

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2024-3046523

Duquesne Light Company

Statement No. 8

Direct Testimony of Robert L. O'Brien

Dated: March 20, 2024

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1 **DIRECT TESTIMONY**
2 **OF**
3 **ROBERT L. O'BRIEN**

4
5 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

6 **Q. Please state your full name and business address.**

7 A. My name is Robert L. O'Brien, and my business address is 1753 Via Mazatlan, Rio
8 Rico, Arizona 85648.

9
10 **Q. By whom are you employed and in what capacity?**

11 A. I am employed by O'Brien Innovative Regulatory Solutions, LLC where I am the
12 Sole Member.

13
14 **Q. Please summarize your professional experience and educational background.**

15 A. I have been employed in my current position since January 4, 2008, after my
16 retirement from Black & Veatch Corporation ("B&V") where I worked in the
17 Executive Management Services division as a Principal Consultant. Prior to that, I
18 was employed by R.J. Rudden Associates ("Rudden"), where I served as Vice
19 President. In these positions, I have assisted clients in the areas of Strategic
20 Planning, State Regulatory Operations, Financial Planning, Cash Working Capital
21 Calculations, Rate Case Preparation, Revenue Requirement Determination and
22 Revenue Requirement Model Design.

23 Prior to joining Rudden in 2000, I was employed by Citizens
24 Communications Company (formerly Citizens Utilities Company) ("Citizens")

1 from 1975 to 1999 holding the positions of Vice President, Strategic Planning and
2 Regulatory Affairs for Citizens' Public Utilities Sector (1997 to 1999); Vice
3 President, Corporate Regulatory Affairs (1978 to 1997); and Manager of Special
4 Studies (1975 to 1978). From 1967 to 1975, I was employed as controller by a
5 series of companies engaged in the financial, communications, educational and
6 printing industries. Prior to 1967, I was employed by Ernst & Young where I
7 attained the status of Senior Auditor after four years (including two-years of work
8 experience during a 5-year work-study program at the University of Cincinnati). I
9 graduated from the University of Cincinnati in 1965 with a Bachelor of Business
10 Administration, having majored in accounting. I am a Certified Public Accountant.

11

12 **Q. Have you previously testified before the Pennsylvania Public Utility**
13 **Commission ("Commission") or any other regulatory agencies?**

14 A. Yes. I have testified or filed testimony before this Commission many times on
15 behalf of Citizens' water and telephone operations; on behalf of Duquesne Light
16 Company ("Duquesne Light" or the "Company") in its 2006, 2009, 2013, 2018 and
17 2021 applications for a general rate increase; on behalf of PECO Energy Company
18 in a 2008 gas rate proceeding and again in the 2010 rate applications for its gas
19 division and its electric division. In addition, I have presented testimony and or
20 testified in over 250 proceedings before state regulatory commissions in Arizona,
21 California, Colorado, Hawaii, Idaho, Illinois, Indiana, Missouri, Montana, Nevada,
22 Ohio, Rhode Island, Tennessee, Vermont and West Virginia on behalf of electric,
23 natural gas, communications, water and wastewater utility companies. Those

1 proceedings involved company-initiated rate increases, commission-ordered rate
2 reviews, purchased energy pass-through proceedings, acquisitions of utility
3 companies, sales of utility companies and disaster relief requirements. I have
4 testified concerning all measures of value elements, including deferred income
5 taxes and cash working capital, as well as revenues, operating expenses, income
6 taxes, rate design and rate of return issues. I have also testified in generic
7 proceedings related to income taxes, as well as changes in the regulation of the
8 communications and electric industries.

9

10 **Q. What is the purpose of your direct testimony in this proceeding?**

11 A. I was asked by Duquesne Light to assist it in preparing and presenting a request for
12 a general rate increase for its Pennsylvania electric distribution delivery operations.
13 More specifically, I develop the components of Duquesne Light's overall revenue
14 requirement and will support certain pro forma ratemaking adjustments for the fully
15 projected future test year ended December 31, 2025 ("FPFTY"), the future test year
16 ended December 31, 2024 ("FTY") and the historic test year ended December 31,
17 2023 ("HTY"), and portions of the claimed measures of value, including Duquesne
18 Light's cash working capital allowance.

