

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Energy Efficiency and Conservation

Docket No. M-2012-_____

Direct Testimony

Witness: William V. Pfrommer

Subject: Energy Efficiency and Conservation Phase II Plan Cost Recovery

1 **DIRECT TESTIMONY OF WILLIAM V. PFROMMER**

2

3 **I. INTRODUCTION**

4 **Q. Please state your full name and business address.**

5 A. My name is William V. Pfrommer. My business address is 411 7th Avenue, Pittsburgh,
6 PA 15219.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am Manager, Rates & Tariff Services, for Duquesne Light Company (“Duquesne Light”
10 or “Company”).

11

12 **Q. What are your qualifications, work experience and educational background?**

13 A. I received a Bachelor of Science Degree in Mechanical Engineering from Grove City
14 College in 1978 and a Masters in Business Administration from the University of
15 Pittsburgh in 1989. I began my career at the Company in 1982 as a Project Engineer in
16 the Engineering and Construction Division at the Beaver Valley Power Station. Over the
17 last 30 years, I have held staff, supervisory and managerial positions in engineering,
18 nuclear construction, customer technical services, marketing and rates. In my current
19 role as Manager of Rates and Tariff Services, I am responsible for overseeing the
20 Company’s retail rates and wholesale transmission rates. In addition, it is my
21 responsibility to ensure the rates are properly applied to customer bills. I am a licensed
22 professional engineer in the Commonwealth of Pennsylvania.

1 **Q. Have you previously testified before the Pennsylvania Public Utility Commission**
2 **(“Commission”) or other regulatory bodies?**

3 A. Yes. I have testified on rate design matters before the Pennsylvania Public Utility
4 Commission (“Commission”) and Federal Energy Regulatory Commission (“FERC”). A
5 list of proceedings in which I have submitted testimony is provided in Appendix A. Of
6 note, I testified in the Company’s initial Energy Efficiency and Conservation and
7 Demand Response Program Plan proceeding at Docket No. M-2009-2093217.

8
9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is three-fold. First, I will provide an overview of the
11 Company’s current Energy Efficiency and Conservation and Demand Response
12 Surcharge (“EECDR Surcharge”) for its Phase I Energy Efficiency and Conservation
13 Plan (“EEC Plan”). Second, I will describe the proposed changes to the EECDR
14 Surcharge to implement Duquesne Light’s proposed Phase II EEC Plan. Third, I will
15 summarize the budget that Duquesne Light anticipates it will recover through the EECDR
16 Surcharge to implement the Company’s Phase II EEC Plan and provide an estimate of the
17 surcharges for each customer group.

18
19 **Q. Are you sponsoring any exhibits?**

20 A. Yes. I am sponsoring the following exhibits:

- 21 Exhibit WVP-1 – Proposed Tariff Supplement (Clean)
- 22 Exhibit WVP-2 – Proposed Tariff Supplement (Redline)
- 23 Exhibit WVP-3 – EEC Plan Budget 2013-2016
- 24 Exhibit WVP-4 – EEC Plan Surcharge Calculation Example

25

II. COST RECOVERY MECHANISM

1
2 **Q. Does Act 129 provide guidance on how the costs of providing EEC programs are to**
3 **be recovered by the Company?**

4 A. Yes. Act 129 of 2008 (“Act”) permits electric distribution companies (“EDCs”) to fully
5 recover the costs of implementing its EEC Plan. The Act permits affected EDCs to
6 recover on a full and current basis from customers, through a reconcilable adjustment
7 clause under 66 Pa. C.S. § 1307, (“Section 1307”), all reasonable and prudent costs
8 incurred in the provision or management of its plan. 66 Pa. C.S. § 2806.1(k)(1).

9 Additionally, the Commission’s August 3, 2012 Implementation Order at Docket No. M-
10 2012-2289411, provides further guidance for the Phase II EEC Plans. Specifically, at
11 page 118 of the Implementation Order, the Commission states that, “[t]he Phase II cost
12 recovery mechanism is to be a separate cost recovery mechanism from that used for
13 Phase I. Such a mechanism shall be designed to recover, on a full and current basis,
14 without interest, from each customer class, all prudent and reasonable EE&C costs that
15 have been assigned to each class.” The Implementation Order also directs that EDCs
16 clearly identify and distinguish and separately account for its Phase I and Phase II EEC
17 Plan costs. Further, the Commission directed that EDC Phase II costs be reconciled
18 against the Phase II funds collected.

