

DUQUESNE LIGHT COMPANY



**REPORT ON THE STATEMENTS OF
ENERGY EFFICIENCY AND CONSERVATION
FOR THE TEN MONTHS ENDED MARCH 31, 2016
AND THE TWELVE MONTHS ENDED MAY 31, 2015**

**Pennsylvania Public Utility Commission
Bureau of Audits
February 4, 2020**

Docket No. D-2018-3003728

DUQUESNE LIGHT COMPANY

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DUQUESNE LIGHT COMPANY

Background

Duquesne Light Company (Duquesne or company) was formed in 1912 and is a wholly-owned subsidiary of Duquesne Light Holdings, Inc. Duquesne transmits and distributes electricity to retail customers within the Commonwealth of Pennsylvania and is therefore a public utility within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. § 102, subject to the regulatory jurisdiction of the Pennsylvania Public Utility Commission (PUC or Commission).

As an electric distribution company, Duquesne provides electric distribution, transmission, and provider of last resort services to roughly 600,000 customers in a certified service territory spanning approximately 817 square miles, including the City of Pittsburgh and portions of Allegheny and Beaver counties in western Pennsylvania. Duquesne operates and maintains approximately 5,900 miles of overhead lines, 1,400 miles of underground lines, and 182 substations as part of its distribution network.

According to Duquesne's annual reports filed with the Commission, for the years 2016 and 2015, Duquesne's total electric distribution revenues were \$827,773,898 and \$829,478,922; respectively.

On October 15, 2008, Act 129 became law and required the Commission to develop an Energy Efficiency and Conservation Program applicable to electric distribution companies with at least 100,000 customers. It permitted companies to implement a surcharge mechanism to recover the costs associated with implementing an Energy Efficiency and Conservation (EEC) Program.

Duquesne's first EEC plan was approved by the Commission on October 22, 2009 at Docket No. M-2009-2093217. This was designated as the Phase I EEC Plan, and Rider No. 15 was implemented to recover the costs from this plan effective December 1, 2009. Rider No. 15 is applicable to all customers receiving metered service.

The Commission approved Duquesne's Phase II EEC Plan on March 14, 2013 at Docket No. M-2013-2350946. Rider No. 15A was implemented to recover the costs from this plan effective June 1, 2013. This report consists of Phase II revenues and expenditures exclusively.

The Commission approved Duquesne's Phase III EEC Plan effective June 1, 2016 at Docket No. M-2015-2515375. Rider 15A remains as the tariff recovery mechanism for the Phase III Plan.



PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

Independent Auditor's Report to the Pennsylvania Public Utility Commission

Report on the Financial Statements

We have audited Duquesne Light Company's Statements of Energy Efficiency and Conservation Over/Under Collections for the ten months ended March 31, 2016 and the twelve months ended May 31, 2105.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

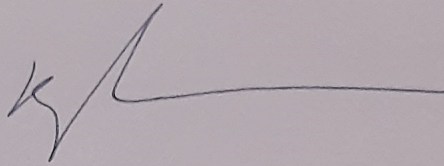
Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether these statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of these statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of these statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of these statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Energy Efficiency and Conservation Statements, referred to above, present fairly, in all material respects, the Energy Efficiency and Conservation revenue and expenses of Duquesne Light Company as of March 31, 2016 and May 31, 2015, in conformity with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Report on Other Legal and Regulatory Requirements

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of the Duquesne Light Company's revenue and expenses.



Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
February 4, 2020

DUQUESNE LIGHT COMPANY

Condensed Statement of Energy Efficiency and Conservation¹ (EEC) Over/(Under) Collections (Section 1307(e)) for the ten months ended March 31, 2016²

<u>Month</u>	<u>EEC Revenue</u> (1)	<u>EEC Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
June 2015	\$ 1,612,728	\$ 1,334,831	\$ 277,897
July	1,838,224	1,568,486	269,738
August	1,747,390	1,160,843	586,547
September	2,034,766	1,150,779	883,988
October	1,599,479	613,059	986,420
November	1,546,735	2,337,099	(790,363)
December	1,759,152	3,200,796	(1,441,644)
January 2016	1,878,014	358,609	1,519,405
February	1,701,740	1,016,473	685,267
March	<u>1,632,127</u>	<u>384,941</u>	<u>1,247,186</u>
Total	<u>\$ 17,350,355</u>	<u>\$ 13,125,914</u>	<u>\$ 4,224,441</u>

¹ As reported to the Commission on April 29, 2016 at Docket No. M-2016-2543760. Arithmetic differences are due to rounding.

² Notes to the Financial Statements are an integral part of this report.

DUQUESNE LIGHT COMPANY

Condensed Statement of Energy Efficiency and Conservation³ (EEC) Over/(Under) Collections (Section 1307(e)) for the twelve months ended May 31, 2015⁴

<u>Month</u>	<u>EEC Revenue</u> (1)	<u>EEC Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) – (2)
June 2014	\$ 1,671,983	\$ 1,735,829	\$ (63,847)
July	1,745,149	2,202,812	(457,663)
August	1,725,193	1,114,866	610,327
September	1,340,325	1,846,160	(505,836)
October	1,339,693	1,837,103	(497,409)
November	1,496,320	1,936,912	(440,592)
December	1,598,864	2,191,877	(593,013)
January 2015	1,694,110	348,990	1,345,120
February	1,620,839	1,583,653	37,186
March	1,537,773	2,350,185	(812,412)
April	1,299,850	1,856,373	(556,524)
May	<u>1,580,642</u>	<u>2,399,948</u>	<u>(819,306)</u>
Total	<u>\$ 18,650,740</u>	<u>\$ 21,404,708</u>	<u>\$ (2,753,968)</u>

³ As reported to the Commission on June 30, 2015 at Docket No. M-2015-2490540. Arithmetic differences are due to rounding.

⁴ Notes to the Financial Statements are an integral part of this report.

DUQUESNE LIGHT COMPANY

Notes to the Financial Statements

1 - Condensed Statements

The Statements of Energy Efficiency and Conservation Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on Duquesne's officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on April 29, 2016 and June 30, 2015. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2016-2543760 and M-2015-2490540.

2 - EEC Revenue

EEC Revenue is derived from application of the EEC to the applicable billing unit and excludes the E-Factor portion and Gross Receipts Tax. The applicable billing units include kilowatt-hours (kWh), kilowatt (kW) demand or a fixed charge per customer as indicated in Duquesne's tariff.

3 - EEC Expenses

EEC expenses are all the costs associated with implementing the company's EEC Plan in accordance with Act 129.

4 - Over/(Under) Collections

The Over/(Under) Collection is the difference between the EEC Revenue and EEC Expenses. The resulting amount represents the portion of EEC Revenue refundable to or EEC Expenses recoverable from customers through subsequent EEC rates. Differences arise for two primary reasons:

- Variations between the actual volumes billed to customers and the estimates used to determine the EEC rates; and,
- Variations between actual EEC Expenses and the estimates used to determine the EEC rates.

DUQUESNE LIGHT COMPANY

Disposition of Prior Audit Finding

Our previous audit of Duquesne's EEC for the twelve-month periods ended May 31, 2015, May 31, 2014 and May 31, 2013, at Docket D-2015-2495283, disclosed the following findings:

Finding – Duquesne overstated its EEC revenue by \$136,925.

Recommendation:

We recommended that Duquesne recover \$136,925 through an adjustment to the E-Factor of its next EEC filing.

Disposition:

Duquesne made the adjustment to recover \$136,925 in its EEC rates effective February 15, 2017 at Docket No. M-2017-2587507.

Current Audit Findings

The current audit did not identify any audit findings.

Acknowledgement

We wish to express our appreciation to the officers and staff at Duquesne for their cooperation and assistance. The audit was conducted by Ron Moose, assisted by Rhonda Koller and Derek Vandevort.