



Michael Zimmerman
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December 20, 2018

Via Electronic Filing

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

**Re: Supporting Documentation for Duquesne Light Company – Rider No. 22
Distribution System Improvement Charge Quarterly Update**

Dear Secretary Chiavetta:

Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 24, Rider No. 22 – Distribution System Improvement Charge provides in part that the Company shall file quarterly updates to the rate in Rider No. 22, with supporting documentation, at least 10 days prior to the effective date of the update. The Company's quarterly Rider No. 22 update filings typically comprise a Tariff Supplement updating the rate in Rider No. 22, with five schedules containing supporting data.

This filing constitutes the Company's quarterly update to Rider No. 22. As indicated in the enclosed schedules, the Company is not proposing any change to the rate in Rider No. 22 as part of this quarterly update. Therefore, the Company is filing these supporting schedules, but is not here filing a Supplement to amend Rider No. 22.

Please note that the Company contemplates updating the rate in Rider No. 22, to become effective December 29, 2018, through a separate filing. On September 14, 2018, the Company filed a *Joint Petition for Approval of Settlement Stipulation* ("Joint Petition") in its pending base distribution rate proceeding at Docket No. R-2018-3000124. The Joint Petition proposes in part to reset the rate in Rider No. 22 effective December 29, 2018 to zero. Upon entry of a Commission Order on the Joint Petition, the Company anticipates making a compliance filing to effect such update to the rate in Rider No. 22 effective December 29, 2018.



Regarding the future recovery or refund of Rider No. 22 E-factor, in accordance with the Company's current Retail Tariff, Rider No. 22, Page No. 112F, Section Residual E-Factor Recovery Upon Reset to Zero, the Company will file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the Rider No. 22 rate has been reset to zero.

Should you have any questions, please feel free to contact me or David Ogden, Manager of Rate & Tariff Services, at 412-393-6343 or dogden@duqlight.com.

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

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. Code § 1.54 (relating to service by a participant):

FIRST-CLASS MAIL

Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd 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, 5th Floor
Harrisburg, PA 17101-1923



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Dated: December 20, 2018

Duquesne Light Company
Schedule 1 - Computation of Cumulative Distribution System Improvement Charge
January 1, 2019 through March 31, 2019

<u>Line No.</u>		<u>Total</u>	
1	Applicable Plant	264,594,681	Schedule 2, Line 2, Column AD
	Less:		
2	Accumulated Depreciation	4,772,389	Schedule 2, Line 3, Column AD
	DSI = Distribution System Improvement Projects		
3	Net of Accumulated Depreciation and Retirements	259,822,292	Line 1 - Line 2
4	PTRR = Pre-tax return rate applicable to DSIC-eligible property	2.32%	Schedule 3, Line 5, Column F
5	Pre-Tax Return	6,035,932	Line 3 * Line 4
6	Dep = Depreciation Expense	1,476,732	Schedule 2, Line 5, Column AB through AD
7	E = Experienced Net (Over)/Under Collections	(42,761)	Note 2
8	Net Amount to be Recovered, including (Over)/Under Collections (w/o GRT)	<u>7,469,903</u>	Line 5 + Line 6 + Line 7
9	Net Amount to be Recovered, including (Over)/Under Collections (w/ GRT)	<u>7,938,261</u>	Line 8 * Note 1
10	PQR = Projected Quarterly Distribution Revenue	<u>145,017,662</u>	Schedule 2, Line 6, Columns AF through AH
11	DSIC = Distribution System Improvement Charge Rate % of Billed Distribution Revenues (w/ GRT)	5.00%	Line 9 / Line 10 or Note 3

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.

Note 3:
 The distribution system improvement charge may not exceed 5% of the amount billed to customers under the applicable distribution rates of the electric distribution company, in compliance with 66 Pa. C.S.A. § 1358(a)(1)

Duquesne Light Company
Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month
January 1, 2019 through March 31, 2019

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	14,726,078	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
January 1, 2019 through March 31, 2019

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
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	\$ 7,302,271	\$ 6,967,315	\$ 12,892,192
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	167,699,268	174,666,583	187,558,774.67
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	2,622,347	2,831,590	3,054,628
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	\$ 165,076,920	\$ 171,834,992	\$ 184,504,146
5	Dep = Depreciation Expense	157,788	172,859	196,579	217,359	226,258	249,371	282,682	297,010	310,874	330,935	349,240	368,293
6	Projected 2018 Distribution Revenues												

Duquesne Light Company
Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month
January 1, 2019 through March 31, 2019

