be placed in the Time of Day 1 program option.

Participation in the TOU-2 is available only to those residential default service customers who voluntarily enrolled in the Company's Smart Sense pilot program as of June 1, 2011.

**D. Term of the TOU Pilot Programs.**

The goal of the TOU pilot programs is to use customer input to help Duquesne Light develop a smart-meter system and comprehensive time-of-day rates. In order to

ensure that sufficient data and input is obtained, it is important that these pilot programs are effective for the entire summer months of 2012. The two TOU pilot programs therefore are designed to be effective from June 1, 2012 through September 30, 2012. Further, the TOU-2 pilot program requires participating customers to select between the two pricing options by May 1, 2012, in order to ensure that the customers are placed on the appropriate option by the June 1 effective date. For these reasons, it would be in the public interest for the proposed TOU-1 and TOU-2 to become effective on or before April 27, 2012 so that the Company has time to notify pre-enrolled customers of the TOU-1 and TOU-2 terms and conditions.

**E. The TOU Pilot Programs are in the Public Interest**

Duquesne Light's proposal to implement the TOU-1 and TOU-2 pilot programs is in the public interest for several reasons. The primary reasons are discussed below.

The primary objective of the TOU-1 Smart Sense Time-of-Week program is to evaluate customer response to reducing weekday consumption, evaluate communications channels, and increase awareness of energy consumption, all within the limitations of the existing automated meter reading system. The Company will be able to evaluate whether the reductions occurred on weekdays or weekends. The TOU-1 Smart Sense Time-of-Week pilot program will serve as a benchmark to help evaluate future programs that target specific reductions, *e.g.*, weekdays or specific hours of the week. It also will serve as a means to educate customers about electricity usage and to evaluate the effectiveness of energy efficient products and communication messages.

The purpose of the TOU-2 is to provide optional pricing for electric generation service applicable to residential customers that encourages these customers to shift their electricity usage from on-peak periods when wholesale electricity demands and prices are

higher, to off-peak periods when demands and prices are lower. This shifting of use from on-peak to off-peak periods reduces peak demands on generation resources and contributes to reducing wholesale electricity prices during the hours of highest demand.

The proposed TOU pilot programs will provide enrolled customers with an option for reducing their electric bills. The proposed TOU pilot programs also will provide enrolled customers with an understanding of the cost and rate differentials between on-peak and off-peak periods. This knowledge will assist participating customers as they consider opportunities to shop for their electric supply in the competitive retail market and opportunities to undertake energy efficiency and conservation measures.

The Company is obligated under Act 129 of 2008 to offer TOU and real-time-price options to its customers. As explained above, a comprehensive TOU plan cannot be implemented until the roll-out of the new smart meters and infrastructure in 2013. The TOU-3 program will be a comprehensive TOU program that will coincide with the full deployment of smart meters. The TOU-3 will be offered voluntarily to customers who have smart meters in place by 2013.

For these reasons, Duquesne Light Company respectfully requests that the Commission approve Supplement No. 57 to the Company's Tariff-Electric Pa. P.U.C. No. 24, without modification, and that Supplement No. 57 be permitted to become effective on or before April 27, 2012, pursuant to the Petition of Duquesne Light for Special Permission to File a Tariff Supplement To Become Effective on Less Than Sixty Days Notice which is being filed contemporaneously with Supplement No. 57.

# Attachment 3

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**DUQUESNE LIGHT COMPANY**  
**Supplement No. 57 to Tariff No. 24**  
**Supplemental Information Required By 52 Pa. Code**

**§ 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 or 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 proposed change is to add Appendix B — Rate R-TOU, Residential Service Time-of-Use to the Company’s tariff per Commission Order dated June 23, 2010, at Docket No. P-2009-2149807. Appendix B defines the specifics to implement the Company’s time-of-use (“TOU”) rate programs as part of its Smart Sense pilot programs. The TOU-1 pilot program is designed to encourage participants to reduce their weekday consumption during the months of June 2012 through September 2012 as measured against a baseline consumption mark set during those same months in 2011. The TOU-2 pilot program is designed to encourage participants to shift their weekday usage from on-peak hours to off-peak hours during the months of June 2012 through September 2012 through rates that are differentiated between on-peak and off-peak periods and corresponding on-peak and off-peak prices. Participants must be on the Company’s default service rates but are unrestricted to switch to alternative electric generation suppliers without penalty. In addition, please see Duquesne Light’s Statement of Reasons.

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

Response: 587,610 as of December 31, 2011.

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

Response:

- a) TOU-1 will affect approximately 1,200 residential customers on residential rate schedules RS-Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump.
- b) TOU-2 will affect approximately 100 residential customers on residential rate schedule RS-Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump.

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Duquesne Light notes that both the TOU-1 and TOU-2 programs are completely voluntary and pre-enrolled customers can elect to leave the TOU-1 or TOU-2 program at any time.

