



**Duquesne Light**

*Our Energy... Your Power*

411 Seventh Avenue  
Mail Stop 15-5  
Pittsburgh, PA 15219

Tel 412-393-3662  
Fax 412-393-5687  
[vedwards@duqlight.com](mailto:vedwards@duqlight.com)

March 28, 2013

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

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

Re: Pennsylvania Public Utility Commission v. Duquesne Light Company  
Base Rate Case  
Docket No. R-2010-2179522

Dear Secretary Chiavetta:

Enclosed for filing are an original and three copies of Duquesne Light Company's Affidavit and report certifying compliance with the pension funding commitments in the above-referenced case.

Should you have any questions, please do not hesitate to contact me.

Respectfully submitted,

Vern Edwards, Manager  
Regulatory Affairs

Enclosure

c: Certificate of Service

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AFFIDAVIT

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I, Matthew S. Ankrum, Controller, after being duly sworn, state that I am authorized to make this Affidavit on behalf of Duquesne Light Company ("Duquesne Light" or the "Company"), and that in compliance with the Settlement Agreement and approved Commission Order in the last Duquesne Light distribution base rate case held before the Commission, Docket No R-2010-2179522 et al., I make the following affirmations:

1. The Settlement Agreement among the parties and approved by the Commission in said distribution rate proceeding provided that Duquesne Light is to provide a report and affidavit to the Commission attesting to the actual contributions Duquesne Light made to its pension trust during each preceding calendar year. [Settlement Agreement at page 9.]
2. I hereby represent and affirm that the following contributions were made by Duquesne Light to its employee pension trust fund during the calendar year 2012:

<u>Contributions in 2012</u>	<u>Amount</u>
January 13, 2012	\$ 7,745,000
April 13, 2012	\$ 9,071,000
July 12, 2012	\$ 9,071,000
September 13, 2012	\$ 8,542,000
October 12, 2012	<u>\$ 9,071,000</u>
TOTAL	\$43,500,000

Total Contributions Per Year

Calendar Year 2011	\$66,500,000
Calendar Year 2012	<u>\$43,500,000</u>

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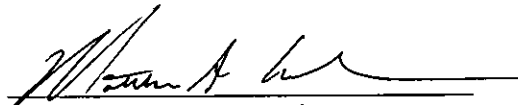
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2012 Cumulative Contributions

Contributions in Calendar Year 2012	\$43,500,000
Excess Contributions from 2011	<u>\$11,500,000</u>
TOTAL	\$55,000,000

- I attach a report from Hewitt Associates, a nationally known outside pension consulting firm that supports and shows the contributions having been made to the pension trusts.  
(See page 4 of attached report (or numbered page 1 of the attached)).
- That pursuant to said Settlement Agreement, Duquesne Light committed to deposit into its pension trust fund an amount equal to \$55 million per year; provided, however, that contribution(s) in any year in excess of the foregoing may be used on a cumulative basis to satisfy future obligations under the Settlement Agreement..
- I represent that Duquesne Light has met its pension funding commitment for 2012 as provided in the above referenced Settlement Agreement.

  
Matthew S. Ankrum

Sworn and subscribed before me this 27 day of March, 2013.

  
My Commission Expires

11/30/2015



January 18, 2013

Mr. David B. Bordo  
Duquesne Light Company  
Mail Drop 7-3  
411 Seventh Avenue  
Pittsburgh, PA 15219

Dear Dave,

Subject: December 31, 2012 ASC 715-30 Disclosure Information for the Duquesne Light Company Defined Benefit Retirement Plan ("Retirement Plan")

Enclosed are exhibits detailing the December 31, 2012 ASC 715-30 disclosure for the Retirement Plan. We have shown the enclosed information separately on a "Regulated" and "Holdings" basis, as requested by Duquesne Light Company.

#### Year-End 2012 ASC 715-30 Disclosure Assumptions

The 2012 year-end disclosure information reflects the following assumptions:

	Retirement Plan
Discount Rate	3.69%
Expected Long-Term Rate of Return on Assets	7.70%
Salary Increases	4.00%
Mortality (Healthy Lives)	2013 static mortality table for annuitants and non-annuitants Per §1.430(h)(3)-1(e)

All other actuarial assumptions and personnel information are the same as documented in the January 1, 2012 actuarial valuation report. Any changes are documented in the attachment to this letter.

#### Discount Rate Selection

The discount rate for year-end 2012 disclosure was supported using the Citigroup Above Median Curve (CAMC). The CAMC is a hypothetical yield curve represented by a series of annualized individual discount rates. For a given future payment stream, the CAMC produces a single equivalent discount rate. For December 31, 2012 disclosure, the projected benefit obligation was determined using a single equivalent discount rate of 3.69%.