19
20 **Q. Please summarize the methodology used by Duquesne Light in the development of**
21 **the EECDR Surcharge.**

22 A. As I noted previously, the Act requires that each EDC's plan include a Section 1307 cost-
23 recovery tariff mechanism in its EEC Plan in order to fund all reasonable and prudent

1 costs incurred in the provision and management of its EEC Plan. To that end, on July 1,
2 2009, the Company filed its Phase I EEC Plan with the Commission pursuant to the
3 requirements of Act 129. The EEC Plan proposed five surcharges to recover costs as
4 close as reasonably possible to the customer class receiving the benefit. The five
5 surcharges associated with the customer classes were: residential, small and medium
6 commercial, small and medium industrial, large commercial and large industrial. The
7 Company designed the EECDR Surcharge and reconciliation mechanism in a manner that
8 recovers the cost of the Phase I EEC Plan via a non-bypassable charge recovered from all
9 of the Company's customers.

10
11 **Q. How does the Company assign customers to these customer classes?**

12 A. The commercial or industrial classification is based on the North American Industry
13 Classification System ("NAICS") code or the Standard Industrial Classification ("SIC")
14 code provided by the customer for their business. The small, medium and large
15 commercial and industrial ("C&I") customer classification is based on the customer's
16 peak monthly metered demand. Small and medium C&I customers are those customers
17 with monthly metered demand 300 kW and less. Large C&I customers are those
18 customers with monthly metered demand greater than 300 kW. This segmentation of
19 customers is appropriate because it aligns programs and program costs with the current
20 tariff and with the tariff charges for distribution, transmission and default service supply.
21 This segmentation has worked successfully in the Company's current EEC Plan.

1 **Q. Please describe the EECDR Surcharge as approved by the Commission.**

2 A. Pursuant to the Commission's order entered October 27, 2009 at Docket No. M-2009-
3 2093217, Duquesne Light submitted a Compliance Filing on November 9, 2009
4 establishing Rider No. 15 in the Company's tariff, "Energy Efficiency and Conservation
5 and Demand Response Surcharge," effective December 1, 2009, that contained the five
6 surcharges described above. The residential, small and medium commercial and small
7 and medium industrial surcharges were designed to recover costs on a cents per kilowatt-
8 hour ("kWh") basis and the large commercial and large industrial surcharges were
9 designed to recover costs on a dollar per kilowatt ("kW") basis with the kW defined as
10 the customers Peak Load Contribution ("PLC").

11
12 **Q. Is this the same rate structure of the EECDR Surcharge currently in effect?**

13 A. Yes, with one change. The surcharge design for large commercial and large industrial
14 customer classes was modified by Commission order entered on February 2, 2010 at
15 Docket No. P-2009-2093217, to recover administrative costs through a fixed monthly
16 charge and recover incentive costs through a variable demand charge based on the
17 customer's PLC.

18
19 **Q. Please describe how the Company currently prepares its EECDR Surcharge.**

20 A. On or about July 1 of each year, the Company submits a filing to the Commission to
21 reconcile and update the EECDR Surcharges effective September 1 of that year. The
22 Company uses the program budgets, approved by the Commission, for the Phase I EEC
23 Plan year, June 1 to May 31. Costs are assigned to each customer class for cost recovery

1 purposes to ensure the customer class that receives the benefits is the same customer class
2 financing the programs. For the large commercial and large industrial classes, the budget
3 is separated into administrative costs and incentive costs. The program budgets are then
4 divided by the applicable billing determinants to derive per unit rates. The rates are then
5 adjusted to recover Pennsylvania Gross Receipts Tax (“GRT”) and to establish final tariff
6 rates.

7
8 **Q. Does the EECDR Surcharge include a reconciliation component?**

9 A. Yes. In the July 1 filing, the Company reconciles revenue collected through the EECDR
10 Surcharge for each customer class with the actual expenses incurred for that class for the
11 prior Phase I EEC Plan program year, June 1 to May 31. The over or under collection
12 amount, or “e-factor” is included in the derivation of the final EECDR Surcharge for each
13 class. An over-collection is refunded through a positive e-factor and an under-collection
14 is recovered through a negative e-factor.

15
16 **Q. Does the applicable EECDR Surcharge apply to all customers in the customer class?**

17 A. Yes. The EECDR Surcharge is a non-bypassable charge applicable to all customers in
18 the customer class regardless of whether they are being supplied as a default service
19 customer or by an electric generation supplier.

