



**Duquesne Light**  
Our Energy...Your Power

411 Seventh Avenue  
16<sup>th</sup> Floor  
Pittsburgh, PA 15219

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**Tishekia E. Williams**  
Senior Counsel

March 27, 2013

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

**RE: Duquesne Light Company – Rider No. 20 Smart Meter Charge  
Supplement No. 71 to Tariff Electric - PA. P.U.C. No. 24  
Docket No. – M-2013-2354590**

Dear Secretary Chiavetta:

On March 22, 2013, Duquesne Light Company (“Duquesne Light” or “Company”) filed Supplement No. 71 to Tariff Electric, PA. P.U.C. No. 24 reflecting a proposed rate of \$0.16 per meter. Per our conversations with the Bureau of Audits, enclosed for filing please find two replacement pages to Supplement No. 71 to Tariff Electric, PA. P.U.C. No. 24. The replacement pages reflect an updated charge per meter of \$0.19. The charge will be effective for three months.

Also enclosed and marked as Exhibit 1 is a two page document that provides the calculation of the Smart Meter Charge rates. Should you have any questions, please do not hesitate to contact me.

Respectfully,

Tishekia E. Williams  
Senior Counsel, Regulatory

Enclosures

cc: Certificate of Service  
William V. Pfrommer, Manager of Rates and Tariff Services, Duquesne Light  
John Ciganek, Bureau of Audits

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of Duquesne Light Company's Replacement Pages to Supplement No. 71 to Tariff Electric, PA. P.U.C. No. 24 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 FIRST-CLASS MAIL**

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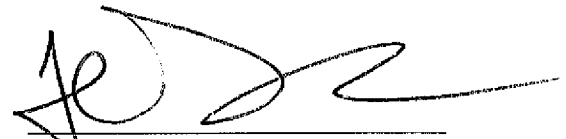
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Dated March 27, 2013

LIST OF MODIFICATIONS MADE BY THIS TARIFF

DECREASE

Rider No. 20 – Smart Meter Charge

Sixteenth Revised Page No. 108  
Cancelling Fifteenth Revised Page No. 108

The Smart Meter Charge has been adjusted as required by the provisions of the Rider. The monthly charge per meter has decreased from \$0.22 to \$0.19 for both Single-Phase and Poly-Phase type meters.

**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**

<b>Meter Type</b>	<b>Monthly Charge Per Meter</b>
Single-Phase	\$0.19
Poly-Phase	\$0.19

(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 April 1, 2013

<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)	11.11%	11.11%	11.11%
<u>Formula and Calculation</u>				
6	SMC = [(( NPIS * PTRR/4) + Dep/4 + O&M - S + e/4) / M] * (1/(1-T))			
7	(Plant-accrued depreciation-ADIT)*Return + Depreciation + O&M - Savings + e-Factor			
8	Meters per Quarter * (1-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	2.78%	2.78%	2.78%
14	Return	\$0	\$0	\$0
15	Depreciation/4	\$0	\$0	\$0
16	O&M Expense (Projected for Quarter)	\$500,000	\$0	\$0
17	Savings	\$0	\$0	\$0
18	e-Factor/4 (1)	(\$170,743)	\$0	\$0
19	Smart Meter Revenue Requirement (SMRR)	\$329,257	\$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	\$317,440	\$11,817	
23	Total Revenue Requirement by Meter Type for Upcoming Quarter	\$317,440	\$11,817	
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	\$0.18	\$0.18	
27	Pennsylvania Gross Receipts Tax Rate (PA GRT)	5.9%	5.9%	
28	<b>Monthly Smart Meter Charge Including GRT (\$/month/meter)</b>	<b>\$0.19</b>	<b>\$0.19</b>	

(1) E-factor component of \$772,167 over collection for the period July 1, 2011 through June 30, 2012. Over collection to be refunded over the one-year period commencing on January 1, 2013 (\$772,167 / 4 = \$193,042). The e-factor component, per the Company's reconciliation filing August 10, 2012 at Docket No. M-2012-2317299, reflects an over collection of \$861,363 less the prior period undercollected e-factor balance of \$89,196. The 2Q 2013 SMC reflects an adjustment of \$22,299 for the prior period undercollected e-factor balance not reflected in the 1Q 2013 SMC.

Duquesne Light Company  
Smart Meter Cost Recovery Charge  
Weighted Average Cost of Capital  
Tariff Rider No. 20  
Effective April 1, 2013

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)	48.47%	5.56%	2.69%		2.69%
2 Preferred Equity (2)	5.53%	5.89%	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%		7.62%		11.11%

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 records. This information was submitted to the PA PUC in the Company's Third Quarter 2012 Quarterly Financial Report.
- 2/ Preferred equity ratio and cost of preferred equity per Company's records. This information was submitted in the Company's Third Quarter 2012 Quarterly Financial Report.
- 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.