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December 21, 2018

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. 22 Distribution System Improvement Charge
Supplement No. 189 to Tariff Electric – PA. P.U.C. No. 24
Docket No. M-2018-_____**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 189 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 January 1, 2019. Five schedules comprising supporting documentation are also enclosed. This filing is made consistent with the Commission's Order dated December 20, 2018, in the Company's base distribution rates case at Docket No. R-2018-3000124.

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

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael Zimmerman".

Michael Zimmerman
Counsel, Regulatory

Cc: Enclosures
Certificate of Service

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

<u>Line No.</u>		<u>Total</u>
1	Applicable Plant	- Schedule 2, Line 2
	Less:	
2	Accumulated Depreciation	- Schedule 2, Line 3
	DSI = Distribution System Improvement Projects	
3	Net of Accumulated Depreciation and Retirements	- 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	- Line 3 * Line 4
6	Dep = Depreciation Expense	- Schedule 2, Line 5
7	E = Experienced Net (Over)/Under Collections	(42,761) Note 3
8	Net Amount to be Recovered, including (Over)/Under Collections (w/o GRT)	<u>(42,761)</u> Line 5 + Line 6 + Line 7
9	Net Amount to be Recovered, including (Over)/Under Collections (w/ GRT)	<u>(45,442)</u> Line 8 * Note 2
10	PQR = Projected Quarterly Distribution Revenue	<u>145,017,662</u> Schedule 2, Line 6, Columns A through C
11	DSIC = Distribution System Improvement Charge Rate % of Billed Distribution Revenues (w/ GRT)	-0.03% Line 9 / Line 10 or Note 4

Note 1:

As part of the Company's distribution rate case at Docket No. R-2018-3000124, the Company sought permission to roll its Distribution System Improvement Charge ("DSIC") and the associated plant additions into base rates. The Company will be eligible to include plant additions in the DSIC once the total eligible account balances exceed the levels projected by the Company at December 31, 2019. Please see Schedule 6 - DSIC Eligible FERC Account Balance Tracker.

Note 2:

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

Note 3:

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 4:

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 (Note 1)

Line No.	(A) Jan-19	(B) Feb-19	(C) Mar-19	(D) Apr-19	(E) May-19	(F) Jun-19	(G) Jul-19	(H) Aug-19	(I) Sep-19	(J) Oct-19	(K) Nov-19	(L) Dec-19
1 Incremental Plant Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 Cumulative Plant	-	-	-	-	-	-	-	-	-	-	-	-
Less:												
3 Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
DSI = Distribution System Improvement Projects												
4 Net of Accumulated Depreciation and Retirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5 Dep = Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-
6 Projected 2019 Distribution Revenues	\$ 51,459,119	\$ 46,685,433	\$ 46,873,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Line 2 - Line 3

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

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>

Duquesne Light Company
Schedule 6 - DSIC Eligible FERC Account Balance Tracker
January 1, 2019 through March 31, 2019 (Note 1)

DSIC Eligible FERC Accounts	Balances at												Balances at 12/31/2019	
	12/31/2018 (1)	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19		Dec-19
362 STATION EQUIPMENT														
364 POLES, TOWERS & FIXTURES														
365 OVERHEAD COND. & DEVICES														
366 UNDERGROUND CONDUIT														
367 UNDERGROUND CONDUCTORS														
368 LINE TRANSFORMERS														
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2018 Rate Case - Distribution Electric Plant In Service - Pro Forma FPFTY (5)
Source: Docket No. R-2018-3000124

	Remove			
	Pro Forma FPFTY Ended 12/31/19 (2)	MicroGrid Project (3)	Adjusted EV Project (4)	Adjusted Pro Forma FPFTY Ended 12/31/19
362 STATION EQUIPMENT	\$ 487,291,000	\$ (8,485,000)	\$ (1,350,000)	\$ 477,456,000
364 POLES, TOWERS & FIXTURES	499,675,000	-	-	499,675,000
365 OVERHEAD COND. & DEVICES	515,689,000	-	-	515,689,000
366 UNDERGROUND CONDUIT	166,804,000	-	-	166,804,000
367 UNDERGROUND CONDUCTORS	406,667,000	(943,000)	-	405,724,000
368 LINE TRANSFORMERS	434,606,000	-	-	434,606,000
	\$ 2,510,732,000	\$ (9,428,000)	\$ (1,350,000)	\$ 2,499,954,000

(1) Balances at December 31, 2018 will tie to the Company's FERC Form 1, filed on April 15, 2019

(2) DLC Exhibit 2, Schedule C-2, Page 3 of 4, Column 6, lines 19; 21-25.

(3) Withdrawn Microgrid Project (ALJ Recommended Decision - page 18, paragraph 48). Company witness Benjamin Morris originally sponsored Duquesne's request to include \$9.4M per response to OCA-IX-21.

(4) Adjusted EV Pilot Project. Company witness Joseph Dematteo initially sponsored Duquesne's request to include \$2.5M in capital costs by 12/31/2019 (DLC Exhibit 5, Statement No. 6, page 20). The ALJ Recommended Decision approved \$1.2M in capital costs on page 17.

(5) Per the final opinion and order of the Commission, issued on December 20, 2018 within Docket No. R-2018-3000829, paragraph #33 on page #13 states " as of the effective date of rates in this proceeding, Duquesne Light will be eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") once the total eligible account balances exceed the levels projected by the Company in this proceeding at December 31, 2019."



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: December 21, 2018

EFFECTIVE: January 1, 2019

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

NOTICE

THIS TARIFF SUPPLEMENT DECREASES A RATE WITHIN AN EXISTING RIDER

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

DECREASE

Rider No. 22 – Distribution System Improvement Charge

**Eleventh Revised Page No. 112B
Cancelling Tenth Revised Page No. 112B**

The Distribution System Improvement Charge has been updated as per Item No. 7 - Residual E-Factor Recovery Upon Reset to Zero under the "Customer Safeguards" section of the Rider.

The monthly charge applicable to all rates has decreased from 0.00% to (0.03%) for the period January 1, 2019, through March 31, 2019.

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 (0.03%) will apply consistent with the Commission Order entered September 15, 2016, at Docket No. P-2016-2540046 approving the Distribution System Improvement Charge (“DSIC”). (D)

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.

**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 21, 2018

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 21, 2018