



Michael Zimmerman  
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March 22, 2018

**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. 22 Distribution System Improvement Charge  
Supplement No. 169 to Tariff Electric – PA. P.U.C. No. 24  
Docket No. – M-2017-2594939**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 169 to Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 24, which amends Rider No. 22 – Distribution System Improvement Charge, to become effective April 1, 2018. Five Schedules comprising supporting documentation are also enclosed.

Should you have any questions, please do not hesitate to contact me or Dave Ogden at 412-393-6268.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael Zimmerman", is written over a light blue horizontal line.

Michael Zimmerman  
Counsel, Regulatory

Enclosure

Cc: 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):

### **FIRST-CLASS MAIL**

Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

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



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Dated: March 22, 2018



# 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: March 22, 2018

EFFECTIVE: April 1, 2018

Issued in compliance with Commission Order entered September 15, 2016,  
at Docket No.P-2016-2540046.

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# NOTICE

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

**See Page Two**

LIST OF MODIFICATIONS MADE BY THIS TARIFF

INCREASE

Rider No. 22 – Distribution System Improvement Charge

Sixth Revised Page No. 112B  
Cancelling Fifth Revised Page No. 112B

The Distribution System Improvement Charge has been adjusted as required by the provisions of the Rider.

The monthly charge applicable to all rates has increased from 3.50% to 3.77% for the period April 1, 2018, through June 30, 2018.

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**STANDARD CONTRACT RIDERS - (Continued)****RIDER NO. 22 – DISTRIBUTION SYSTEM IMPROVEMENT CHARGE****(Applicable to All Rates)**

In addition to the net charges provided for in this Tariff, a charge of 3.77% (three point seven seven percent) will apply consistent with the Commission Order entered September 15, 2016, at Docket No. P-2016-2540046 approving the Distribution System Improvement Charge (“DSIC”).

**(I)****GENERAL DESCRIPTION****PURPOSE**

To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

**ELIGIBLE PROPERTY**

The DSIC-eligible property will consist of the following:

- Poles and towers (account 364);
- Overhead conductors (account 365) and underground conduit and conductors (accounts 366 and 367);
- Line transformers (account 368) and substation equipment (account 362);
- Any fixture or device related to eligible property listed above including insulators, circuit breakers, fuses, reclosers, grounding wires, cross arms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

**EFFECTIVE DATE**

The DSIC will become effective October 1, 2016.

**Duquesne Light Company**  
**Schedule 1 - Computation of Cumulative Distribution System Improvement Charge**  
**April 1, 2018 through June 30, 2018**

<u>Line No.</u>	<u>Total</u>	
1	160,396,997	Schedule 2, Line 2, Column U
		Less:
2	2,300,993	Schedule 2, Line 3, Column U
		DSI = Distribution System Improvement Projects
3	158,096,004	Line 1 - Line 2
4	2.28%	Schedule 3, Line 5, Column F
		PTRR = Pre-tax return rate applicable to DSIC-eligible property
5	3,608,067	Line 3 * Line 4
		Pre-Tax Return
6	890,566	Schedule 2, Line 5, Column S through U
		Dep = Depreciation Expense
7	(42,761)	Note 2
		E = Experienced Net (Over)/Under Collections
8	<u>4,455,873</u>	Line 5 + Line 6 + Line 7
		Net Amount to be Recovered, including (Over)/Under Collections (w/o GRT)
9	<u>4,735,252</u>	Line 8 * Note 1
		Net Amount to be Recovered, including (Over)/Under Collections (w/ GRT)
10	<u>125,695,408</u>	Schedule 2, Line 6, Columns W through Y
		PQR = Projected Quarterly Distribution Revenue
11	3.77%	Line 9 / Line 10
		DSIC = Distribution System Improvement Charge Rate % of Billed Distribution Revenues (w/ GRT)

Note 1:  
 $1/(1-T) = (T = 5.9\% \text{ Gross Receipts Tax} = \text{GRT})$

Note 2:  
 Exhibit 1, Line 9 divided by 4, of the Distribution System Improvement Charge ("DSIC") Reconciliation Report, dated January 30, 2018 at Docket No. M-2018-2645161.

Duquesne Light Company  
 Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month  
 April 1, 2018 through June 30, 2018

