



Michael Zimmerman
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December 18, 2020

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. 18 to Tariff Electric – PA. P.U.C. No. 25
Docket No. – M-2020-_____**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 18 to Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 25, which amends Rider No. 22 – Distribution System Improvement Charge (DSIC), to become effective January 1, 2021. Six Schedules comprising supporting documentation are also enclosed. As described herein Supplement 18 increases the DSIC from 2.67% to 3.35%.

Should you have any questions, please do not hesitate to contact me or David Ogden, Manager of Rates and Tariff Services, at 412-393-6268.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Michael Zimmerman".

Michael Zimmerman
Senior 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):

ELECTRONIC MAIL

Bureau of Investigation & Enforcement
Richard Kanaskie
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265
rkanaskie@pa.gov

Office of Small Business Advocate
John Evans
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
jorevan@pa.gov

Office of Consumer Advocate
Tanya McCloskey
555 Walnut Street
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Michael Zimmerman
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Phone: 412-393-6268
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Dated: December 18, 2020

**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).



Scott Ward

Dated: December 18, 2020



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

Steven E. Malnight
President and Chief Executive Officer

ISSUED: December 18, 2020

EFFECTIVE: January 1, 2021

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

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

Fifth Revised Page No. 137
Cancelling Fourth Revised Page No. 137

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 2.67% to 3.35% for the period January 1, 2021, through March 31, 2021.

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 3.35% 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
January 1, 2021 through March 31, 2021

<u>Line No.</u>		<u>Total</u>	
1	Applicable Plant	157,383,530	Schedule 2, Line 2, Column N
	Less:		
2	Accumulated Depreciation	1,218,702	Schedule 2, Line 3, Column N
	DSI = Distribution System Improvement Projects		
3	Net of Accumulated Depreciation and Retirements	156,164,828	Line 1 - Line 2
4	PTRR = Pre-tax return rate applicable to DSIC-eligible property	2.25%	Schedule 3, Line 5, Column F
5	Pre-Tax Return	3,518,706	Line 3 * Line 4
6	Dep = Depreciation Expense	869,126	Schedule 2, Line 5, Column L through N
7	E = Experienced Net (Over)/Under Collections	132,312	Note 2
8	Net Amount to be Recovered, including (Over)/Under Collections (w/o GRT)	<u>4,520,144</u>	Line 5 + Line 6 + Line 7
9	Net Amount to be Recovered, including (Over)/Under Collections (w/ GRT)	<u>4,803,554</u>	Line 8 * Note 1
10	PQR = Projected Quarterly Distribution Revenue	<u>143,359,827</u>	Schedule 2, Line 6, Columns P through R
11	DSIC = Distribution System Improvement Charge Rate % of Billed Distribution Revenues (w/ GRT)	3.35%	Line 9 / Line 10 or Note 3

Note 1:

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

Note 2:

E-factor component based on \$529,248 under collection balance at December 31, 2019, as detailed on Schedule 6. Under collection will be recouped over the one-year period commencing on April 1, 2020 in the amount of \$529,248/4.

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, 2021 through March 31, 2021

Line No.	(A) Oct-19	(B) Nov-19	(C) Dec-19	(D) Jan-20	(E) Feb-20	(F) Mar-20	(G) Apr-20	(H) May-20	(I) Jun-20	(J) Jul-20	(K) Aug-20	(L) Sep-20	
1 Incremental Plant Additions	\$ 13,108,977	\$ 9,969,432	\$ 15,528,468	\$ 5,354,094	\$ 12,035,158	\$ 10,725,896	\$ 15,764,971	\$ 3,117,178	\$ 9,580,753	\$ 3,995,505	\$ 24,747,110	\$ 10,995,916	
2 Cumulative Plant	13,108,977	23,078,409	38,606,877	43,960,971	55,996,129	66,722,025	82,486,996	85,604,174	95,184,927	99,180,432	123,927,542	134,923,458	
Less:													
3 Accumulated Depreciation	12,893	47,555	114,537	192,194	286,487	406,966	403,196	568,020	684,084	645,448	601,910	849,124	
DSI = Distribution System Improvement Projects Net of Accumulated Depreciation and Retirements	\$ 13,096,084	\$ 23,030,854	\$ 38,492,340	\$ 43,768,777	\$ 55,709,642	\$ 66,315,059	\$ 82,083,800	\$ 85,036,154	\$ 94,500,843	\$ 98,534,984	\$ 123,325,632	\$ 134,074,334	Line 2 - Line 3
5 Dep = Depreciation Expense	12,893	36,141	66,982	85,407	101,150	124,721	152,259	172,410	185,318	197,152	231,164	266,340	
6 Projected 2021 Distribution Revenues													

Duquesne Light Company
Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month
January 1, 2021 through March 31, 2021

Line No.	(M) Oct-20	(N) Nov-20	(O) Dec-20	(P) Jan-21	(Q) Feb-21	(R) Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	
1	\$ 10,987,042	\$ 11,473,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	145,910,500	157,383,530	-	-	-	-	-	-	-	-	-	-	
3	1,109,252	1,218,702	-	-	-	-	-	-	-	-	-	-	
4	\$ 144,801,248	\$ 156,164,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 2 - Line 3
5	289,787	312,999	-	-	-	-	-	-	-	-	-	-	
6				\$ 50,607,126	\$ 46,023,270	\$ 46,729,431							

