



Michael Zimmerman
Counsel, Regulatory

411 Seventh Avenue
Mail drop 15-7
Pittsburgh, PA 15219

Tel: 412-393-6268
mzimmerman@duqlight.com

June 21, 2017

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. 159 to Tariff Electric – PA. P.U.C. No. 24
Docket No. – M-2017-2594748**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 159 to Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 24, and supporting documentation. Supplement No. 159 amends Rider No. 20 – Smart Meter Charge, to become effective July 1, 2017. As noted in supporting Exhibit 1, Supplement No. 159 reflects updates to the weighted capitalization ratio, cost of debt, and cost of common equity used in the calculation of the Smart Meter Charge. These updates are consistent with the Public Utility Commission's Order issued April 23, 2014, ¶ 33, at Docket No. R-2013-2372129 (setting those metrics for a three-year time period that has now expired), and have been informally reviewed and approved by the Commission's Bureau of Audits, Western Region.

Should you have any questions, please feel free to contact me or David Ogden, Manager of Rates and Tariff Services, at 412-393-6343.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael Zimmerman", is written over the typed name.

Michael Zimmerman
Counsel, Regulatory

Cc: Enclosure
Certificate of Service

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 § 1.54 (relating to service by a participant):

VIA FIRST-CLASS MAIL

Sharon E. Webb, Esq.
Office of Small Business Advocate
300 North 2nd Street, Suite 202
Harrisburg, PA 17101

Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
PO Box 3265
Harrisburg, PA 17105-3265

David T. Evrard, Esq.
Aron J. Beatty, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Patrick M. Cicero, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101-1414

Pamela C. Polacek, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166



Michael Zimmerman (ID # 353715)
Duquesne Light Company
411 Seventh Avenue, 15-7
Pittsburgh, PA 15219
Phone: 412-393-6268
Email: mzimmerman@duqlight.com

Dated: June 21, 2017



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: June 21, 2017

EFFECTIVE: July 1, 2017

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

Thirty-Third Revised Page No. 108
Cancelling Thirty-Second 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 \$4.43 to \$4.84 for Single-Phase meters.

The monthly charge per meter has increased from \$4.85 to \$5.13 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	\$4.84
Poly-Phase	\$5.13

(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 July 1, 2017

<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	\$70,226,432	\$67,685,716	\$2,912,404
2	Annual Depreciation (years)	10	15	15
3	Annual Depreciation	\$7,022,643	\$4,512,381	\$194,160
4	Accrued Depreciation	\$12,170,463	\$5,882,075	\$94,141
5	Weighted Average Pre-Tax Rate of Return (PTRR)(page 2)	10.85%	10.85%	10.85%
<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	\$70,226,432	\$67,685,716	\$2,912,404
10	Less Accrued Depreciation	(\$12,170,463)	(\$5,882,075)	(\$94,141)
11	Less Accumulated Deferred Income Taxes	(\$14,664,997)	(\$13,475,417)	(\$430,257)
12	Net Plant	\$43,390,972	\$48,328,225	\$2,388,006
13	Weighted Rate of Return/4	2.71%	2.71%	2.71%
14	Return	\$1,177,143	\$1,311,084	\$64,784
15	Depreciation/4	\$1,755,661	\$1,128,095	\$48,540
16	O&M Expense (Projected for Quarter)	\$1,766,555	\$0	\$0
17	Savings	\$0	\$0	\$0
18	e-Factor/4 (1)	\$0	\$769,805	\$25,113
19	Smart Meter Revenue Requirement (SMRR)	\$4,699,359	\$3,208,984	\$138,437
20	Meters		566,610	21,337
21	Share of Total Meters		96.4%	3.6%
22	Allocated Common Plant SMRR Based on Meters (Line 19 * Line 21)		\$4,528,816	\$170,543
23	Total Revenue Requirement by Meter Type for Upcoming Quarter (Line 19 + Line 22)		\$7,737,800	\$308,980
24	Current Meter Count		566,610	21,337
25	Projected Quarterly Bills Based on Meter Count (line 24 x 3)		1,699,830	64,011
26	Monthly Charge per Meter for Upcoming Quarter (Line 23 / Line 25)		\$4.55	\$4.83
27	Pennsylvania Gross Receipts Tax Rate (PA GRT)		5.9%	5.9%
28	Monthly Smart Meter Charge Including GRT (\$/month/meter)		\$4.84	\$5.13

(1) E-factor component based on \$1,696,304 under collection balance at June 30, 2016 and projected E-factor revenue of (\$1,483,372) through December 2016, for a total estimated undercollection of \$3,179,675 through December 2016. Under collection to be collected over the one-year period commencing on January 1, 2017 (Single Phase \$3,079,218/4; Poly Phase \$100,453/4)

Duquesne Light Company
Smart Meter Cost Recovery Charge
Weighted Average Cost of Capital
Tariff Rider No. 20
Effective July 1, 2017

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 (1)	46.23%	4.78%	2.21%		2.21%
2 Preferred Equity (1)	1.47%	4.09%	0.06%	1.70921	0.10%
3 Common Equity (2)	<u>52.30%</u>	9.55%	<u>4.99%</u>	1.70921	<u>8.54%</u>
4 Total Return	100.00%		7.27%		10.85%

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 and cost of debt and preferred per Company's records. This information was submitted to the PA PUC in the in the Company's First Quarter 2017 Quarterly Financial Report.
- 2/ Effective July 1, 2017, cost of common equity reflects the published Market Based Returns on Common Equity in the Year End 2016 Quarterly Earnings Report Summary, Docket No. M-2017-2602056.