1 **Q. Does the Company recover lost revenues associated with the programs in the**
2 **EECDR Surcharge?**

3 A. No. In accordance with the Act, lost revenues due to reduced energy consumption or
4 changes in energy demand are not recoverable under the adjustment clause. EDCs may
5 reflect reduced revenue and consumption in the revenue and sales data to calculate
6 proposed rates in a distribution base rate proceeding under 66 Pa. C.S. § 1308. 66 Pa.
7 C.S. §§ 2806.1(k)(2) - (3).

8
9 **Q. Is the Company proposing to implement a new EECDR Surcharge to accommodate**
10 **its Phase II EEC Plan?**

11 A. No. The Company is proposing to continue to use its current EECDR Surcharge to
12 recover the costs for both its Phase I and Phase II EEC Plans, but to modify the current
13 EECDR Surcharge in order to separately account for and recover costs associated with its
14 EEC Plans.

15
16 **Q. Please explain.**

17 A. As required by the Commission, the Company will account separately for Phase I and
18 Phase II costs in its EECDR Surcharge. To accomplish this, the Company proposes to
19 modify the definition of the “e-factor” in its current EECDR Surcharge. Specifically, the
20 Company has expanded the e-factor definition in the proposed tariff supplement to
21 explain that Phase I and Phase II EEC Plan costs will be accounted for separately for
22 reconciliation purposes. The Company’s has the ability to track Phase I revenue and

1 expense separate from Phase II revenue and expense to ensure separate and accurate
2 reconciliation.

3

4 **Q. Why is this necessary?**

5 A. The Company will continue to incur some Phase I EEC Plan costs during its Phase II
6 EEC Plan period. Similarly, the Phase I EECDR Surcharge rates in effect through
7 August 31, 2013 will be based on Phase I budgets. The Company will continue to
8 recover Phase I EEC Plan costs through the e-factor reconciliation in the September 2013
9 EECDR Surcharge rates as well as in e-factor derived in the subsequent year's EECDR
10 Surcharge reconciliation filing (i.e., through the e-factor derived for the June 1, 2013
11 through May 31, 2014 period associated with post-Phase I revenue and expense). By
12 separately accounting for and defining Phase I and Phase II costs by customer class, the
13 Company will be able to correctly derive the e-factor component of the EECDR
14 Surcharge.

15

16 **Q. Have you prepared any exhibits showing the proposed change to the EECDR
17 Surcharge to reflect this change?**

18 A. Yes. Exhibit WVP-1 is a clean version of the proposed tariff supplement and Exhibit
19 WVP-2 is a redline version of the proposed tariff supplement showing these changes.

III. EEC PLAN SURCHARGE CALCULATION

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Q. Has the Company established program budgets by customer class for its proposed EEC Plan?

A. Yes. Exhibit WVP-3 shows the annual EEC Plan budget for each program for 2013 to 2016. This exhibit is based on the program budgets defined in the Company’s EEC Plan and includes the costs for energy efficiency programs, program administration and program incentives. Additional cost detail for customer class assignment and assignment of administrative costs is provided in the EEC Plan and testimony of Duquesne Light’s witness David Defide.

Q. Do the customer class budgets in Exhibit WVP-3 include excess budgets from current Phase I EECDR programs?

A. No. The budgets shown in Exhibit WVP-3 are for the Phase II EEC Plan only.

Q. Do the customer class budgets in Exhibit WVP-3 include capital costs?

A. No. The budgets shown in Exhibit WVP-3 are 100% expense.

Q. Do the customer class budgets in Exhibit WVP-3 include the cost of the Statewide Evaluator?

A. No. Once actual costs are known for the Statewide Evaluator (“SWE”), the Company will allocate the SWE costs to each customer class based on the forecast sales (kWh) for that customer class.

