



Michael Zimmerman
Senior Counsel, Regulatory

411 Seventh Avenue
Mail drop 15-7
Pittsburgh, PA 15219

Tel: 412-393-6268
mzimmerman@duqlight.com

December 21, 2022

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. 10 State Tax Adjustment Surcharge
Supplement No. 56 to Tariff Electric – PA. P.U.C. No. 25
Docket No. M-2022-_____**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Supplement No. 56 to Duquesne Light Company's ("Company") Tariff-Electric, PA. P.U.C. No. 25, and supporting documentation, which amends Rider No. 10 – State Tax Adjustment Surcharge, to become effective January 1, 2023.

Pursuant to Commission Order issued December 1, 2006, at Docket No. R-00061346, the Company's State Tax Adjustment Surcharge ("STAS") has two parts: Part 1 applies to the distribution component of customers' bills, and Part 2 to all components of the bills. Herein, the Company proposes new tax surcharge rates of (0.1358%) for Part 1, and 0.00% for Part 2, to be effective January 1, 2022.

These surcharge rates reflect the change in the Pennsylvania Corporate Net Income Tax ("CNIT") rate from its current rate of 9.99% to 8.99% effective January 1, 2023, pursuant to Act 53 of 2022. Consistent with the Commission's Secretarial Letter issued November 9, 2022,¹ the supporting documentation herein demonstrates the calculation of the recomputed STAS at the reduced CNIT rate. Future annual STAS updates will include similar support to incorporate subsequent annual reductions to the CNIT rate under Act 53.

¹ <https://www.puc.pa.gov/pdocs/1764269.pdf>



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
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
rkanaskie@pa.gov

Office of Small Business Advocate
NazAarah Sabree
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
ra-sba@pa.gov
tereswagne@pa.gov

Office of Consumer Advocate
Patrick Cicero
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
ra-oca@paoca.org

Bureau of Audits
Pennsylvania Public Utility Commission
Barbara Sidor
Commonwealth Keystone Building
400 North Street, 3rd Floor East
Harrisburg, PA 17120
bsidor@pa.gov



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Duquesne Light Company
411 Seventh Avenue, 15-7
Pittsburgh, PA 15219
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Email: mzimmerman@duqlight.com

Dated: December 21, 2022



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

Kevin E. Walker

President and Chief Executive Officer

ISSUED: December 21, 2022

EFFECTIVE: January 1, 2023

Issued in compliance with Section B-1 of the
Pennsylvania Public Utility Commission Order of March 10, 1970.

NOTICE

THIS TARIFF SUPPLEMENT DECREASES A RATE WITHIN AN EXISTING RIDER

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

DECREASE

Rider No. 10 – State Tax Adjustment

**Seventh Revised Page No. 112
Cancelling Sixth Revised Page No. 112**

In compliance with Section B-1 of the Pennsylvania Public Utility Commission Order of March 10, 1970, the State Tax Adjustment (STAS) has been recalculated as follows:

Part 1 of the Surcharge has decreased from (0.0118%) to (0.1358%).

Part 2 of the Surcharge remains at 0.0000%.

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 10 - STATE TAX ADJUSTMENT****(Applicable to All Rates)**

In addition to the charges provided in this Tariff, a two-part surcharge will apply to all bills rendered by the Company, pursuant to the Pennsylvania Public Utility Commission authorization of March 10, 1970, to compensate the Company for new and increased taxes imposed by the General Assembly.

Part 1 of the surcharge, at a rate of (0.1358%) will include Capital Stock Tax, Corporate Net Income Tax, and Public Utility Realty Tax, which will be applied to the distribution charges of customer bills. **(D)**

Part 2 of the surcharge, at a rate of 0.0000% will include Gross Receipts Tax and will be applied to all portions of customer bills.

The Company will recompute the surcharge using the elements prescribed by the Commission's March 10, 1970, authorization:

1. Whenever any of the tax rates used in computing the surcharge is changed, in which case the recomputation shall take into account the changed tax rate.
2. Whenever the Company makes effective increased or decreased rates (other than net energy clause), in which case the recomputation shall take into account the adjustments prescribed by the Commission's March 10, 1970, authorization.
3. On December 22, and each year thereafter.

Every recomputation made pursuant to the above paragraph shall be submitted to the Commission within ten (10) days after the occurrence of the event or date which occasions such recomputation: and if the recomputed surcharge is less than the one then in effect the Company will, and if the recomputed surcharge is more than the one then in effect the Company may, accompany such recomputation with a Tariff or supplement to reflect such recomputed surcharge, the effective date of which, shall be ten (10) days after filing.