Line No.	(Y) Jun-18	(Z) Jul-18	(AA) Aug-18	(AB) Sep-18	(AC) Oct-18	(AD) Nov-18	(AE) Dec-18	(AF) Jan-19	(AG) Feb-19	(AH) Mar-19	(AI) Apr-19	(AJ) May-19	
1	\$ 6,859,033	\$ 8,081,538	\$ 26,579,078	\$ 8,935,952	\$ 8,396,493	\$ 18,183,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	194,417,808	202,499,346	229,078,424	238,014,376	246,410,869	264,594,681	-	-	-	-	-	-	
3	3,224,279	3,491,639	3,712,437	4,110,838	4,367,567	4,772,389	-	-	-	-	-	-	
DSI = Distribution System Improvement Projects													
4	\$ 191,193,529	\$ 199,007,707	\$ 225,365,987	\$ 233,903,538	\$ 242,043,302	\$ 259,822,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 2 - Line 3
5	376,895	401,854	434,816	472,690	490,149	513,893	-	-	-	-	-	-	
6							\$	51,459,119	\$	46,685,433	\$	46,873,110	\$

Duquesne Light Company
Schedule 3 - Computation of Cumulative Distribution System Improvement Charge Pre-Tax Rate of Return
January 1, 2019 through March 31, 2019

Line No.	(A) Description	(B) Capitalized Ratio (1)	(C) Embedded Cost	(D) Rate of Return	(E) Tax Multiplier (3)	(F) Pre-Tax Rate of Return (PTRR) (1)
1	Long-Term Debt	47.54%	4.57% (1)	2.17%	-	2.17%
2	Preferred	0.00%	0.00% (1)	0.00%	1.40631	0.00%
3	Common Equity (2)	52.46%	9.65% (2)	5.06%	1.40631	7.12%
4	Total	<u>100.00%</u>		<u>7.24%</u>		<u>9.29%</u>
5				Annual PTRR / 4 Quarters =		2.32%

(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 Second Quarter 2018 Quarterly Earnings Report Summary, Docket No. M-2018-3005325.

(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 November 30, 2018

<u>Line No.</u>		<u>Total Company Actual Amount Outstanding (1)</u>	<u>Ratios (2)</u>
1	Total Debt (Sch. 5., Col. 1)	\$ 1,173,531,632	47.54%
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	988,426,521	
7	Capital stock expense	-	
8	Retained earnings	306,385,924	
9	Unappropriated undistributed sub earnings	-	
10	Accumulated other comp income	<u>266,273</u>	
11	Total Common Equity	<u>1,295,078,718</u>	<u>52.46%</u>
12	Total Capital	<u><u>\$ 2,468,610,350</u></u>	<u><u>100.00%</u></u>

Duquesne Light Company
Schedule 5 - Cost of Debt and Preferred Stock as Adjusted
As of November 30, 2018

		[1]	[2]	[3]	[4]	[5]
Line No	Description	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%	\$ 9,575,876	0.80%
2	1st Mortgage Bond 4.97% due 11/14/43	\$ 160,000,000	13.39%	4.99%	\$ 7,983,203	0.67%
3	1st Mortgage Bond 5.02% due 2/4/44	\$ 45,000,000	3.77%	5.04%	\$ 2,268,062	0.19%
4	1st Mortgage Bond 5.12% due 2/4/54	\$ 85,000,000	7.11%	5.14%	\$ 4,365,527	0.37%
5	1st Mortgage Bond 3.78% due 3/2/45	\$ 100,000,000	8.37%	3.79%	\$ 3,794,836	0.32%
6	1st Mortgage Bond 3.93% due 3/2/55	\$ 200,000,000	16.74%	3.94%	\$ 7,882,241	0.66%
7	1st Mortgage Bond 3.93% due 7/15/45	\$ 160,000,000	13.39%	3.95%	\$ 6,313,971	0.53%
8	1st Mortgage Bond 3.82% due 10/3/47	\$ 60,000,000	5.02%	3.84%	\$ 2,306,525	0.19%
9	1st Mortgage Bond 3.89% due 2/1/48	\$ 60,000,000	5.02%	3.91%	\$ 2,346,461	0.20%
10	1st Mortgage Bond 4.04% due 2/1/58	\$ 125,000,000	10.46%	4.06%	\$ 5,069,471	0.42%
11	Sub-Total	1,195,000,000	100.00%		51,906,174	4.34%
12	Amortization of loss on reacquired debt	(21,468,368)			1,728,058	
13	Amortization of gain on reacquired debt	-			-	
14	Net Long-Term Debt	<u>\$ 1,173,531,632</u>			<u>\$ 53,634,232</u>	<u>4.57%</u>

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 :

VERIFICATION

I, Scott Ward, hereby state that the personnel performing DSIC-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).



Dated: December 20, 2018