1 **Q. How long does the Company propose to keep the EECDR Surcharge in effect?**

2 A. Phase II of the EEC Plan is expected to be effective June 1, 2013 through May 31, 2016.
3 In order to reconcile revenue and expense for the final Phase II EEC Plan year, the
4 Company proposes to keep the EECDR Surcharge in effect for one year following
5 completion of the Plan, or from June 1, 2016 through May 31, 2017, to allow time to
6 complete the reconciliation.
7

8 **Q. Have you prepared an exhibit showing the estimated customer class surcharges**
9 **using these proposed budgets?**

10 A. Yes. Exhibit WVP-4 provides a calculation of what the surcharges for each customer
11 class would be for the June 2013 to May 2014 EEC Plan year at these proposed budgets.
12 The estimated surcharges are calculated using the forecast budget divided by the forecast
13 billing determinates adjusted for GRT. These surcharges are shown in Exhibits WVP-1
14 and WVP-2 for illustrative purposes only, and will differ due to final program budgets
15 and the e-factor adjustment for the period June 30, 2012 through May 31, 2013.
16

17 **Q. Does that conclude your direct testimony?**

18 A. Yes.

Appendix A
William V. Pfrommer
Rate and Regulatory Proceedings

Pennsylvania Public Utility Commission:

Docket No. P-2012-2301664 – Default Service Plan (POLR VI)
Docket No. R-2010-2179522 – Distribution Base Rate Case
Docket No. P-2009-2135500 - Provider of Last Resort (POLR V)
Docket No. M-2009-2093217 - Act 129 Energy Efficiency and Conservation and Demand Response Plan
Docket No. M-2009-2123948 - Act 129 Smart Meter Procurement and Installation Plan
Docket No. P-00072247 - Provider of Last Resort (POLR IV)
Docket No. R-00061346 – Distribution Base Rate Case
Docket No. P-00032071 - Provider of Last Resort (POLR III)

Federal Energy Regulatory Commission:

Docket No. ER08-1309-000 – Changes to the MISO Open Access Transmission Tariff to Integrate the Company into the Midwest Independent System Operator, Inc.
Docket No. ER05-85-000 – Changes to the PJM Open Access Transmission Tariff to integrate the Company into the PJM Interconnection, L.L.C.

Other:

Cause No. 42416, Filed April 14, 2003, Indiana Utility Regulatory Commission – Petition of Utility Center, Inc., d/b/a AquaSource
Cause No. 41968, Filed March 30, 2001, Indiana Utility Regulatory Commission – In the Matter of Utility Center, Inc., d/b/a AquaSource
Docket Nos. 2000-1074-UCR and 2000-1075-UCR, Filed June 15, 2000 – Texas Natural Resource Conservation Commission, Applications of AquaSource Utility, Inc. to Change its Water and Sewer Tariffs and Rates

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Energy Efficiency and Conservation Program : Docket No. M-2012-_____
Phase II Plan :
:
:
:

VERIFICATION

I, William V. Pfrommer, being a Manager, Rates and Tariff Services of Duquesne Light Company (“Duquesne Light”) hereby state that the testimony set forth in Duquesne Light Statement No. 2 is true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing in this matter, my answers would be as set forth therein. I further state that I am responsible for Exhibit WVP-I – Proposed Tariff Supplement (Clean), Exhibit WVP-2 – Proposed Tariff Supplement (Redline), Exhibit WVP-3 – EEC Plan Budget 2013-2016, and Exhibit WVP-4 – EEC Plan Surcharge Calculation Example for which I am identified as the witness, and that they are true and correct to the best of my knowledge, information and belief.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: November 14, 2012



William V. Pfrommer



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: XXXX X, 2013

EFFECTIVE: September 1, 2013

Issued in compliance with Commission Order dated August 3, 2012,
at Docket No. M-2012-2289411.

NOTICE

THIS TARIFF SUPPLEMENT MAKES CHANGES TO AN EXISTING RIDER

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGE

Rider No. 15 – Energy Efficiency and Conservation and
Demand Response Surcharge

Seventh Revised Page No. 100
Cancelling Sixth Revised Page No. 100

First Revised Page No. 100A
Cancelling Original Page No. 100A

Second Revised Page No. 100B
Cancelling First Revised Page No. 100B

First Revised Page No. 100C
Cancelling Original Page No. 100C

Language in the EEC&DR Surcharge Rider has been modified to reflect the Phase II EE&C Program as approved in the Commission's Order at Docket No. M-2012-2289411.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE

(Applicable to all Rates)

The Energy Efficiency and Conservation and Demand Response Surcharge (“EECDR”) is instituted as a cost recovery mechanism to recover the costs associated with implementing the Company’s Energy Efficiency and Conservation and Demand Response Plan. Act 129 of 2008 became law on October 15, 2008, requiring the Pennsylvania Public Utility Commission (“Commission”) to develop an Energy Efficiency and Conservation Program applicable to electric distribution companies (“EDCs”) with at least 100,000 customers. This EECDR Surcharge was implemented in compliance with the Commission’s Order at Docket No. M-2009-2093217 for Phase I of the Company’s EECDR plan effective December 1, 2009, through May 31, 2013. The EECDR Surcharge has been modified in compliance with the Commission’s Order at Docket No. M-2012-2289411 for Phase II of the Company’s Energy Efficiency and Conservation Plan in effect from June 1, 2013, through May 31, 2016. The EECDR is a non-bypassable Surcharge and shall be applied to all customers’ bills.