19

20 **Q. Before discussing the specific adjustments and schedules you are sponsoring,**
21 **please describe the relationship of your work to that of the other Company**
22 **witnesses.**

1 A. In general, my assignment was to prepare pro forma adjustments to each of the
2 three test years to obtain total Company pro forma balances for each test year. The
3 total Company values were developed and classified by use of the Federal Energy
4 Regulatory Commission ("FERC") Uniform System of Accounts for Mr.
5 Gorman to use in his Jurisdictional Separation Study ("JSS"), which determines
6 the measures of value, revenue, expenses and pro forma earnings at present rates
7 and the revenue increase required for the Company's Pennsylvania jurisdictional
8 distribution assets and for use in his related Cost of Service Study ("COSS"). As
9 a starting point, I used the actual, budgeted and/or projected data for each of the
10 HTY, FTY and FPFTY respectively which were provided by Ms. Nayden. In
11 addition, I developed, working with Company personnel, pro forma adjustments
12 based on total Company operations for each of those years. Finally, I provided
13 the total Company pro forma measures of value, operating revenues and expenses
14 for the HTY, FTY and FPFTY to Mr. Gorman who, through a JSS for each test
15 year, determined the amounts correctly assigned to the Pennsylvania
16 jurisdiction for the Company's distribution operations and also a COSS
17 for the FPFTY.

18

19 **Q. Are you sponsoring all or portions of any exhibits in this proceeding?**

20 A. Yes. Together with other Company witnesses, I am sponsoring portions of DLC
21 Exhibits 2, 3 and 4, which comprise Duquesne Light's principal accounting exhibits
22 for the FPFTY, FTY and the HTY respectively. As explained by Ms. Nayden (DLC
23 St. No. 2), Duquesne Light's Controller, the base data for the FPFTY in DLC

1 Exhibit 2 were derived, for the most part, from Duquesne Light's capital and
2 operating forecasts for the twelve months ended December 31, 2025; the
3 corresponding data for the FTY in DLC Exhibit 3 were taken from Duquesne
4 Light's budgets, books and records for the year ended December 31, 2024; and
5 finally, the data for the HTY in DLC Exhibit 4 from the actual data for the year
6 ended December 31, 2023. In addition, I am responsible for the responses provided
7 to certain of the Commission's standard data filing requirements.

8

9 **Q. Will you be discussing DLC Exhibit 2, DLC Exhibit 3 and DLC Exhibit 4?**

10 A. Yes, I will. However, because Duquesne Light is basing its proposed rate increase
11 on the adjusted FPFTY (December 31, 2025) data, I will focus my comments on
12 Section C (Measures of Value/Rate Base) and Section D (Operating
13 Income/Revenues and Expenses) of DLC Exhibit 2 for the FPFTY. Because my
14 testimony regarding DLC Exhibit 3, which is Duquesne Light's FTY (December
15 31, 2024) and DLC Exhibit 4 which is Duquesne Light's HTY (December 31, 2023)
16 are organized in essentially the same format as DLC Exhibit 2, I will briefly address
17 the pro forma adjustments and any area in those years that requires additional
18 comment or information.

19

20 **Q. How is the balance of your testimony structured?**

21 A. In Section II, I present an overview of Duquesne Light's FPFTY revenue
22 requirement and explain, in summary fashion, how the claimed measures of value,
23 pro forma present rate revenues, operating expenses, depreciation and taxes were

1 determined. Section III of my testimony provides a more detailed description of
2 the individual components comprising Duquesne Light’s requested measures of
3 value for the FPFTY, while Section IV discusses the derivation, including
4 appropriate ratemaking adjustments, of Duquesne Light’s revenue and expense
5 claims for the FPFTY. Finally, Section V contains the presentation of the FTY and
6 the HTY data.