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

Response:

- a) TOU-1 pilot participants will have the opportunity to receive an incentive if they reduce their monthly consumption by at least 10% below their 2011 baseline consumption. If a participant reduces their monthly consumption by at least 10%, they will receive a 10% incentive credit on the supply charge portion of their bill. If they reduce their monthly consumption by 10% during all four months of the effective period – June 2012 to September 2012 - they will receive an additional 10% off of their September 2012 supply charges. They will also receive a \$100 gift card as an incentive if they respond to electronic and telephonic surveys and remain enrolled in the pilot program through November 2012. The effect on TOU-1 pilot program participants will be a function of their ability to achieve the 10% reduction target.
- b) TOU-2 pilot participants will have the opportunity to reduce their electricity costs from June 2012 to September 2012 by shifting their consumption from on-peak to off-peak periods. They will also receive a \$100 gift card as an incentive if they respond to electronic and telephonic surveys and remain enrolled in the pilot program through November 2012. The effect on TOU-2 pilot program participants will be a function of their ability to shift usage to off-peak periods in response to the proposed rates.

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

Response:

- a) The response by TOU-1 pilot participants will have a direct effect on revenue and an offsetting effect on expense. Assuming 2011 usage data, if all TOU-1 pilot participants decreased their consumption by 10% each month, the total reduction in revenue would be approximately \$47,000 for the June 2012 to September 2012 period compared to the same period in 2011.
- b) The response by TOU-2 pilot participants will have a direct effect on revenue and an offsetting effect on expense. Assuming 2011 usage data, if all TOU-2 pilot participants shifted 100% of their on-peak consumption to the off-peak period, then revenue would decrease by as much as \$13,000 at the proposed rates for the June 2012 to September 2012 period compared to the same period in 2011. If each TOU-2 pilot participant used the same consumption

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during the same hours as the baseline period in 2011, there would be no effect on revenue and expense.

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

Response:

The proposed supplement will have no impact on the service provided to customers.

**(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:

On December 28, 2009, the Company submitted its petition for approval of its TOU plan in response to Act 129. The proposed TOU plan in that filing included the overall design of the TOU-1 and TOU-2 pilot programs and all of the factors used to develop the proposed TOU plan. Key factors identified and discussed in detail in that filing were:

- On- and off-peak hours must align with peak hours of Company load.
- On- and off-peak hours should be practical to the consumer.
- Implementation of TOU rates should align with the Company's Energy Efficiency plan.
- Implementation of TOU rates should complement the Company's Smart Meter Plan.
- Default service provisions must be considered in establishing TOU rates.
- Consumer education and feedback is essential.
- The consumer must take action to reduce their monthly bill.
- Participation in a TOU or RTP product should be voluntary.
- Pricing should be simple to understand and communicated in a simple to understand message.
- A meaningful price signal should be offered to affect behavioral change.
- Tariff structure and pricing should create opportunities for meaningful reductions in the customers' monthly bill.
- Overall rate design should result in revenue neutrality.

On June 23, 2010, at Docket No. P-2009-2149807, the Pennsylvania Public Utility Commission ("Commission") approved the TOU plan, requiring among other items, supplemental filings.

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On November 30, 2011, the Company filed its first progress report with the Commission providing details and basis for the final design proposed for TOU-1 and TOU-2. A comprehensive analysis of all factors considered in the proposed TOU-1 and TOU-2 design is provided in that report.

In addition, please see Duquesne Light's Statement of Reasons.

- (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:

On December 28, 2009, the Company submitted its petition for approval of its TOU plan in response to Act 129. The proposed TOU plan in that filing included the overall design of the TOU-1 and TOU-2 pilot programs and all of the factors used to develop the proposed TOU plan.

On November 30, 2011, the Company filed its first progress report with the Commission providing details and basis for the final design proposed for TOU-1 and TOU-2. A comprehensive analysis of all factors considered in the proposed TOU-1 and TOU-2 design is provided in that report.

- (9) Customer polls taken and other documents which indicate customer acceptance 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:

The Company engaged Market Strategies International to conduct telephonic and, electronic email based research as well as focus groups to indicate customer preference, acceptance and desire for the proposed tariff supplement. Attachments 12 and 13 in the November 30, 2011, progress report provide information on customer research.

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

Response:

The Company developed a comprehensive communication plan for the TOU-1 and TOU-2 pilot programs. Attachments 4, 5, 6 and 7 in the November 30, 2011, progress report provide the communication plan and customer communications. The Company enrolled over 1,100 customers in the TOU-1 pilot and over 100 customers in the TOU-2 pilot in April 2011. The Company used direct mail and web-based communications to enroll customers. The Company continues to communicate at least monthly with all pilot participants. The Company plans to

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enroll TOU-2 pilot program participants in their preferred rate plan described in the proposed tariff supplement by May 1, 2012.