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Consulting | Retirement  
Crown Centre, Suite 1000 | 5005 Rockside Road | Independence, OH 44131  
t +1.216.573.9700 | f +1.216.573.9953 | aonhewitt.com  
Proprietary & Confidential

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In conducting this valuation, we have relied on personnel, plan and asset information supplied by Duquesne Light Company. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice (ASOPs) as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of ASC 715. The information in this report is not intended to supersede or supplant the advice and interpretations of Duquesne Light Company's auditors.

Duquesne Light Company selected the economic assumptions and prescribed them for use for purposes of compliance with ASC 715. While the demographic assumptions were also prescribed by Duquesne Light Company, Aon Hewitt provided guidance with respect to these assumptions and it is our belief that they represent reasonable expectations of anticipated plan experience.

The preparation of the pension benefit valuation under ASC 715 included actuaries familiar with the near-term and long-term aspects of pension benefits. These actuaries meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions herein.

Please see the attachments to this letter for additional information and call if you have any questions.

Sincerely,

Hewitt Associates LLC, operating as Aon Hewitt



David A. Henderson  
EA, MAAA

DAH:tat D4001L002e

Enclosures

cc: Mr. Matthew S. Ankrum, Duquesne Light Company  
Mr. Scott W. Jeffries, Duquesne Light Company  
Mr. David Ogden, Duquesne Light Company  
Mr. Byron N. Beebe, Aon Hewitt  
Mr. Elliott M. Goldstick, Aon Hewitt

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## Actuarial Assumptions, Methods, and Plan Changes

### Actuarial Assumptions for Year-End 2012 Disclosure

Discount Rate	3.69% as of December 31, 2012.
Expected Long-Term Rate of Return on Plan Assets	7.70% as of December 31, 2012.
Mortality Rates	2013 static mortality table for annuitants and non-annuitants per §1.430(h)(3)-1(e).
Measurement Date	December 31, 2012.
Census Date	The data is as of January 1, 2012.

### Assumption Changes Since the Prior Year-End

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate from 4.42% to 3.69%.
- A change in the mortality assumption for healthy lives from the 2012 static mortality table for annuitants and non-annuitants per §1.430(h)(3)-1(e) to the 2013 static mortality table for annuitants and non-annuitants per §1.430(h)(3)-1(e).
- A change in the expected long-term rate of return on assets from 7.75% to 7.70%.

### Plan Changes Since the Prior Year-End

The financial accounting valuation does not reflect any plan changes.

### Method Changes Since the Prior Year-End

The financial accounting valuation does not reflect any method changes.

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ASC 715 Disclosure

This disclosure is presented in the format described in ASC 715-20.

	Fiscal 2011	Fiscal 2012
<b>Accumulated Benefit Obligation, End of Year</b>	\$ 1,086,639,351	\$ 1,182,006,443
<b>Change in Benefit Obligation</b>		
Benefit Obligation, Beginning of Year	\$ 978,577,005	\$ 1,109,894,344
Service Cost	10,432,341	12,061,153
Interest Cost	51,201,037	47,709,372
Plan Amendments	0	0
Actuarial (Gain)/Loss	124,054,794	96,901,727
Plan Participant Contributions	0	0
Actual Benefits Paid	(54,370,833)	(56,189,191)
Liability (Gain)/Loss Due to Curtailment	0	0
Special Termination Benefits	0	0
Benefit Obligation, End of Year	<u>\$ 1,109,894,344</u>	<u>\$ 1,210,377,405</u>
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets, Beginning of Year	\$ 717,928,991	\$ 764,704,696
Actual Return on Plan Assets	34,646,538	91,810,088
Employer Contributions	66,500,000	43,500,000
Plan Participant Contributions	0	0
Actual Benefits Paid	(54,370,833)	(56,189,191)
Fair Value of Plan Assets, End of Year	<u>\$ 764,704,696</u>	<u>\$ 843,825,593</u>
Funded Status of the Plan	\$ (345,189,648)	\$ (366,551,812)
<b>Additional Amounts Recognized in the Statement of Financial Position</b>		
Noncurrent Assets	\$ 0	\$ 0
Current Liabilities	0	0
Noncurrent Liabilities	(345,189,648)	(366,551,812)
Net Asset/(Liability) at End of Year	<u>\$ (345,189,648)</u>	<u>\$ (366,551,812)</u>
<b>Amounts Recognized in Accumulated Other Comprehensive Income</b>		
Net Transition (Asset)/Obligation	\$ 0	\$ 0
Prior Service Cost/(Credit)	25,559,558	20,744,927
Net Actuarial (Gain)/Loss	427,282,352	459,762,625
Total	<u>\$ 452,841,910</u>	<u>\$ 480,507,552</u>

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## ASC 715 Disclosure

This disclosure is presented in the format described in ASC 715-20.