7

8 **II. OVERVIEW OF DUQUESNE LIGHT’S FULLY PROJECTED FUTURE**
9 **TEST YEAR REVENUE REQUIREMENT**

10 **Q. Please explain how the Company’s FPFTY December 31, 2022 measures of**
11 **value were determined.**

12 A. First, to determine FPFTY-end utility plant in service, the Company began with the
13 closing plant balances at December 31, 2023, added the budgeted capital
14 expenditures that are projected to close to plant in service during twelve months
15 ended December 31, 2024, subtracted the appropriate plant retirements and made
16 any reclassifications or adjustments, which resulted in the plant in service balances
17 at December 31, 2024. The same procedures were followed using plant closings
18 and related plant retirements for the year ended December 31, 2025, which resulted
19 in the plant in service balances at December 31, 2025. The accumulated
20 depreciation at December 31, 2025 was determined in a similar fashion, using the
21 closing balances at December 31, 2023 plus the budgeted and/or pro forma
22 depreciation expense, amortization of net salvage, plant retirements and other
23 related elements through December 31, 2024 and for the FPFTY. The measures of
24 value include a reduction for the accumulated deferred income taxes (“ADIT”),

1 which includes an amount for the federal ADIT. The ADIT balance at the end of
2 each of the years 2023, 2024 and 2025 also includes the amortization of the excess
3 ADIT resulting from the reduction of the Federal income tax rate contained in the
4 Tax Cuts and Jobs Act of 2017 (“TCJA”). The claimed levels of materials and
5 supplies and customer deposits are based on 13-month historic averages for the
6 period ended December 31, 2023. In addition, the capitalized pension balance and
7 an amount for cash working capital which was calculated using lead-lag study
8 procedures are added to the measures of value for each of the HTY, FTY and
9 FPFTY. Finally, the Company received Customer Advances for Construction
10 (“CAC”) in 2023 which is deducted in the determination of Measures of Value.
11 Each of these components and the other elements shown on DLC Exhibit 2,
12 Schedule D-1, page 3 of 3, column 1, lines 1 to 13 of the measures of value will be
13 described later in my testimony. This total Company data, as described by Mr.
14 Gorman, are then distributed to the Pennsylvania Jurisdiction with the results
15 shown in column 2.

16

17 **Q. How were the revenues at present rates for the FPFTY derived?**

18 A. Revenues at present rates were derived by adjusting the forecasted revenues for
19 Duquesne Light’s electric distribution operations for the twelve months ending
20 December 31, 2025 to reflect the removal of surcharge revenues that will not be
21 included in base rates when new rates are authorized in this proceeding, to reflect
22 the annualization of customers to year-end levels in the FPFTY and to reflect the

1 other pro forma revenue adjustments which are summarized in DLC Exhibit 2,
2 Schedule D-5.

3

4 **Q. How were the claimed operating expenses for the FPFTY determined?**

5 A. The pro forma FPFTY expenses were calculated using Duquesne Light's forecast
6 for the twelve months ended December 31, 2025 as a starting point. Those
7 expenses, which were prepared based on business activities and related cost
8 elements such as payroll, employee benefits, etc., were distributed to FERC
9 accounts using the distribution of expenses actually experienced by the Company
10 during the year ended December 31, 2023. Adjustments were then made to the
11 forecast data including annualization and normalization adjustments in accordance
12 with established Commission ratemaking practices. These adjustments are
13 summarized on DLC Exhibit 2, Schedule D-3 pages 1 and 2 and are described in
14 connection with the specific schedules included in DLC Exhibit 2. Each pro forma
15 adjustment was then included in the appropriate FERC account(s).

16

17 **Q. Please describe how the taxes-other-than-income ("TOTI") were determined**
18 **for the FPFTY.**

19 A. The base amounts were determined by using Company forecasted amounts for the
20 twelve months ended December 31, 2025, with pro forma adjustments to payroll
21 taxes to reflect the impact of the changes to FPFTY salaries and wages and other
22 adjustments to reflect known and measurable changes, as shown on DLC Exhibit
23 2, Schedule D-20

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Q. Please describe the calculation of depreciation expense for the fully projected future test year.

A. The pro forma depreciation expense for the FPFTY was determined by FERC account using depreciation rates determined by Mr. Spanos in his depreciation study as described in his testimony (DLC St. No. 9) or by using depreciation rates based on Company data for intangible, leasehold and transportation plant times the year-end plant at December 31, 2025. The five-year amortization of net salvage was added by FERC account to determine the total depreciation and amortization expense for the FPFTY, as described in more detail in connection with Schedule D-21 of DLC Exhibit 2.