(C)

RATES

Customer Class	Applicable Tariff Rate Schedule	Monthly Surcharge		
		¢/kWh	Fixed Charge \$/Month	\$/kW ⁽¹⁾
Residential	RS, RH, RA	0.22		
Small & Medium Commercial	GS, GM & GMH	0.09		
Small & Medium Industrial	GM & GMH	0.05		
Large Commercial	GL, GLH, L		\$116.97	\$0.39
Large Industrial	GL, GLH, L, HVPS		\$691.97	\$0.72
Lighting	AL, SE, SM, SH, PAL	0.00		
Unmetered	UMS	0.00		

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(C) (C)

⁽¹⁾Monthly Surcharge applicable to the customer’s Peak Load Contribution.

CALCULATION OF SURCHARGE

The rate, calculated independently for each customer class in this Tariff, shall be applied to all customers served under the Tariff. The rate shall be determined in accordance with the formulas set forth below and shall be applied to all customers served during any part of a billing month:

RESIDENTIAL CUSTOMER CLASS

$$EECDR(r) = [((B - e) / S) * 100] * [(1 / (1 - T))]$$

Where: **EECDR(r)** = The Energy Efficiency and Conservation and Demand Response Surcharge (residential) in one-hundredth of a cent which shall be added to the distribution rates for billing purposes for all residential customers.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE
 – (Continued)

(Applicable to all Rates)

CALCULATION OF SURCHARGE – (Continued)

RESIDENTIAL CUSTOMER CLASS – (Continued)

- B =** The projected budget of the EECDR(r) Plan applicable to the residential customer class for the planning year June 1 through May 31.
- e =** The estimated over or under recovery for the reconciliation year. The reconciliation year shall be the twelve (12) months ended May 31. The e-factor component shall account separately for Phase I and Phase II revenue and expense. Phase I revenue and expense shall be identified and reconciled separately in the first Phase II reconciliation filing which shall include separate Phase I and Phase II reconciliations. (C)
- S =** Projected distribution sales in kWh for the residential customer class for the planning year.
- T =** The Pennsylvania Gross Receipts Tax in effect during the billing month, expressed in decimal form.

SMALL AND MEDIUM COMMERCIAL & INDUSTRIAL, LIGHTING AND UNMETERED CUSTOMER CLASSES

$$EECDR(s) = [((B - e) / S) * 100] * [(1 / (1 - T))]$$

- Where: **EECDR(s) =** The Energy Efficiency and Conservation and Demand Response Surcharge (small commercial & industrial) in one-hundredth of a cent. This Surcharge shall be a separate line item for billing purposes for all small and medium C&I customers.
- B =** The projected budget of the EECDR(s) Plan applicable to the small and medium C&I customer class for the planning year June 1 through May 31.
 - e =** The estimated over or under recovery for the reconciliation year. The reconciliation year shall be the twelve (12) months ended May 31. The e-factor component shall account separately for Phase I and Phase II revenue and expense. Phase I revenue and expense shall be identified and reconciled separately in the first Phase II reconciliation filing which shall include separate Phase I and Phase II reconciliations. (C)
 - S =** Projected distribution sales in kWh for the small and medium C&I customer class for the planning year.
 - T =** The Pennsylvania Gross Receipts Tax in effect during the billing month, expressed in decimal form.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE
– (Continued)

(Applicable to all Rates)

CALCULATION OF SURCHARGE – (Continued)LARGE COMMERCIAL & INDUSTRIAL CUSTOMER CLASSES

$$EECDR(I) \text{ (Fixed)} = [(B_A - e) / C] * [(1 / (1 - T))]$$

$$EECDR(I) \text{ (Demand)} = [(B_I - e) / L] * [(1 / (1 - T))]$$

Where: **EECDR(I)** = The Energy Efficiency and Conservation and Demand Response Surcharge (large commercial & industrial) is a two-part Surcharge. **EECDR(I) (Fixed)** is a monthly fixed Surcharge designed to recover projected program administrative costs and **EECDR(I) (Demand)** is a monthly demand Surcharge designed to recover projected program incentive costs. Combined, the two components are designed to recover the total projected program budgets. This Surcharge shall be shown separately for billing purposes for all large C&I customers.