	Fiscal 2011	Fiscal 2012
<b>Components of Net Periodic Benefit Cost</b>		
Service Cost	\$ 10,432,341	\$ 12,061,153
Interest Cost	51,201,037	47,709,372
Expected Return on Assets	(58,638,032)	(59,278,178)
Amortization Of:		
Transition (Asset)/Obligation	0	0
Prior Service Cost/(Credit)	5,326,421	4,814,631
Net (Gain)/Loss	<u>23,823,782</u>	<u>31,889,544</u>
Preliminary Net Periodic Benefit Cost/(Income)	\$ 32,145,549	\$ 37,196,522
Settlement/Curtailment Expense/(Income)	0	0
Special Termination Benefits	0	0
Total ASC 715 Expense/(Income)	<u>\$ 32,145,549</u>	<u>\$ 37,196,522</u>

### Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income

Net Actuarial (Gain)/Loss	\$ 148,046,288	\$ 64,369,817
Prior Service Cost/(Credit)	0	0
Amortization Of:		
Transition Asset/(Obligation)	0	0
Prior Service (Cost)/Credit	(5,326,421)	(4,814,631)
Actuarial Gain/(Loss)	<u>(23,823,782)</u>	<u>(31,889,544)</u>
Total Recognized in Other Comprehensive Income	<u>\$ 118,896,085</u>	<u>\$ 27,665,642</u>

The estimated net transition (asset)/obligation, prior service cost/(credit) and actuarial (gain)/loss for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the following fiscal year are as follows:

Net Transition (Asset)/Obligation	\$ 0
Prior Service Cost/(Credit)	\$ 4,814,631
Net Actuarial (Gain)/Loss	\$ 37,152,113

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## ASC 715 Disclosure

This disclosure is presented in the format described in ASC 715-20.

	Fiscal 2011	Fiscal 2012
<b>Weighted Average Assumptions for Balance Sheet Liability at End of Year</b>		
Discount Rate	4.42%	3.69%
Expected Long-Term Rate of Return	7.75%	7.70%
Rate of Compensation Increase	4.00%	4.00%
Measurement Date	December 31, 2011	December 31, 2012
<b>Weighted Average Assumptions for Benefit Cost at Beginning of Year</b>		
Discount Rate	5.33%	4.42%
Expected Long-Term Rate of Return	8.20%	7.75%
Rate of Compensation Increase	4.00%	4.00%
<b>Estimated Future Benefit Payments</b>		
2012 (2013) Payouts	\$ 59,960,000	\$ 62,465,000
2013 (2014) Payouts	\$ 62,365,000	\$ 64,936,000
2014 (2015) Payouts	\$ 64,984,000	\$ 67,591,000
2015 (2016) Payouts	\$ 67,691,000	\$ 70,071,000
2016 (2017) Payouts	\$ 70,112,000	\$ 72,703,000
2017 (2018) Payouts to 2021 (2022)	\$ 380,121,000	\$ 385,364,000
<b>Expected Fiscal Year 2012 (2013) Contributions</b>	<b>\$ 41,645,000</b>	<b>\$ 55,000,000</b>

### Alternative Amortization Method

As permitted under ASC 715-30-35-13, the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

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**ASC 715 Disclosure**

This disclosure is presented in the format described in ASC 715-20.

	Fiscal 2011	Fiscal 2012
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<b>Change in Benefit Obligation</b>		
Benefit Obligation, Beginning of Year	\$ 978,577,005	\$ 1,109,894,344
Service Cost	10,432,341	12,061,153
Interest Cost	51,201,037	47,709,372
Plan Amendments	0	0
Actuarial (Gain)/Loss	124,054,794	96,901,727
Plan Participant Contributions	0	0
Actual Benefits Paid	(54,370,833)	(56,189,191)
Liability (Gain)/Loss Due to Curtailment	0	0
Special Termination Benefits	0	0
Benefit Obligation, End of Year	\$ 1,109,894,344	\$ 1,210,377,405
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets, Beginning of Year	\$ 717,928,991	\$ 764,704,696
Actual Return on Plan Assets	34,646,538	91,810,088
Employer Contributions	66,500,000	43,500,000
Plan Participant Contributions	0	0
Actual Benefits Paid	(54,370,833)	(56,189,191)
Fair Value of Plan Assets, End of Year	\$ 764,704,696	\$ 843,825,593
Funded Status of the Plan	\$ (345,189,648)	\$ (366,551,812)
<b>Additional Amounts Recognized in the Statement of Financial Position</b>		
Noncurrent Assets	\$ 0	\$ 0
Current Liabilities	0	0
Noncurrent Liabilities	(345,189,648)	(366,551,812)
Net Asset/(Liability) at End of Year	\$ (345,189,648)	\$ (366,551,812)
<b>Amounts Recognized in Accumulated Other Comprehensive Income</b>		
Net Transition (Asset)/Obligation	\$ 0	\$ 0
Prior Service Cost/(Credit)	16,180,709	14,372,282
Net Actuarial (Gain)/Loss	493,715,524	519,311,530
Total	\$ 509,896,233	\$ 533,683,812