Line No.	(A) Jun-16	(B) Jul-16	(C) Aug-16	(D) Sep-16	(E) Oct-16	(F) Nov-16	(G) Dec-16	(H) Jan-17	(I) Feb-17	(J) Mar-17	(K) Apr-17	(L) May-17	
1	Incremental Plant Additions	\$ 2,983,936	\$ 4,023,446	\$ 3,979,703	\$ 3,738,993	\$ 8,249,160	\$ 12,131,080	\$ 3,334,541	\$ 4,019,454	\$ 8,283,163	\$ 7,716,378	\$ 3,904,221	\$ 12,120,729
2	Cumulative Plant	2,983,936	7,007,382	10,987,085	14,726,077.89	22,975,237	35,106,317	38,440,858	42,460,312	50,743,475	58,459,853	62,364,074	74,484,803
3	Less: Accumulated Depreciation	3,054	13,370	32,090	58,747	96,979	155,130	228,407	284,295	406,227	516,348	637,966	772,490
4	DSI = Distribution System Improvement Projects Net of Accumulated Depreciation and Retirements	\$ 2,980,882	\$ 6,994,011	\$ 10,954,996	\$ 14,667,331	\$ 22,878,259	\$ 34,951,188	\$ 38,212,452	\$ 42,176,017	\$ 50,337,248	\$ 57,943,505	\$ 61,726,108	\$ 73,712,313
5	Dep = Depreciation Expense	3,054	10,316	18,719	26,657	38,232	58,151	73,277	80,874	97,564	110,066	121,889	138,268
6	Projected 2018 Distribution Revenues												

**Duquesne Light Company**  
**Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month**  
**April 1, 2018 through June 30, 2018**

Line No.	(M) Jun-17	(N) Jul-17	(O) Aug-17	(P) Sep-17	(Q) Oct-17	(R) Nov-17	(S) Dec-17	(T) Jan-18	(U) Feb-18	(V) Mar-18	(W) Apr-18	(X) May-18	(Y) Jun-18
1	Incremental Plant Additions	\$ 6,612,834	\$ 7,321,969	\$ 15,098,287	\$ 4,720,958	\$ 3,702,649	\$ 21,417,974	\$ 13,407,422	\$ 1,265,683	\$ 12,364,418	\$ -	\$ -	\$ -
2	Cumulative Plant	81,097,637	88,419,605	103,517,893	108,238,851	111,941,500	133,359,474	146,766,896	148,032,579	160,396,997	-	-	-
3	Less: Accumulated Depreciation	926,379	1,071,668	1,254,945	1,449,041	1,573,918	1,798,454	1,980,888	2,117,292	2,300,993	-	-	-
4	DSI = Distribution System Improvement Projects Net of Accumulated Depreciation and Retirements	\$ 80,171,257	\$ 87,347,937	\$ 102,262,948	\$ 106,789,809	\$ 110,367,582	\$ 131,561,019	\$ 144,786,007	\$ 145,915,286	\$ 158,096,003	\$ -	\$ -	\$ -
5	Dep = Depreciation Expense	157,788	172,859	196,579	217,359	226,258	249,371	282,682	297,010	310,874	-	-	-
6	Projected 2018 Distribution Revenues										\$ 38,047,609	\$ 41,865,076	\$ 45,782,722

**Duquesne Light Company**  
**Schedule 3 - Computation of Cumulative Distribution System Improvement Charge Pre-Tax Rate of Return**  
**April 1, 2018 through June 30, 2018**

(A)	(B)	(C)	(D)	(E)	(F)	
Line No.	Description	Capitalized Ratio (1)	Embedded Cost	Rate of Return	Tax Multiplier (3)	Pre-Tax Rate of Return (PTRR) (1)
1	Long-Term Debt	48.75%	4.61% (1)	2.25%	-	2.25%
2	Preferred	0.00%	0.00% (1)	0.00%	1.40631	0.00%
3	Common Equity (2)	51.25%	9.55% (2)	4.89%	1.40631	6.88%
4	Total	<u>100.00%</u>		<u>7.14%</u>		<u>9.13%</u>
5				Annual PTRR / 4 Quarters =		2.28%

(1) The pre-tax rate of return is calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. See Schedules 4 and 5 for additional detail.

(2) Cost of common equity reflects the published Market Based Returns on Common Equity in the Third Quarter 2017 Quarterly Earnings Report Summary, Docket No. M-2018-2641241.

(3) The tax multiplier is calculated as follows:  $1/[(1 - \text{Pa. Tax Rate}) \times (1 - \text{Fed. Tax Rate})]$  where the Pa. tax rate is 9.99% and the Fed. Tax rate is 21%  
 $1/[(1 - 9.99\%) \times (1 - 21\%)] = 1.40631$

**Duquesne Light Company**  
**Schedule 4 - Calculation of Capital Structure and Related Ratios**  
**As of February 28, 2018**

<u>Line No.</u>	<u>Total Company Actual Amount Outstanding</u>	<u>Ratios</u>
	(1)	(2)
1 Total Debt (Sch. 5., Col. 1)	\$ 1,171,934,608	48.75%
2 Total Preferred & Preference Stock (Sch. 5., Col. 1)	-	0.00%
3 <u>Common Equity:</u>		
4 Common stock	-	
5 Premium on capital stock	-	
6 Other paid in capital	988,426,520	
7 Capital stock expense	-	
8 Retained earnings	243,226,965	
9 Unappropriated undistributed sub earnings	-	
10 Accumulated other comp income	<u>266,273</u>	
11 Total Common Equity	<u>1,231,919,758</u>	<u>51.25%</u>
12 Total Capital	<u>\$ 2,403,854,366</u>	<u>100.00%</u>

