



Michael Zimmerman
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December 20, 2021

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 Quarterly Update

Dear Secretary Chiavetta:

Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 25, Rider No. 22 – Distribution System Improvement Charge provides in part that the Company shall file quarterly updates to the Rider No. 22 rates, 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 rates 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 Rider No. 22 rates 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 Rider No. 22 rates, to become effective January 15, 2022, through a separate filing. By Order entered December 16, 2021 in the Company's base distribution rates proceeding at Docket No. R-2021-3024750, the Commission directed, *inter alia*, that the Company reset its Distribution System Improvement Charge rates to zero, effective January 15, 2022. The Company anticipates implementing this update as part of its rate case compliance filings. Such update to Rider No. 22 rates would supersede this quarterly update filing.



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, which appears to read "Michael Zimmerman".

Michael Zimmerman
Senior 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):

ELECTRONIC MAIL

Bureau of Investigation & Enforcement
Richard Kanaskie
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265
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Office of Small Business Advocate
Sharon Webb
Steve Gray
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
swebb@pa.gov
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Office of Consumer Advocate
Aron Beatty
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Harrisburg, PA 17101-1923
ABeatty@paoca.org



Michael Zimmerman
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Phone: 412-393-6268
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Dated: December 20, 2021

**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 R. Ward

Scott R. Ward

Dated: December 20, 2021

Duquesne Light Company
Schedule 1 - Computation of Cumulative Distribution System Improvement Charge
January 1, 2022 through March 31, 2022

<u>Line No.</u>		<u>Total</u>	
1	Applicable Plant	285,796,451	Schedule 2, Line 2, Column Z
	Less:		
2	Accumulated Depreciation	5,234,436	Schedule 2, Line 3, Column Z
	DSI = Distribution System Improvement Projects		
3	Net of Accumulated Depreciation and Retirements	280,562,015	Line 1 - Line 2
4	PTRR = Pre-tax return rate applicable to DSIC-eligible property	2.29%	Schedule 3, Line 5, Column F
5	Pre-Tax Return	6,431,604	Line 3 * Line 4
6	Dep = Depreciation Expense	1,719,412	Schedule 2, Line 5, Column X through Z
7	E = Experienced Net (Over)/Under Collections	(53,088)	Note 2
8	Net Amount to be Recovered, including (Over)/Under Collections (w/o GRT)	<u>8,097,928</u>	Line 5 + Line 6 + Line 7
9	Net Amount to be Recovered, including (Over)/Under Collections (w/ GRT)	<u>8,605,662</u>	Line 8 * Note 1
10	PQR = Projected Quarterly Distribution Revenue	<u>156,757,889</u>	Schedule 2, Line 6, Columns AB through AD
11	DSIC = Distribution System Improvement Charge Rate % of Billed Distribution Revenues (w/ GRT)	<u>5.00%</u>	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 \$212,351 over collection balance at December 31, 2020, as detailed on Schedule 6. Over collection will be refunded over the one-year period commencing on April 1, 2021 in the amount of \$212,351/4.

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, 2022 through March 31, 2022

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, 2022 through March 31, 2022

Line No.	(M) Oct-20	(N) Nov-20	(O) Dec-20	(P) Jan-21	(Q) Feb-21	(R) Mar-21	(S) Apr-21	(T) May-21	(U) Jun-21	(V) Jul-21	(W) Aug-21	(X) Sep-21
1 Incremental Plant Additions	\$ 10,987,042	\$ 11,473,030	\$ 10,945,379	\$ 5,558,658	\$ 12,236,970	\$ 12,271,900	\$ 5,913,723	\$ 11,248,216	\$ 11,186,913	\$ 21,337,105	\$ 11,022,195	\$ 8,111,059
2 Cumulative Plant	145,910,500	157,383,530	168,328,909	173,887,567	186,124,537	198,396,437	204,310,160	215,558,376	226,745,289	248,082,394	259,104,589	267,215,648
Less:												
3 Accumulated Depreciation	1,109,252	1,218,702	1,491,974	1,644,617	2,008,619	2,395,177	2,749,372	3,114,137	3,427,925	3,733,116	4,344,074	4,816,965
DSI = Distribution System Improvement Projects Net of Accumulated Depreciation and Retirements	\$ 144,801,248	\$ 156,164,828	\$ 166,836,935	\$ 172,242,950	\$ 184,115,918	\$ 196,001,260	\$ 201,560,788	\$ 212,444,239	\$ 223,317,364	\$ 244,349,278	\$ 254,760,515	\$ 262,398,683
5 Dep = Depreciation Expense	289,787	312,999	451,991	354,386	373,200	398,986	417,830	435,617	459,704	493,969	561,894	563,956
6 Projected 2021 Distribution Revenues												

Duquesne Light Company
Schedule 2 - Computation of Cumulative Distribution System Improvement Charge by Month
January 1, 2022 through March 31, 2022