DUQUESNE LIGHT COMPANY
State Tax Adjustment Surcharge Computation

Application Period: January 1, 2023 - December 31, 2023

(Summary of Revenue Requirements Submitted in Compliance with Pennsylvania Public Utility Commission Order Dated March 10, 1970 Re: State Tax Adjustment Procedure and Order dated December 16, 1999 at R-00994930)

Part I - Applicable to Distribution Charges on Customer Bills

1 Capital Stock and Franchise Tax

| | | | |
|---|------------------------------------|-----------------|------|
| Duquesne Light PA Corporate Tax Report | 2021 | \$1,460,869,240 | |
| | Current Tax Millage Rate | 0.00 | |
| | Millage Recovery in Base Rates (1) | <u>0.00</u> | |
| | | | 0.00 |
| Increase in Capital Stock and Franchise Tax Liability | | | \$0 |

2 Public Utility Realty Tax

| | | | |
|-------------------------------|------------------------------------|----------------|------------|
| Taxable Value of T&D Property | 2021 | \$31,846,576 | |
| | Current Tax Millage Rate | 27.1851 | |
| | Millage Recovery in Base Rates (1) | <u>30.1894</u> | |
| | | | (3.0043) |
| Decrease in PURTA Liability | | | (\$95,677) |

3 Corporate Net Income Tax (2)

| | | | |
|--|----------------------------|--------------|-------------|
| Duquesne Light PA Corporate Tax Report (3) | 2021 | \$76,771,827 | |
| | 2023 Tax Rate (2) | 8.99% | |
| | Tax Rate in Base Rates (1) | <u>9.99%</u> | |
| | | | -1.00% |
| Decrease in Corporate Net Income Tax Liability | | | (\$767,718) |

4 Reconciliation of Prior Period STAS

| | | | |
|--|--|--|-----------|
| Under-refund of Prior Period STAS (See page 3) | | | (\$2,859) |
|--|--|--|-----------|

5 Total of Above Items

(\$866,254)

6 Gross-up for GRT

Line 5 / 0.9410

(\$920,568)

7 Projected Distribution Revenues for Application Period

\$677,989,368

8 Part I STAS Rate (Line 6 / 7)

-0.1358%

(1) Millage/Tax rate used in Company's April 16, 2021 rate case filing docket No. R-2021-3024750.

(2) Pursuant to the November 11, 2022 Secretarial Letter re: STAS CNI Decrease

(<https://www.puc.pa.gov/pcdocs/1764269.pdf>), effective January 1, 2023, the Corporate Net Income Tax (CNIT) will decrease from its current rate of 9.99% to 8.99% in accordance with Act 53 of 2022, which includes a nine-year phase down of the Pennsylvania Corporate Net Income Tax (CNIT). Subsequent annual reductions to the CNIT shall require similar filings.

(3) Pursuant to the Pennsylvania Public Utility Commission's State Tax Adjustment Surcharge (STAS) procedures [52 Pa Code § 69.51, et seq., the Company is computing the reduced corporate net income tax liability utilizing the most recently completed calendar year 2021 tax return that was filed in September 2022. The Company will reconcile to the final filed calendar year 2023 tax return once it is filed in September 2024, and will reflect the true up within the reconciliation of the STAS Rider for the STAS rate effective 1/1/2025. Subsequent annual reconciliation will then occur.

DUQUESNE LIGHT COMPANY
State Tax Adjustment Surcharge Computation

Application Period: January 1, 2023 - December 31, 2023

(Summary of Revenue Requirements Submitted in Compliance with Pennsylvania Public Utility Commission Order Dated March 10, 1970 Re: State Tax Adjustment Procedure and Order dated December 16, 1999 at R-00994930)

Part II - Applicable to All Charges on Customer Bills

1 Gross Receipts Tax Adjustment for PURTA Surcharge

| | | |
|--|-----------------|------------------------|
| 2023 Surcharge Millage Rate | 0.00 | |
| Projected total revenues | \$1,121,366,356 | |
| Increase in Gross Receipts Tax Liability | | \$0 |
| 2 Total of Above Items | | 0 |
| 3 Gross-up for GRT | Line 2 / 0.9410 | 0 |
| 4 Projected Total Revenues for Application Period | | \$1,121,366,356 |
| 5 Part II STAS Rate (Line 3 / 4) | | <u>0.0000%</u> |

DUQUESNE LIGHT COMPANY
State Tax Adjustment Surcharge Computation
Application Period: January 1, 2023 - December 31, 2023

(Summary of Revenue Requirements Submitted in Compliance with Pennsylvania Public Utility Commission Order Dated March 10, 1970 Re: State Tax Adjustment Procedure and Order dated December 16, 1999 at R-00994930)

Reconciliation of STAS Rider 01/01/2022 through 12/31/2022

1 Capital Stock and Franchise Tax

| | | |
|------------------------------------|----------|-----|
| Amount to be Refunded through STAS | 0 | |
| Amount Refunded through STAS | <u>0</u> | |
| Over/(Under) Refund | | \$0 |

2 PURTA Tax

| | | |
|---|-----------------|---------|
| PURTA Assessment to be collected through STAS | (64,515) | |
| Amount Collected through STAS | <u>(61,999)</u> | |
| (Over)/Under Collection | | (2,517) |

3 Corporate Net Income Tax

| | | |
|---|----------|---|
| Net Income Tax to be collected through STAS | 0 | |
| Amount Collected through STAS | <u>0</u> | |
| (Over)/Under Collection | | 0 |

4 Prior Period Reconciliation

| | | |
|--|----------------|-------|
| Prior period reconciliation to be collected through STAS | (8,783) | |
| Amount Collected through STAS | <u>(8,440)</u> | |
| (Over)/Under Collection | | (343) |

5 Total Over/(Under) Refund of STAS 1/01/2022 through 12/31/2022 **(\$2,859)**