



Duquesne Light
Our Energy...Your Power

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15th Floor
Pittsburgh, PA 15219

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Adrienne D. Kurtanich
Attorney

December 18, 2015

VIA ELECTRONIC FILING

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

**Re: Duquesne Light Company – Rider No. 20 Smart Meter Charge
Supplement No. 125 to Tariff Electric – PA. P.U.C. No. 24**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 125 to Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 24 issued on December 18, 2015 to become effective January 1, 2016 pursuant to Pennsylvania Public Utility Commission Order at Docket No. M-2009-2123948. Supplement No. 125 proposes to update the Company's existing Smart Meter Charge – Rider No. 20 to account for adjustments to eligible costs. Also included with this filing is a two page exhibit, which provides the supporting calculations for the proposed rates.

If you have any questions regarding the information in this filing, please feel free to contact me or Bill Pfrommer at (412) 393-3623.

Respectfully Submitted,

Adrienne D. Kurtanich
Attorney, Regulatory

Enclosures

cc: 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

ISSUED: December 18, 2015

EFFECTIVE: January 1, 2016

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

INCREASE

Rider No. 20 – Smart Meter Charge

Twenty-Seventh Revised Page No. 108
Cancelling Twenty-Sixth 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 increased from \$2.80 to \$3.08 for Single-Phase meters.

The monthly charge per meter has increased from \$2.32 to \$2.44 for Poly-Phase 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

Meter Type	Monthly Charge Per Meter
Single-Phase	\$3.08
Poly-Phase	\$2.44

(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, 2016

<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	\$42,181,246	\$23,543,438	\$0
2 Annual Depreciation (years)	10	15	15
3 Annual Depreciation	\$4,218,125	\$1,569,563	\$0
4 Accrued Depreciation	\$2,850,279	\$921,171	\$0
5 Weighted Average Pre-Tax Rate of Return (PTRR)(page 2)	11.31%	11.31%	11.31%
<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	\$42,181,246	\$23,543,438	\$0
10 Less Accrued Depreciation	(\$2,850,279)	(\$921,171)	\$0
11 Less Accumulated Deferred Income Taxes	(\$2,215,601)	(\$1,027,570)	\$0
12 <u>Net Plant</u>	<u>\$37,115,367</u>	<u>\$21,594,697</u>	<u>\$0</u>
13 Weighted Rate of Return/4	2.83%	2.83%	2.83%
14 Return	\$1,049,224	\$610,466	\$0
15 Depreciation/4	\$1,054,531	\$392,391	\$0
16 O&M Expense (Projected for Quarter)	\$2,937,298	\$0	\$0
17 Savings	\$0	\$0	\$0
18 <u>e-Factor/4 (1)</u>	<u>\$123,174</u>	<u>(\$856,863)</u>	<u>(\$34,029)</u>
19 <u>Smart Meter Revenue Requirement (SMRR)</u>	<u>\$5,164,227</u>	<u>\$145,994</u>	<u>(\$34,029)</u>
20 Meters		589,289	21,937
21 Share of Total Meters		96.4%	3.6%
22 Allocated Common Plant SMRR Based on Meters (Line 19 + Line 22)		\$4,978,862	\$185,345
23 Total Revenue Requirement by Meter Type for Upcoming Quarter		\$5,124,875	\$151,316
24 Current Meter Count		589,289	21,937
25 Projected Quarterly Bills Based on Meter Count (line 24 x 3)		1,767,867	65,811
26 Monthly Charge per Meter for Upcoming Quarter (Line 23 / Line 25)		\$2.90	\$2.30
27 Pennsylvania Gross Receipts Tax Rate (PA GRT)		5.9%	5.9%
28 Monthly Smart Meter Charge Including GRT (\$/month/meter)		\$3.08	\$2.44

(1) E-factor component based on \$2,540,914 over collection balance at June 30, 2015 and projected E-factor over recovery of \$529,956 through December 2015. Over collection to be refunded over the one-year period commencing on January 1, 2016 (Common: \$492,697/4; Single Phase (\$3,427,451)/4; Poly Phase (\$136,116)/4).

Duquesne Light Company
Smart Meter Cost Recovery Charge
Weighted Average Cost of Capital
Tariff Rider No. 20
Effective January 1, 2016

Line

Pre-Tax Weighted Average Cost of Capital

	<u>Weight (1)</u>	<u>Cost</u>	<u>Weighted Average Cost</u>	<u>Gross Revenue Conversion Factor</u>	<u>Pre-Tax Weighted Average Cost</u>
1 Debt (2)	42.95%	4.83%	2.07%		2.07%
2 Preferred Equity (2)	5.11%	4.09%	0.21%	1.70921	0.36%
3 Common Equity (3)	<u>51.94%</u>	10.00%	<u>5.19%</u>	1.70921	<u>8.88%</u>
4 Total Return	100.00%		7.48%		11.31%

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/ Weighted capitalization ratio's per the Company's base rate case proceeding at Docket No. R-2013-2372129 in accordance with Commission's Order entered April 23, 2014.
- 2/ Cost of debt and preferred per Company's records. This information was submitted to the PA PUC in the Company's Third Quarter 2015 Quarterly Financial Report.
- 3/ Cost of common equity per the Company's base rate case proceeding at Docket No. R-2013-2372129 in accordance with Commission's Order entered April 23, 2014.

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

VIA U.S. MAIL

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

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

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101



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Dated: December 18, 2015