Line No.	(Y) Oct-21	(Z) Nov-21	(AA) Dec-21	(AB) Jan-22	(AC) Feb-22	(AD) Mar-22	(AE) Apr-22	(AF) May-22	(AG) Jun-22	(AH) Jul-22	(AI) Aug-22	(AJ) Sep-22	
1	\$ 3,791,315	\$ 14,789,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	271,006,963	285,796,451	-	-	-	-	-	-	-	-	-	-	
3	4,773,009	5,234,436	-	-	-	-	-	-	-	-	-	-	
4	DSI = Distribution System Improvement Projects Net of Accumulated Depreciation and Retirements	\$ 266,233,954	\$ 280,562,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 2 - Line 3
5	Dep = Depreciation Expense	561,459	593,997	-	-	-	-	-	-	-	-	-	
6	Projected 2021 Distribution Revenues			\$ 53,948,964	\$ 51,349,902	\$ 51,459,022							

Duquesne Light Company
Schedule 3 - Computation of Cumulative Distribution System Improvement Charge Pre-Tax Rate of Return
January 1, 2022 through March 31, 2022

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	46.24%	4.38% (1)	2.02%	-	2.02%
2	Preferred	0.00%	0.00% (1)	0.00%	1.40631	0.00%
3	Common Equity (2)	53.76%	9.45% (2)	5.08%	1.40631	7.14%
4	Total	<u>100.00%</u>		<u>7.11%</u>		<u>9.17%</u>
5				Annual PTRR / 4 Quarters =		2.29%

(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 2021 Quarterly Earnings Report Summary, Docket No. M-2021-3028488.

(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, 2021

<u>Line No.</u>		<u>Total Company Actual Amount Outstanding</u> (1)	<u>Ratios</u> (2)
1	Total Debt (Sch. 5., Col. 1)	\$ 1,379,630,253	46.24%
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	618,352,326	
9	Unappropriated undistributed sub earnings	-	
10	Accumulated other comp income	<u>(2,690,662)</u>	
11	Total Common Equity	<u>1,604,088,185</u>	<u>53.76%</u>
12	Total Capital	<u><u>\$ 2,983,718,438</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, 2021

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%	4.81%	\$ 9,620,000	0.69%
2	1st Mortgage Bond 4.97% due 11/14/43	\$ 160,000,000	11.47%	5.01%	\$ 8,016,000	0.57%
3	1st Mortgage Bond 5.02% due 2/4/44	\$ 45,000,000	3.23%	5.06%	\$ 2,277,000	0.16%
4	1st Mortgage Bond 5.12% due 2/4/54	\$ 85,000,000	6.09%	5.16%	\$ 4,386,000	0.31%
5	1st Mortgage Bond 3.78% due 3/2/45	\$ 100,000,000	7.17%	3.81%	\$ 3,810,000	0.27%
6	1st Mortgage Bond 3.93% due 3/2/55	\$ 200,000,000	14.34%	3.95%	\$ 7,900,000	0.57%
7	1st Mortgage Bond 3.93% due 7/15/45	\$ 160,000,000	11.47%	3.96%	\$ 6,336,000	0.45%
8	1st Mortgage Bond 3.82% due 10/3/47	\$ 60,000,000	4.30%	3.86%	\$ 2,316,000	0.17%
9	1st Mortgage Bond 3.89% due 2/1/48	\$ 60,000,000	4.30%	3.93%	\$ 2,358,000	0.17%
10	1st Mortgage Bond 4.04% due 2/1/58	\$ 125,000,000	8.96%	4.07%	\$ 5,087,500	0.36%
11	1st Mortgage Bond 3.11% due 5/5/50	\$ 200,000,000	14.34%	3.14%	\$ 6,280,000	0.45%
12	Sub-Total	1,395,000,000	100.00%		58,386,500	4.19%
13	Amortization of loss on reacquired debt	(15,369,747)			2,027,613	
14	Amortization of gain on reacquired debt	-			-	
15	Net Long-Term Debt	<u>\$ 1,379,630,253</u>			<u>\$ 60,414,113</u>	<u>4.38%</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, 2020

1	Surcharge Revenue, Inc. GRT	\$9,138,944	
2	Surcharge Revenue, Excl. GRT		\$8,599,746 Line 1 * 0.941
3	E-Factor Revenue, Inc. GRT	\$423,111	
4	E-Factor Revenue, Excl. GRT		\$398,147 Line 3 * 0.941
5	Net DSIC Related Revenue, Excl. GRT		\$8,201,599 Line 2 - Line 4
6	Filed Current (DSIC) Revenue Requirement - Excl. GRT		\$7,874,838
7	Reconciliation Period (Over)/Under Collection		(\$326,761) Line 6 - Line 5
8	Interest on (Over)/Under Collection		(\$16,691)
9	Total Reconciliation Period (Over)/Under Collection		(\$343,452) Line 7 + Line 8
10	Balance at YE December 31, 2019, Excl, GRT		\$529,248
11	E-Factor Revenue - January 2020 - December 2020, Excl. GRT		\$398,147 Line 4
12	Prior Period Balance at December 31, 2020		\$131,100 Line 10 - Line 11
13	Reconciliation Period (Over)/ Under Collection - Jan 20 - Dec 20		(\$343,452) Line 9
14	E-Factor Balance at YE December 31, 2020		(\$212,351) Line 12 + Line 13

(1) Line 1 through Line 9 tie to the 2020 DSIC annual 1307e reconciliation filing at Docket No. M-2021-3023940

(2) Line 10 ties to the Q2 2020 DSIC quarterly filing at Docket No. M-2020-3019326