B = The projected budget of the **EECDR(I)** Plan applicable to the large C&I customer class for the planning year June 1 through May 31. B_A is the projected administrative budget applicable to each customer class and B_I is the projected incentive budget applicable to each customer class.

e = The estimated over or under recovery for the reconciliation year. The reconciliation year shall be the twelve (12) months ended May 31. The e-factor component shall account separately for Phase I and Phase II revenue and expense. Phase I revenue and expense shall be identified and reconciled separately in the first Phase II reconciliation filing which shall include separate Phase I and Phase II reconciliations. (C)

C = Projected distribution customers for the planning year.

L = Projected Peak Load Contribution (PLC) in kilowatts (kW) for the large C&I customer class for the planning year.

T = The Pennsylvania Gross Receipts Tax in effect during the billing month, expressed in decimal form.

ANNUAL UPDATE

The Surcharges defined herein will be updated effective September 1 of each year. On or about July 1 of the filing year, the Company will file revised **EECDR** rates with the Commission defining rates in effect from September 1 to August 31 of the following year. The rates for **EECDR(r)** and **EECDR(s)** shall be determined based on the projected budget and sales for the planning year and the over or under collection of expenses based on actual **EECDR(r)** and **EECDR(s)** revenue and expense incurred for the reconciliation year. The rates for **EECDR(I)** shall be determined based on the projected budget and the projected Peak Load Contribution for the planning year and the over or under collection of expenses based on actual **EECDR(I)** revenue and expense incurred for the reconciliation year.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE
– (Continued)

(Applicable to all Rates)

MISCELLANEOUS

The initial planning year will be December 1, 2009, through May 31, 2010, after which the twelve (12) month planning year described above will begin.

Rider No. 10 – State Tax Adjustment Surcharge (STAS) shall be applicable to the Surcharges defined in this Rider.

The EECDR shall be subject to review and audit by the Commission.

There shall be no interest applicable to over or under collections for the reconciliation period.

The EECDR shall remain in effect through 2017 or until otherwise directed by the Commission.

(C)

This Rider will remain in effect until the final reconciliation statement is approved and charges fully recovered.



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: XXXX X, 2013

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<u>Rider No. 15 – Energy Efficiency and Conservation and</u>	<u>Seventh Revised Page No. 100</u>
<u>Demand Response Surcharge</u>	<u>Cancelling Sixth Revised Page No. 100</u>

	<u>First Revised Page No. 100A</u>
	<u>Cancelling Original Page No. 100A</u>

	<u>Second Revised Page No. 100B</u>
	<u>Cancelling First Revised Page No. 100B</u>

	<u>First Revised Page No. 100C</u>
	<u>Cancelling Original Page No. 100C</u>

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STANDARD CONTRACT RIDERS - (Continued)

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(C)

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Residential	RS, RH, RA	0.22		
Small & Medium Commercial	GS, GM & GMH	0.09		
Small & Medium Industrial	GM & GMH	0.05		
Large Commercial	GL, GLH, L		\$116.97	\$0.39
Large Industrial	GL, GLH, L, HVPS		\$691.97	\$0.72
Lighting	AL, SE, SM, SH, PAL	0.00		
Unmetered	UMS	0.00		

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(C) (C)

⁽¹⁾Monthly Surcharge applicable to the customer’s Peak Load Contribution.

CALCULATION OF SURCHARGE

The rate, calculated independently for each customer class in this Tariff, shall be applied to all customers served under the Tariff. The rate shall be determined in accordance with the formulas set forth below and shall be applied to all customers served during any part of a billing month:

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Where: **EECDR(r)** = The Energy Efficiency and Conservation and Demand Response Surcharge (residential) in one-hundredth of a cent which shall be added to the distribution rates for billing purposes for all residential customers.

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE
– (Continued)

(Applicable to all Rates)

CALCULATION OF SURCHARGE – (Continued)

RESIDENTIAL CUSTOMER CLASS – (Continued)

- B** = The projected budget of the EECDR(r) Plan applicable to the residential customer class for the planning year June 1 through May 31.
- e** = The estimated over or under recovery for the reconciliation year. The reconciliation year shall be the twelve (12) months ended May 31. The e-factor component shall account separately for Phase I and Phase II revenue and expense. Phase I revenue and expense shall be identified and reconciled separately in the first Phase II reconciliation filing which shall include separate Phase I and Phase II reconciliations. (C)
- S** = Projected distribution sales in kWh for the residential customer class for the planning year.
- T** = The Pennsylvania Gross Receipts Tax in effect during the billing month, expressed in decimal form.

