



Michael Zimmerman
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March 19, 2021

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
Tariff Electric – PA. P.U.C. No. 25
Docket No. – M-2021-_____**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Duquesne Light Company's ("Company") supporting calculations for its Rider 20 - Smart Meter Charge rates effective April 1, 2021. As indicated herein, the Smart Meter Charge rates will remain unchanged; therefore, the Company is not here filing a tariff supplement.

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 that reads "Michael Zimmerman".

Michael Zimmerman
Senior 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 52 Pa. Code § 1.54 (relating to service by a participant):

ELECTRONIC MAIL

Bureau of Investigation & Enforcement
Richard Kanaskie
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400 North Street, 2nd Floor West
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Bureau of Audits
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Dated: March 19, 2021

Duquesne Light Company
Smart Meter Cost Recovery Charge
Calculation of Smart Meter Charge Rates
Tariff Rider No. 20
Effective April 1, 2021 (1)

<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)	8.98%	8.98%	8.98%
<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	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	2.25%	2.25%	2.25%
14 Return	\$0	\$0	\$0
15 Depreciation/4	\$0	\$0	\$0
16 O&M Expense (Projected for Quarter)	\$0	\$0	\$0
17 Savings	\$0	\$0	\$0
18 e-Factor/4 (2)	\$0	\$5,766	\$4,169
19 Adjustment/4	\$0	\$0	\$0
20 Smart Meter Revenue Requirement (SMRR)	\$0	\$5,766	\$4,169
21 Meters		578,526	21,772
22 Share of Total Meters		96.4%	3.6%
23 Allocated Common Plant SMRR Based on Meters (Line 20 * Line 22)		\$0	\$0
24 Total Revenue Requirement by Meter Type for Upcoming Quarter (Line 20 + Line 23)		\$5,766	\$4,169
25 Current Meter Count		578,526	21,772
26 Projected Quarterly Bills Based on Meter Count (line 25 x 3)		1,735,579	65,315
27 Monthly Charge per Meter for Upcoming Quarter (Line 24 / Line 26)		\$0.00	\$0.06
28 Pennsylvania Gross Receipts Tax Rate (PA GRT)		5.9%	5.9%
29 Monthly Smart Meter Charge Including GRT (\$/month/meter)		\$0.00	\$0.07

(1) As part of the Company's distribution rate case at Docket No. R-2018-3000124, the Company sought permission to roll its Smart Meter Charge ("SMC") into base rates. All SMC costs have been subject to audit as part of the reconcilable surcharge, and any costs that were previously included in the surcharge remain subject to audit pursuant to the Commission's rules and regulations. Any remaining over/under collection balance will continue to be refunded or recouped, as applicable, through the SMC.

(2) E-factor component based on \$515,937 under collection balance at June 30, 2020 and projected E-factor revenue of \$476,197 through December 2020, for a total estimated under collection of \$39,740 through December 2020. Under collection to be recouped over the one-year period commencing on January 1, 2021 (Single Phase \$23,062/4; Poly Phase \$16,678/ 4).

Duquesne Light Company
Smart Meter Cost Recovery Charge
Weighted Average Cost of Capital
Tariff Rider No. 20
Effective April 1, 2021

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)	48.31%	4.37%	2.11%		2.11%
2 Preferred Equity (1)	0.00%	0.00%	0.00%	1.40631	0.00%
3 Common Equity (2)	<u>51.69%</u>	9.45%	<u>4.88%</u>	1.40631	<u>6.87%</u>
4 Total Return	100.00%		7.00%		8.98%

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	21.00%	<u>18.90%</u>
9 Income After Income Taxes		71.11%
10 Gross Revenue Conversion Factor		1.40631

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 Third Quarter 2020 Quarterly Financial Report, Docket No. M-2020-3015224.
- 2/ Effective July 1, 2017, cost of common equity reflects the published Market Based Returns on Common Equity, published in the Third Quarter 2020 Quarterly Earnings Report Summary, Docket No. M-2020-3023406.