Q. How were income taxes calculated?

A. Income taxes were calculated using the regulatory procedures normally followed by the Commission, including the use of synchronized interest expense; the flow-through of certain tax deductions for State income tax calculation; the normalization of the federal method difference for accelerated depreciation and other normalized deductions as explained by Mr. Simpson in his testimony (DLC St. No. 10). The income tax expense for the FPFTY for total Company operations at present rates and for the distribution operations at proposed revenue levels is shown on DLC Exhibit 2, Schedule D-22, page 1 of 3. The income tax expense, as explained by Mr. Simpson in DLC Statement No. 10, was calculated using the provisions and rates under the TCJA. In addition, the income tax expense

1 calculation includes the annual amortization of excess deferred income taxes
2 (“EDIT”) associated with the change in the Federal Income Tax Rate, as described
3 by Mr. Simpson.

4

5 **Q. Please describe how the pro forma revenue increase and revenues at proposed**
6 **rates were established.**

7 A. Each of the total Company forecasted amounts and pro forma adjustments for the
8 FPFTY 2025, which will be described in testimony related to the specific filing
9 schedule or requirement, were used to determine the total Company pro forma
10 measures of value, revenues at present rates and pro forma expenses. These total
11 Company amounts were provided to Mr. Gorman and formed the basis for the JSS
12 he performed, which determined the fully distributed costs and the revenue
13 requirement for the Company’s Pennsylvania distribution operations. The
14 summary results for the Company’s jurisdictional distribution operations are
15 presented in DLC Exhibit 2, Schedule D-1 pages 1 to 3.

16

17 **Q. What is the overall required increase in annual revenues for the Company’s**
18 **jurisdictional distribution operations for the FPFTY?**

19 A. As shown on DLC Exhibit 2, Schedule D-1, page 1 of 3, column 2, line 2 and also
20 on line 20 of DLC Exhibit 2, Schedule D-1, page 2 of 3, the proposed increase in
21 annual operating revenues is \$101.060 million which does not include \$32.112
22 million of surcharge revenue from the DISC and STAS surcharges which are being
23 rolled into base rates. Mr. Gorman will testify regarding the calculations related to

1 the Company's distribution revenue increase, including a description of how those
2 two existing revenue surcharges were included in base rates.

3

4 **Q. What is contained in DLC Exhibit 2, Schedule B?**

5 A. Schedule B contains Schedules B-1 to B-8 which present the Company's financial
6 data for the FPFTY are sponsored by and will be described by Witnesses Nayden,
7 Simpson, Milligan and Moul as indicated on each schedule.

8

9 **Q. Please briefly describe each of the B schedules.**

10 A. **Schedule B-1** contains two pages and presents the pro forma balance sheet amounts
11 at year end for the FPFTY. Page 1 shows the Company's assets while page 2 shows
12 the Company's liabilities and equity accounts.

13 **Schedule B-2** contains one page showing the statement of net utility operating
14 income for the FPFTY.

15 **Schedule B-3** contains one page showing the statement of operating revenues for
16 the FPFTY.

17 **Schedule B-4** contains two pages and provides the FPFTY operation and
18 maintenance expenses by FERC account for the Company.

19 **Schedule B-5** contains one page and shows the taxes – other than income and
20 income taxes for the FPFTY.

21 **Schedule B-6** contains one page and shows the capital structure and proposed rates
22 for long-term debt and equity proposed by the Company in this proceeding.

1 **Schedule B-7** contains one page and shows the capital structure for long-term debt
2 and equity for 2024 and 2025 in both dollar amounts and percentages.

3 **Schedule B-8** contains one page and shows the detail for the long-term debt
4 including each debt issuance and its percent of the total debt plus the effective
5 interest rate for each issuance and the average weighted cost of debt for the FPFTY.