SMALL AND MEDIUM COMMERCIAL & INDUSTRIAL, LIGHTING AND UNMETERED CUSTOMER CLASSES

$$EECDR(s) = [((B - e) / S) * 100] * [(1 / (1 - T))]$$

Where: **EECDR(s)** = The Energy Efficiency and Conservation and Demand Response Surcharge (small commercial & industrial) in one-hundredth of a cent. This Surcharge shall be a separate line item for billing purposes for all small and medium C&I customers.

- B** = The projected budget of the EECDR(s) Plan applicable to the small and medium C&I customer class for the planning year June 1 through May 31.
- e** = The estimated over or under recovery for the reconciliation year. The reconciliation year shall be the twelve (12) months ended May 31. The e-factor component shall account separately for Phase I and Phase II revenue and expense. Phase I revenue and expense shall be identified and reconciled separately in the first Phase II reconciliation filing which shall include separate Phase I and Phase II reconciliations. (C)
- S** = Projected distribution sales in kWh for the small and medium C&I customer class for the planning year.
- T** = The Pennsylvania Gross Receipts Tax in effect during the billing month, expressed in decimal form.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE
– (Continued)

(Applicable to all Rates)

CALCULATION OF SURCHARGE – (Continued)

LARGE COMMERCIAL & INDUSTRIAL CUSTOMER CLASSES

$$\text{EECDR(I) (Fixed)} = [(B_A - e) / C] * [(1 / (1 - T))] \quad (C)$$

$$\text{EECDR(I) (Demand)} = [(B_I - e) / L] * [(1 / (1 - T))]$$

Where: **EECDR(I)** = The Energy Efficiency and Conservation and Demand Response Surcharge (large commercial & industrial) is a two-part Surcharge. **EECDR(I) (Fixed)** is a monthly fixed Surcharge designed to recover projected program administrative costs and **EECDR(I) (Demand)** is a monthly demand Surcharge designed to recover projected program incentive costs. Combined, the two components are designed to recover the total projected program budgets. This Surcharge shall be shown separately for billing purposes for all large C&I customers. (C)

B = The projected budget of the **EECDR(I)** Plan applicable to the large C&I customer class for the planning year June 1 through May 31. B_A is the projected administrative budget applicable to each customer class and B_I is the projected incentive budget applicable to each customer class. (C)

e = The estimated over or under recovery for the reconciliation year. The reconciliation year shall be the twelve (12) months ended May 31. The e-factor component shall account separately for Phase I and Phase II revenue and expense. Phase I revenue and expense shall be identified and reconciled separately in the first Phase II reconciliation filing which shall include separate Phase I and Phase II reconciliations. (C)

C = Projected distribution customers for the planning year. (C)

L = Projected Peak Load Contribution (PLC) in kilowatts (kW) for the large C&I customer class for the planning year. (C)

T = The Pennsylvania Gross Receipts Tax in effect during the billing month, expressed in decimal form.

ANNUAL UPDATE

The Surcharges defined herein will be updated effective September 1 of each year. On or about July 1 of the filing year, the Company will file revised **EECDR** rates with the Commission defining rates in effect from September 1 to August 31 of the following year. The rates for **EECDR(r)** and **EECDR(s)** shall be determined based on the projected budget and sales for the planning year and the over or under collection of expenses based on actual **EECDR(r)** and **EECDR(s)** revenue and expense incurred for the reconciliation year. The rates for **EECDR(I)** shall be determined based on the projected budget and the projected Peak Load Contribution for the planning year and the over or under collection of expenses based on actual **EECDR(I)** revenue and expense incurred for the reconciliation year.

(C) – Indicates Change

ISSUED: FEBRUARY 23, 2010XXXX X, 2013

EFFECTIVE: APRIL 1, 2010SEPTEMBER 1, 2013

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 15 – ENERGY EFFICIENCY AND CONSERVATION AND DEMAND RESPONSE SURCHARGE

– (Continued)

(Applicable to all Rates)

MISCELLANEOUS

The initial planning year will be December 1, 2009, through May 31, 2010, after which the twelve (12) month planning year described above will begin.