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<b>Components of Net Periodic Benefit Cost</b>		
Service Cost	\$ 10,432,341	\$ 12,061,153
Interest Cost	51,201,037	47,709,372
Expected Return on Assets	(58,638,032)	(59,278,178)
Amortization Of:		
Transition (Asset)/Obligation	0	0
Prior Service Cost/(Credit)	1,808,426	1,808,427
Net (Gain)/Loss	<u>31,221,686</u>	<u>38,773,811</u>
Preliminary Net Periodic Benefit Cost/(Income)	\$ 36,025,458	\$ 41,074,585
Settlement/Curtailment Expense/(Income)	0	0
Special Termination Benefits	<u>0</u>	<u>0</u>
Total ASC 715 Expense/(Income)	\$ 36,025,458	\$ 41,074,585
<b>Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income</b>		
Net Actuarial (Gain)/Loss	\$ 148,046,288	\$ 64,369,817
Prior Service Cost/(Credit)	0	0
Amortization Of:		
Transition Asset/(Obligation)	0	0
Prior Service (Cost)/Credit	(1,808,426)	(1,808,427)
Actuarial Gain/(Loss)	<u>(31,221,686)</u>	<u>(38,773,811)</u>
Total Recognized in Other Comprehensive Income	\$ 115,016,176	\$ 23,787,579

The estimated net transition (asset)/obligation, prior service cost/(credit) and actuarial (gain)/loss for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the following fiscal year are as follows:

Net Transition (Asset)/Obligation	\$	0
Prior Service Cost/(Credit)	\$	1,808,427
Net Actuarial (Gain)/Loss	\$	43,446,923

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Discount Rate	5.33%	4.42%
Expected Long-Term Rate of Return	8.20%	7.75%
Rate of Compensation Increase	4.00%	4.00%
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2017 (2018) Payouts to 2021 (2022)	\$ 380,121,000	\$ 385,364,000
<b>Expected Fiscal Year 2012 (2013) Contributions</b>	<b>\$ 41,645,000</b>	<b>\$ 55,000,000</b>

### Alternative Amortization Method

As permitted under ASC 715-30-35-13, the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

MAR 28 2013

Pennsylvania Public Utility Commission

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

v.

Docket No. R-2010-2179522

Duquesne Light Company

CERTIFICATE OF SERVICE

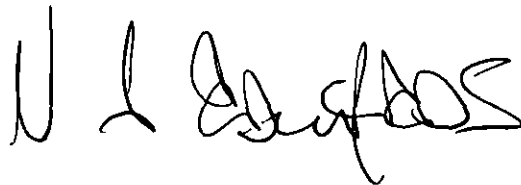
I hereby certify that a true and correct copy of Duquesne Light Company's Affidavit and report regarding the requirement to report pension funding commitments in the above-referenced proceeding has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant):

VIA FIRST-CLASS MAIL AND/OR E-MAIL

Steven C. Gray, Esquire  
Office of Small Business Advocate  
300 North Second Street – Suite 1102  
Harrisburg, PA 17101  
[sgray@pa.gov](mailto:sgray@pa.gov)

Johnnie E. Simms, Esquire, Director  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street – 2<sup>nd</sup> Floor West  
Harrisburg, PA 17105-3265  
[josimms@pa.gov](mailto:josimms@pa.gov)

Tanya J. McCloskey, Esquire  
Office of Consumer Advocate  
555 Walnut Street – 5<sup>th</sup> Floor  
Harrisburg, PA 17101  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)



Vern Edwards, Manager  
Regulatory Affairs  
Duquesne Light Company  
411 Seventh Avenue – MS 15-5  
Pittsburgh, PA 15219  
Phone: 412-393-3662  
Fax: 412-393-5687  
Email: [vedwards@duqlight.com](mailto:vedwards@duqlight.com)

Dated: March 28, 2013