6

7 **III. MEASURES OF VALUE**

8 **A. Plant In Service**

9 **Q. Please describe Schedule C-1 of DLC Exhibit 2.**

10 A. Schedule C-1 summarizes the measures of value for the FPFTY for the total
11 Company and the Pennsylvania jurisdiction, the pro forma rate of return at present
12 rates for the total Company in column 1, for and the distribution operations in the
13 Pennsylvania jurisdiction in column 2 and the pro forma rate of return at proposed
14 rates for the Pennsylvania jurisdiction in column 2 on line 5. The data for the total
15 Company are supported by me and the data for the Pennsylvania jurisdiction are
16 described and supported by Mr. Gorman. As shown on line 1, the total Measures
17 of Value for the total Company is \$3.711 billion (column 1, line 1) and is \$2.890
18 billion (column 2, line 1) for the Pennsylvania jurisdiction. The net operating
19 income and earned rate of return at present rates for the total Company and the
20 Pennsylvania jurisdiction are shown on lines 2 and 3 in columns 1 and 2
21 respectively. Finally, as shown on line 4, the pro forma return at proposed rates for
22 the Pennsylvania jurisdiction of \$241.043 million is required to attain the target rate
23 of return of 8.34% shown on line 5.

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Q. Please describe Schedule C-2 of DLC Exhibit 2.

A. Schedule C-2 contains 4 pages and presents the Company’s claimed FPFTY utility plant in service.

Q. How was the utility plant in service for the total Company of \$6.300 billion shown on Schedule C-2, page 1, column 3, line 7 determined?

A. That amount represents the estimated plant in service balance at December 31, 2025, and is based on utility plant in service at December 31, 2023, plus budgeted and forecasted capital expenditures estimated to be closed to plant in the FTY and the FPFTY, less the FTY and FPFTY estimated retirements and pro forma adjustments to the FTY and FPFTY plant. The plant balances at December 31, 2025 by FERC account are shown on page 2 with the detail for plant additions, retirements and adjustments for the year ended December 31, 2025 shown on pages 3 and 4. The total plant in service of \$6.300 billion is entered on DLC Exhibit 2, Schedule D-1, page 3 of 3 at column 1, line 1 for the total Company.

Q. Please describe what is contained on Schedule C-2, page 2.

A. Page 2, column 2, presents the year-end plant balances for the FPFTY by FERC account and summarized by functional plant category. The total plant in service at December 31, 2025, of \$6.299 billion shown on line 42 in column 2 is brought forward by functional plant category to page 1, column 1, lines 1 to 4.

1 **Q. What is shown on page 3 of Schedule C-2?**

2 A. Page 3 shows the plant balances and activity by FERC account for the FPFTY.
3 Column 2 contains the balances at December 31, 2024, while plant additions for
4 the FPFTY are shown in column 3. Plant retirements for the FPFTY are shown in
5 column 4 and reclassifications and adjustments are shown in column 5. The FPFTY
6 balance at December 31, 2025, of \$6.299 billion is shown in column 6 on line 51
7 and is reflected on pages 1 and 2 of Schedule C-2.

8

9 **Q. What is contained on Exhibit DLC 2, Schedule C-2, page 4?**

10 A. This schedule contains one pro forma adjustment to reflect capital expenditures.
11 Column 3 in the amount of \$1.042 million for 2025 Electric Vehicle (“EV”) costs
12 that the Company is seeking to include in rate base and recover through
13 depreciation expense over a ten-year period. The support for the adjustment for the
14 EV expenditures is provided by Ms. Olexsak in her testimony (DLC St. No. 6). The
15 adjustment, shown in column 3 on page 4, will be described in more detail in
16 connection with Schedule D-11.

17

18 **Q. What is the total plant in service pro forma for at the end of the FPFTY?**

19 A. The total plant in service for the Company in the FPFTY is \$6.300 billion as shown
20 on Schedule C-2, page 1 of 4, column 3, line 7 and on Exhibit 2, Schedule D-1,
21 page 3, column 1, line 1.

22

23 **B. Accumulated Depreciation**

1 **Q. What is the purpose of Schedule C-3 of DLC Exhibit 2?**

2 A. This schedule, consisting of 4 pages, presents the accumulated provision for
3 depreciation at December 31, 2025, for the total Company by FERC account.
4 Duquesne Light's accumulated depreciation at December 31, 2025, is \$2.026
5 billion as summarized on page 1, column 4, line 7 of Schedule C-3 and then carried
6 forward to page 3, column 1, line 2 of Schedule D-1.