Rider No. 10 – State Tax Adjustment Surcharge (STAS) shall be applicable to the Surcharges defined in this Rider.

The EECDR shall be subject to review and audit by the Commission.

There shall be no interest applicable to over or under collections for the reconciliation period.

| The EECDR shall remain in effect through ~~2014-2017~~ or until otherwise directed by the Commission.

(C)

This Rider will remain in effect until the final reconciliation statement is approved and charges fully recovered.

Duquesne Light Company
Energy Efficiency and Conservation, Phase-II Budget

	<u>June 2013-May 2014</u>	<u>June 2014-May 2015</u>	<u>June 2015-May 2016</u>	<u>Total</u>
<u>Total Budget</u>				
1 Residential	\$8,876,946	\$8,876,946	\$8,876,946	\$26,630,839
2 Small & Medium Commercial	\$2,529,251	\$2,529,251	\$2,529,251	\$7,587,753
3 Small & Medium Industrial	\$96,608	\$96,608	\$96,608	\$289,823
4 Large Commercial	\$3,970,117	\$3,970,117	\$3,970,117	\$11,910,351
5 Large Industrial	\$4,024,875	\$4,024,875	\$4,024,875	\$12,074,625
6 <u>Total Budget</u>	<u>\$19,497,797</u>	<u>\$19,497,797</u>	<u>\$19,497,797</u>	<u>\$58,493,392</u>
<u>Incentive Budget</u>				
7 Residential	\$3,150,239	\$3,150,239	\$3,150,239	\$9,450,718
8 Small & Medium Commercial	\$782,668	\$782,668	\$782,668	\$2,348,005
9 Small & Medium Industrial	\$56,737	\$56,737	\$56,737	\$170,212
10 Large Commercial	\$3,034,401	\$3,034,401	\$3,034,401	\$9,103,204
11 Large Industrial	\$2,363,803	\$2,363,803	\$2,363,803	\$7,091,410
12 <u>Total Incentive Budget</u>	<u>\$9,387,850</u>	<u>\$9,387,850</u>	<u>\$9,387,850</u>	<u>\$28,163,550</u>
<u>Administrative Budget</u>				
13 Residential	\$5,726,707	\$5,726,707	\$5,726,707	\$17,180,121
14 Small & Medium Commercial	\$1,746,583	\$1,746,583	\$1,746,583	\$5,239,748
15 Small & Medium Industrial	\$39,870	\$39,870	\$39,870	\$119,610
16 Large Commercial	\$935,716	\$935,716	\$935,716	\$2,807,148
17 Large Industrial	\$1,661,072	\$1,661,072	\$1,661,072	\$4,983,215
18 <u>Total Administrative Budget</u>	<u>\$10,109,947</u>	<u>\$10,109,947</u>	<u>\$10,109,947</u>	<u>\$30,329,842</u>

Duquesne Light Company
 Energy Efficiency and Conservation, Phase-II
 Calculation of Proposed Surcharge, Effective September 1, 2013

A	B	C	D	E	F
Customer Class	2013-2014 Budget	Forecast Billing Units Sept 2013-Aug 2014	$= B / C * 100$	$= 1 / (1 - .059)$	$= D * E$
			Proposed Monthly Charge Excl. GRT	PA GRT Factor	Proposed Surcharge Rate Inc. GRT
1 Residential (RS, RH, RA)	\$8,876,946	4,255,227,759	0.21	1.0627	0.22 cents/kWh
2 Small & Medium Commercial (GS, GM, GMH)	\$2,529,251	2,925,519,144	0.09	1.0627	0.09 cents/kWh
3 Small & Medium Industrial (GM, GMH)	\$96,608	227,704,817	0.04	1.0627	0.05 cents/kWh
4 Large Commercial (GL, GLH, L) [Fixed]	\$935,716	8,501	\$110.07	1.0627	\$116.97 \$/Mo.
5 Large Commercial (GL, GLH, L) [Variable]	\$3,034,401	8,165,270	\$0.37	1.0627	\$0.39 \$/kW [PLC] (1)
6 Large Industrial (GL, GLH, L, HVPS) [Fixed]	\$1,661,072	2,551	\$651.15	1.0627	\$691.97 \$/Mo.
7 Large Industrial (GL, GLH, L, HVPS) [Variable]	\$2,363,803	3,507,494	\$0.67	1.0627	\$0.72 \$/kW [PLC] (1)
8 Total	\$19,497,797				

(1) PLC = Peak Load Contribution