Duquesne Light Company
Schedule 3 - Computation of Cumulative Distribution System Improvement Charge Pre-Tax Rate of Return
January 1, 2021 through March 31, 2021

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	47.95%	4.37% (1)	2.10%	-	2.10%
2	Preferred	0.00%	0.00% (1)	0.00%	1.40631	0.00%
3	Common Equity (2)	52.05%	9.45% (2)	4.92%	1.40631	6.92%
4	Total	<u>100.00%</u>		<u>7.01%</u>		<u>9.01%</u>
5				Annual PTRR / 4 Quarters =		2.25%

(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 2020 Quarterly Earnings Report Summary, Docket No. M-2020-3021797.

(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, 2020

<u>Line No.</u>		<u>Total Company Actual Amount Outstanding</u> (1)	<u>Ratios</u> (2)
1	Total Debt (Sch. 5., Col. 1)	\$ 1,377,602,640	47.95%
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	509,027,260	
9	Unappropriated undistributed sub earnings	-	
10	Accumulated other comp income	<u>(1,811,488)</u>	
11	Total Common Equity	<u>1,495,642,293</u>	<u>52.05%</u>
12	Total Capital	<u><u>\$ 2,873,244,933</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, 2020

Line No	Description	[1] Amount Outstanding	[2] Percent to Total	[3] Effective Interest Rate	[4] Annual Interest Cost	[5] Average Weighted Cost Rate
1	1st Mortgage Bond 4.76% due 2/3/42	\$ 200,000,000	14.34%	4.79%	\$ 9,575,876	0.69%
2	1st Mortgage Bond 4.97% due 11/14/43	\$ 160,000,000	11.47%	4.99%	\$ 7,983,203	0.57%
3	1st Mortgage Bond 5.02% due 2/4/44	\$ 45,000,000	3.23%	5.04%	\$ 2,268,062	0.16%
4	1st Mortgage Bond 5.12% due 2/4/54	\$ 85,000,000	6.09%	5.14%	\$ 4,365,527	0.31%
5	1st Mortgage Bond 3.78% due 3/2/45	\$ 100,000,000	7.17%	3.79%	\$ 3,794,836	0.27%
6	1st Mortgage Bond 3.93% due 3/2/55	\$ 200,000,000	14.34%	3.94%	\$ 7,882,241	0.57%
7	1st Mortgage Bond 3.93% due 7/15/45	\$ 160,000,000	11.47%	3.95%	\$ 6,313,971	0.45%
8	1st Mortgage Bond 3.82% due 10/3/47	\$ 60,000,000	4.30%	3.84%	\$ 2,306,525	0.17%
9	1st Mortgage Bond 3.89% due 2/1/48	\$ 60,000,000	4.30%	3.91%	\$ 2,346,461	0.17%
10	1st Mortgage Bond 4.04% due 2/1/58	\$ 125,000,000	8.96%	4.06%	\$ 5,069,471	0.36%
11	1st Mortgage Bond 3.11% due 5/5/50	\$ 200,000,000	14.34%	3.13%	\$ 6,257,125	0.45%
12	Sub-Total	1,395,000,000	100.00%		58,163,299	4.17%
13	Amortization of loss on reacquired debt	(17,397,360)			2,034,388	
14	Amortization of gain on reacquired debt	-			-	
15	Net Long-Term Debt	<u>\$ 1,377,602,640</u>			<u>\$ 60,197,687</u>	<u>4.37%</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 - E Factor Balance Reconciliation
As of December 31, 2019

1	Surcharge Revenue, Inc. GRT	(\$3,607,509)	
2	Surcharge Revenue, Excl. GRT		(\$3,394,666) Line 1 * 0.941
3	E-Factor Revenue, Inc. GRT	(\$2,238,603)	
4	E-Factor Revenue, Excl. GRT		(\$2,106,526) Line 3 * 0.941
5	Net DSIC Related Revenue, Excl. GRT		(\$1,288,141) Line 2 - Line 4
6	Filed Current (DSIC) Revenue Requirement - Excl. GRT		\$0
7	Reconciliation Period (Over)/Under Collection		\$1,288,141 Line 6 - Line 5
8	Interest on (Over)/Under Collection		\$0
9	<u>Total Reconciliation Period (Over)/Under Collection</u>		<u>\$1,288,141</u> Line 7 + Line 8
10	Balance at YE December 31, 2018, Excl, GRT	(\$2,865,419)	
11	<u>E-Factor Revenue - January 2019 - December 2019, Excl. GRT</u>		<u>(\$2,106,526)</u> Line 4
12	Prior Period Balance at December 31, 2019		(\$758,893) Line 10 - Line 11
13	Reconciliation Period (Over)/ Under Collection - Jan 19 - Dec 19		\$1,288,141 Line 9
14	<u>E-Factor Balance at YE December 31, 2019</u>		<u>\$529,248</u> Line 12 + Line 13

(1) Line 1 through Line 9 tie to the 2019 DSIC annual 1307e reconciliation filing at Docket No. M-2020-3017778

(2) Line 10 ties to the Q2 2019 DSIC quarterly filing at Docket No. M-2019-3008660