7
8 **Q. Please describe page 1 of DLC Exhibit 2, Schedule C-3.**

9 A. This page shows the accumulated depreciation balance by FERC plant category at
10 the end of the FPFTY in column 2. These balances include the accumulated
11 depreciation at December 31, 2024, plus depreciation expense, amortization of
12 average net salvage, less retirements, less cost of removal and adjustments, which
13 are reflected on DLC Exhibit 2, Schedule C-3, on page 3 in columns 2 to 10 by
14 FERC account. In addition, column 3 shows the EV expenditures through
15 December 31, 2025, in the amount of \$104,000, which will be described in more
16 detail in connection with schedules D-11.

17
18 **Q. What is contained on pages 2 to 4 of Schedule C-3?**

19 A. Page 2 shows the pro forma accumulated depreciation at the end of the FPFTY by
20 FERC account in the amount of \$2.026 billion. Page 3 contains eleven columns
21 showing the changes to the FPFTY accumulated depreciation balances by FERC
22 account from December 31, 2024 (column 2) to December 31, 2025 (column 11).
23 Column 3 shows the depreciation expense for 2025 while column 4 shows the plant

1 retirements, which are equal to the plant retirements shown on the Plant in Service
2 Schedule C-2, page 3, column 4. Columns 5 to 10 show other charges and credits
3 to the accumulated depreciation for 2025. Page 4, column 3 reflects an adjustment
4 of \$104,000 to reflect the amortization of the EV expenditures in 2025 as will be
5 described in connection with the adjustment on Section D-1, Schedule 11.

6

7 **Q. What is the balance for accumulated depreciation at the end of the FPFTY?**

8 A. That amount is \$2.026 billion for the total Company as shown on DLC Exhibit 2,
9 Schedule C-3, page 1, column 4, line 7 and also on DLC Exhibit 2, Schedule D-1,
10 page 3, column 1, line 2

11

12 **C. Cash Working Capital**

13 **Q. What is set forth on Schedule C-4, page 1, of DLC Exhibit 2?**

14 A. This is a summary of the Cash Working Capital (“CWC”) calculations, which are
15 detailed on pages 2 to 10 in Schedule C-4. The total of \$61.566 million shown on
16 line 6 is included in Duquesne Light’s claimed measures of value as CWC for the
17 total Company, as shown on DLC Exhibit 2, Schedule D-1, page 3 of 3, column 1,
18 line 4. The CWC amount for the PA Jurisdictional business is \$43.013 million as
19 shown on page 3 of 3 in column 2, line 4 of Schedule D-1.

20

21 **Q. Please describe page 2 of Schedule C-4.**

22 A. Page 2 summarizes the derivation of Duquesne Light’s revenue collection lag and
23 overall operating expense payment lag. The revenue lag days of 48.30 days is

1 shown on line 1; the expense lag days for each of the expense components appear
2 on lines 3 to 6 and in column 3 and the respective amounts are totaled on line 7.
3 The composite O&M expense lag days of 30.85 days is shown on line 8. The net
4 lag in the collection of revenue of 17.45 days ($48.30 - 30.85 = 17.45$) shown on
5 line 9 is then multiplied by the average daily operating expense balance \$657,000
6 on line 10 to arrive at the base CWC amount of \$11.462 million for operating
7 expenses shown on line 11. The average daily operating expense balance of
8 \$657,000 on line 10 was determined by dividing the total pro forma annual
9 operating expenses of \$239.924 million on line 7, column 2, which excludes
10 uncollectible accounts expense and purchased power costs, by the number of days
11 in a year, 365. The other components of CWC are shown on lines 12 to 14 and will
12 be described in connection with my discussion of related supporting schedules. The
13 calculation of the working capital for power purchased shown on lines 16 to 19 is
14 shown separately so it can be assigned directly to the purchased power activity by
15 Mr. Gorman and therefore is not included in the determination of working capital
16 as part of the revenue requirement for the PA jurisdictional operations. Finally, a
17 reconciliation of the total O&M expense of \$514.631 million, the total on DLC
18 Exhibit 2, Schedule D-2, page 1 of 1, column 3, lines 16 to 24, with the O&M
19 expenses of \$239.924 million (column 2, lines 7 and 26) used to determine the total
20 Company Working Capital of \$61.566 million shown on line 19.

