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September 21, 2017

**Via Electronic Filing**

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

**Re: Duquesne Light Company – Rider No. 20 Smart Meter Charge  
Supplement No. 162 to Tariff Electric – PA. P.U.C. No. 24  
Docket No. – M-2017-\_\_\_\_\_**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 162 to Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 24, and supporting documentation. Supplement No. 162 amends Rider No. 20 – Smart Meter Charge, to become effective October 1, 2017. As noted in supporting Exhibit 1, Supplement No. 162 reflects an updated weighted capitalization ratio, cost of debt, and cost of common equity used in the calculation of the Smart Meter Charge, 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).

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 a light blue circular stamp.

Michael Zimmerman  
Counsel, Regulatory

Cc: Enclosures  
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 52 Pa. § 1.54 (relating to service by a participant).

**VIA U.S. MAIL**

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

Office of Small Business Advocate  
Commerce Tower, Suite 202  
300 North Second Street  
Harrisburg, PA 17101-1923

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

Bureau of Audits  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 3<sup>rd</sup> Floor East  
Harrisburg, PA 17120



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Dated: September 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: September 21, 2017

EFFECTIVE: October 1, 2017

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

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# NOTICE

**THIS TARIFF SUPPLEMENT DECREASES A RATE AND INCREASES A RATE  
WITHIN AN EXISTING RIDER**

**See Page Two**

**LIST OF MODIFICATIONS MADE BY THIS TARIFF**

**DECREASE**

**Rider No. 20 – Smart Meter Charge**

**Thirty-Fourth Revised Page No. 108  
Cancelling Thirty-Third 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 \$4.84 to \$4.82 for Single-Phase meters.

**INCREASE**

**Rider No. 20 – Smart Meter Charge**

**Thirty-Fourth Revised Page No. 108  
Cancelling Thirty-Third 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 \$5.13 to \$6.06 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	\$4.82
Poly-Phase	\$6.06

(D)  
(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.

Duquesne Light Company  
Smart Meter Cost Recovery Charge  
Calculation of Smart Meter Charge Rates  
Tariff Rider No. 20  
Effective October 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	\$70,584,607	\$73,180,825	\$4,670,500
2 Annual Depreciation (years)	10	15	15
3 Annual Depreciation	\$7,058,461	\$4,878,722	\$311,367
4 Accrued Depreciation	\$13,904,363	\$7,090,017	\$165,859
5 Weighted Average Pre-Tax Rate of Return (PTRR)(page 2)	10.86%	10.86%	10.86%
<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	\$70,584,607	\$73,180,825	\$4,670,500
10 Less Accrued Depreciation	(\$13,904,363)	(\$7,090,017)	(\$165,859)
11 Less Accumulated Deferred Income Taxes	(\$15,334,362)	(\$15,800,519)	(\$883,371)
12 Net Plant	\$41,345,882	\$50,290,289	\$3,621,270
13 Weighted Rate of Return/4	2.72%	2.72%	2.72%
14 Return	\$1,122,623	\$1,365,482	\$98,325
15 Depreciation/4	\$1,764,615	\$1,219,680	\$77,842
16 O&M Expense (Projected for Quarter)	\$1,715,231	\$0	\$0
17 Savings	\$0	\$0	\$0
18 e-Factor/4 (1)	\$0	\$769,805	\$25,113
19 Smart Meter Revenue Requirement (SMRR)	\$4,602,470	\$3,354,967	\$201,280
20 Meters		572,356	21,510
21 Share of Total Meters		96.4%	3.6%
22 Allocated Common Plant SMRR Based on Meters (Line 19 * Line 21)		\$4,435,767	\$166,703
23 Total Revenue Requirement by Meter Type for Upcoming Quarter (Line 19 + Line 22)		\$7,790,734	\$367,982
24 Current Meter Count		572,356	21,510
25 Projected Quarterly Bills Based on Meter Count (line 24 x 3)		1,717,068	64,530
26 Monthly Charge per Meter for Upcoming Quarter (Line 23 / Line 25)		\$4.54	\$5.70
27 Pennsylvania Gross Receipts Tax Rate (PA GRT)		5.9%	5.9%
28 <b>Monthly Smart Meter Charge Including GRT (\$/month/meter)</b>		<b>\$4.82</b>	<b>\$6.06</b>

(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 October 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)	46.14%	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>52.39%</u>	9.55%	<u>5.00%</u>	1.70921	<u>8.55%</u>
4 Total Return	100.00%		7.27%		10.86%

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 Second Quarter 2017 Quarterly Financial Report.
- 2/ Effective July 1, 2017, cost of common equity reflects the published Market Based Returns on Common Equity, published in the First Quarter 2017 Quarterly Earnings Report Summary, Docket No. M-2017-2611032.