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

Response:

Not applicable.

**(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:

The proposed change is to add Appendix B — Rate R-TOU, Residential Service Time-of-Use to the Company's tariff per Commission Order dated June 23, 2010, at Docket No. P-2009-2149807. Appendix B defines the specifics to implement the Company's time-of-use ("TOU") rate programs as part of its Smart Sense pilot programs. The TOU-1 pilot program is designed to encourage participants to reduce their weekday consumption during the months of June 2012 through September 2012 as measured against a baseline consumption mark set during those same months in 2011. The TOU-2 pilot program is designed to encourage participants to shift their weekday usage from on-peak hours to off-peak hours during the months of June 2012 through September 2012 through rates that are differentiated between on-peak and off-peak periods and corresponding on-peak and off-peak prices. Participants must be on the Company's default service rates but are unrestricted to switch to alternative electric generation suppliers without penalty.

In addition, please see Duquesne Light's Statement of Reasons.

**(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 waste water 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:

Following is the audited GAAP consolidated Duquesne Light Company income statement for the year ended December 31, 2011

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Duquesne Light Company and Subsidiaries Consolidated Statements of Operations (Millions of Dollars)	Year Ended December 31, 2011
<b>Operating Revenues:</b>	
Retail sales of electricity	\$ 890.9
Other	22.1
<b>Total Operating Revenues</b>	<b>913.0</b>
<b>Operating Expenses:</b>	
Purchased power	280.3
Change in fair value of energy contracts	(1.4)
Other operating and maintenance	201.0
Depreciation and amortization	103.9
Taxes other than income taxes	53.2
<b>Total Operating Expenses</b>	<b>637.0</b>
<b>Operating Income</b>	<b>276.0</b>
Investment and Other Income	5.6
Interest and Other Charges	(43.0)
Income Before Income Taxes	238.6
Income Tax Expense	90.1
<b>Net Income</b>	<b>148.5</b>
Dividends on Preferred Stock	6.2
<b>Earnings Available for Common Stock</b>	<b>\$ 142.3</b>

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

Response:

- a) The 1200 TOU-1 customers are on residential Rate RS – Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump. None of the bills for TOU-1 pilot participants will increase due to the proposed tariff supplement.
- b) The 100 TOU-2 customers are on residential Rate RS – Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump. All TOU-2 customer bills could increase if the monthly usage from June 2012 through September 2012 increases during the proposed on-peak hours over the equivalent June 2011 through September 2011 baseline period usage.

- (4) **A calculation of the number of customers, by tariff subdivision, projected to an annual basis.**

Response:

- a) The 1,200 pre-enrolled TOU-1 customers are on residential Rate RS – Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump. The TOU-1 pilot program will be in effect from June 1, 2012, through September 30, 2012. No customers will be added during or after this period.

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- b) The 100 pre-enrolled TOU-2 customers are on residential Rate RS – Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump. The TOU-2 pilot program will be in effect from June 1, 2012, through September 30, 2012. No customers will be added during or after this period.

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

Response:

- a) The 1,200 TOU-1 pre-enrolled customers are on residential Rate RS – Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump. All TOU-1 customer bills could decrease if each customer's monthly usage from June 2012 through September 2012 decreases during the proposed pilot program period over the equivalent June 2011 through September 2011 baseline period usage.
- b) The 100 TOU-2 pre-enrolled customers are on residential Rate RS – Residential Service, RH-Residential Service Heating and Rate RA-Residential Service Add-On Heat Pump. All TOU-2 customer bills could decrease if each customer reduces his/her on-peak usage. The amount of kWh on-peak reduction required for customers to see a decrease will depend on each individual customer's load profile.

**(6) A calculation of the total decreases, in dollars, by tariff subdivision, whose bills will be decreased.**

Response:

- a) Assuming 2011 usage data, if all TOU-1 pilot participants decreased their consumption by 10% each month, the total reduction in revenue would be \$47,000 for the June 2012 to September 2012 period compared to the same period in 2011.
- b) Assuming 2011 usage data, if all TOU-2 pilot participants shifted 100% of their on-peak consumption to the off-peak period, the total reduction in revenue would decrease by as much as \$13,000 at the proposed rates for the June 2012 to September 2012 period compared to the same period in 2011.

**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. Code § 1.54 (relating to service by a participant).

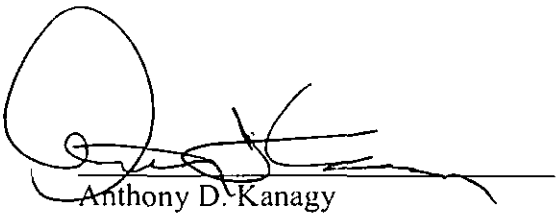
**VIA HAND DELIVERY**

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

Office of Small Business Advocate  
Commerce Building  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

Date: March 20, 2012



Anthony D. Kanagy

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