21

22 **Q. Please describe the revenue lag calculation shown on Schedule C-4, page 3.**

1 A. The total revenue lag days shown on line 21 of 48.30 days were determined by
2 dividing the average month-end accounts receivable balances for the thirteen
3 months ended December 31, 2023, shown in column 2 on line 17 into the annual
4 revenue billed during the 12 months ended December 31, 2023, as shown in column
5 3 on line 17. This results in an accounts receivable turnover rate of 11.03 (column
6 4, line 17), which is equivalent to 33.09 lag days (365 days divided by the 11.03
7 accounts receivable turnover rate), as shown in column 5 on line 17. This is referred
8 to as the collection lag or the payment portion of the revenue lag. The payment
9 portion of the revenue lag is added to the 15.21-day service period lag, which is the
10 time from the mid-point of the service period until the meter reading date,
11 generating a total revenue lag of 48.30 days, as shown on line 21. As shown on
12 line 19, there is no lag for the calculation and recording of the bill since it is
13 accomplished on the same day.

14

15 **Q. How was the mid-point of the service period calculated?**

16 A. The mid-point of the service period is equal to the days in an average month (365
17 days divided by 12, or 30.417 days per month) divided by 2, or a mid-point of 15.21
18 days.

19

20 **Q. What is shown on page 4?**

21 A. Page 4 shows the monthly revenue by class of service for the years ended December
22 31, 2021, through 2023.

23

1 **Q. Please describe page 5 of Schedule C-4.**

2 A. Schedule C-4, page 5, shows the calculation of the expense lags for specific expense
3 categories used in the CWC calculation as shown on Schedule C-4, page 2, column
4 3, lines 3 to 6. Lines 1 to 5 reflect the payroll expense lag. The payroll amounts
5 reflect the forecasted payroll proforma expense for the FPFTY as shown on
6 Schedule D-7. The lag periods for the payment of union and non-union payroll are
7 shown separately to reflect Duquesne Light's actual payment cycles for each
8 classification. Lines 6 and 7 show the lag in the payment of pension costs for the
9 FPFTY. The lag period is calculated using a mid-point of July 1 and the payment
10 date shown on line 6 in column 1. This results in an average payment lead of 108.0
11 days, which was applied to the pro forma pension expense from Schedule D-9, page
12 1, line 11 and shown on line 4 of Schedule C-4, page 2 of 10.

13
14 **Q. How did you develop the lag days associated with the purchased energy costs
15 shown on line 13 of Schedule C-4, page 5?**

16 A. Effective June 1, 2013, Duquesne Light began to purchase power for its default-
17 service customers through a Supply Master Agreement. The payment terms under
18 that and the most recent contract result in a lag-day component of 33.88 days which
19 is used for the purchased energy lag-days. This includes a service period lag of
20 15.21 days; a bill processing lag of 8.67 days and a payment lag of 10 days. The
21 33.88 payment lag days results in a net lead of 14.42 days when subtracted from
22 the revenue lag days of 48.30 calculated on DLC Exhibit C-4, page 3 and shown
23 on line 21 (48.30 days – 33.88 days = 14.42 days). The 14.42 payment lead days

1 is used to calculate the cash working capital requirement related to the purchased
2 energy of \$10,281 million shown on DLC Exhibit C-4, page 2 on lines 16 to 19.
3 These amounts have been removed from the operating expenses summarized on
4 lines 3 to 7 and are shown separately so they can be removed by Mr. Gorman from
5 the PA Jurisdictional CWC calculation. As shown on Mr. Gorman's JSS, this
6 amount is assigned directly to the Supply sector and is not included in his
7 determination of the PA Jurisdictional distribution revenue requirement.