*\*In August 2017, Duquesne Light priced three tranches of first mortgage bonds totaling \$245.0 million through a private placement offering with deferred settlement. A portion of the net proceeds from the February 1, 2018 deferred settlement will be used to refinance existing indebtedness, specifically (1) three series of pollution control revenue bonds totaling \$65.7 million with a mandatory purchase date of May 1, 2018 and (2) \$44.25 million of optionally redeemable pollution control revenue bonds currently planned to be redeemed in June 2018. Unamortized loss on reacquired debt was adjusted accordingly.*

**Duquesne Light Company**  
**Schedule 5 - Cost of Debt and Preferred Stock as Adjusted**  
**As of February 28, 2018**

Line No	Description	[ 1 ]	[ 2 ]	[ 3 ]	[ 4 ]	[ 5 ]
		Amount Outstanding	Percent to Total	Effective Interest Rate	Annual Interest Cost	Average Weighted Cost Rate
1	1st Mortgage Bond 4.76% due 2/3/42	\$ 200,000,000	16.74%	4.79%	\$ 9,576,064	0.80%
2	1st Mortgage Bond 4.97% due 11/14/43	\$ 160,000,000	13.39%	4.99%	\$ 7,983,308	0.67%
3	1st Mortgage Bond 5.02% due 2/4/44	\$ 45,000,000	3.77%	5.04%	\$ 2,268,096	0.19%
4	1st Mortgage Bond 5.12% due 2/4/54	\$ 85,000,000	7.11%	5.14%	\$ 4,365,560	0.37%
5	1st Mortgage Bond 3.78% due 3/2/45	\$ 100,000,000	8.37%	3.79%	\$ 3,794,880	0.32%
6	1st Mortgage Bond 3.93% due 3/2/55	\$ 200,000,000	16.74%	3.94%	\$ 7,882,296	0.66%
7	1st Mortgage Bond 3.93% due 7/15/45	\$ 160,000,000	13.39%	3.95%	\$ 6,314,052	0.53%
8	1st Mortgage Bond 3.82% due 10/3/47	\$ 60,000,000	5.02%	3.86%	\$ 2,316,667	0.19%
9	1st Mortgage Bond 3.89% due 2/1/48	\$ 60,000,000	5.02%	3.90%	\$ 2,342,000	0.20%
10	1st Mortgage Bond 4.04% due 2/1/58	\$ 125,000,000	10.46%	4.05%	\$ 5,062,500	0.42%
11	Beaver County 1999 Series D*	\$ -	0.00%	0.00%	\$ -	0.00%
12	Beaver County 1999 Series B*	\$ -	0.00%	0.00%	\$ -	0.00%
13	Beaver County 1999 Series C*	\$ -	0.00%	0.00%	\$ -	0.00%
14	Ohio Water 1999 Series C*	\$ -	0.00%	0.00%	\$ -	0.00%
15	Sub-Total	1,195,000,000	100.00%		51,905,423	4.34%
13	Amortization of loss on reacquired debt	(23,065,392)			2,084,664	
14	Amortization of gain on reacquired debt	-			-	
15	Net Long-Term Debt	<u>\$ 1,171,934,608</u>			<u>\$ 53,990,087</u>	<u>4.61%</u>

*\*In August 2017, Duquesne Light priced three tranches of first mortgage bonds totaling \$245.0 million through a private placement offering with deferred settlement. A portion of the net proceeds from the February 1, 2018 deferred settlement will be used to refinance existing indebtedness, specifically (1) three series of pollution control revenue bonds totaling \$65.7 million with a mandatory purchase date of May 1, 2018 and (2) \$44.25 million of optionally redeemable pollution control revenue bonds currently planned to be redeemed in June 2018. Unamortized loss on reacquired debt was adjusted accordingly.*

Preferred Stock

Line No	Description	Amount Outstanding	Percent to Total	Effective Cost Rate	Annual Cost	Weighted Cost Rate
1	3.75% Preferred Stock	-	0.00%	0.00%	\$ -	0.00%
2	4.15% Preferred Stock	-	0.00%	0.00%	-	0.00%
3	4.20% Preferred Stock	-	0.00%	0.00%	-	0.00%
4	4.10% Preferred Stock	-	0.00%	0.00%	-	0.00%
5	\$2.10 Preferred Stock	-	0.00%	0.00%	-	0.00%
6	Total Preferred Stock	<u>\$ -</u>	<u>0.00%</u>		<u>\$ -</u>	<u>0.00%</u>

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company for	:	
Approval of a Distribution System	:	Docket No. P-2016-2540046
Improvement Charge	:	
Distribution System Improvement	:	
Charge – Duquesne Light Company	:	Docket No. M-2017-2594939
	:	

**VERIFICATION**

I, Scott Ward, hereby state that the personnel performing DCIS-eligible work are qualified and that any DSIC-eligible work that is performed by independent contractors is properly inspected by utility employees, in compliance with 66 Pa.C.S. § 1359.

The facts set forth above are true and correct to the best of my knowledge, information and belief, and I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

  
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Dated: March 20, 2018