8

9 **Q. Please describe how you determined the payment lag associated with other**
10 **operating and maintenance expenses shown on line 6 of page 2.**

11 A. The summary of the average payment lag for all remaining expenses listed as other
12 expenses on page 2, line 6, is set forth on lines 10 to 14 on page 5 of Schedule C-
13 4. These amounts were derived from data for the four months shown on page 6 of
14 Schedule C-4. More specifically, I requested that the Company provide a listing of
15 all cash disbursements during each of the four months selected in a format that
16 would show the payee, the date the service was provided or the invoice date, the
17 amount of the disbursement, the type of payment, the date the payment was made
18 and the date the payment cleared the bank, the account to which the disbursement
19 was charged and certain other data. As shown on page 6, lines 1, 4, 7 and 10, each
20 month's initial total listing contained thousands of cash disbursements.

21

22 **Q. How did you utilize the data provided by the Company?**

1 A. I used the total data provided by the Company for each of the four months, to
2 calculate the number of days it took each disbursement to clear the bank from the
3 invoice or service date and calculated the dollar days (the amount of the actual
4 disbursement times the number of days the payment took to clear the bank). This
5 provided the data needed to calculate the number of lag-days.

6

7 **Q. Did the data from the Company provide clearing dates for all of the cash**
8 **disbursements for each month?**

9 A. No. There were two categories of cash disbursements that did not have check
10 clearing dates on the disbursement listing. The first category was for checks that
11 did not actually clear the bank at the date each of the months was provided, which
12 was on February 15, 2024. The second category was for electronic funds transfers
13 for which there was no clearing date listed.

14

15 **Q. Did you determine a date to use for each of those categories?**

16 A. Yes, I did. For the actual checks, which have a check number beginning with
17 111xxxx, I used a clearing date of June 30, 2024, which is four and one-half months
18 after the data was provided. I think this is reasonable for the remaining checks to
19 clear the bank on average. For the electronic transfers, which have numbers
20 beginning with – 300, 400, 500 and 900, I used the issue date as the clearing date
21 based on actual clearing dates for those disbursements.

22

1 **Q. What percentage of the disbursements did you have to assign clearing dates**
2 **for?**

3 A. Using the month of February 2023, there were 6,710 disbursements of which 2,185
4 were check disbursements (32.5%) and there were 268 of the check disbursements
5 (12.3%) did not clear the bank by February 15, 2024. Of the 6,710 total
6 disbursements, 4,534 (67.5%) were electronic payments and there were 232
7 payments that did not have the bank clearing data or 5.1%.

8

9 **Q. What steps did you take in your process?**

10 A. After sorting the data to provide the check and electronic items so I could assign
11 the bank clearing data, I sorted the 6,710 disbursements by amount. I then
12 eliminated the disbursements that are no material in total or those which should not
13 be included in a CWC calculation for operating expenses.

14

15 **Q. What disbursements did you eliminate from the balances used on page 6 of**
16 **Schedule C-4?**

17 A. First, using the data for February 2023 as an example, referring to line 1 of page 6,
18 I started with a total number of cash disbursements of 6,710 (column 1) and a total
19 dollar amount of those disbursements of \$146.925 million (column 2) which
20 produced a total-dollar-days of \$3.708 billion (column 3). This resulted in expense
21 payment lag days of 25.24 days (column 4). I then, in Sort 1, removed all
22 disbursements under \$1,000 since those amounts, while significant in number,
23 would not have a meaningful impact on the overall lag-day calculation. In Sort 2,

1 I removed charges to clearing accounts which are not part of the general O&M
2 expense accounts. This resulted in the amounts shown on line 2. As shown on line
3 2, the number of remaining disbursements dropped to 1,765 but the cash
4 disbursement (column 2) and dollar-days (column 3) did not change significantly.
5 Next, in Sort 3, I removed all disbursements charged to asset and liability accounts,
6 except charges to accounts payable. The results of these removals provided the
7 balances on line 3 which resulted in lag days of 21.31 as shown on line 3, column
8 4. While the number of disbursements dropped significantly from 1,765 to 535 the
9 cash disbursement and dollar lag-day amounts also decreased significantly as
10 shown in columns 2 and 3 on lines 2 and 3. In Sort 4, I removed disbursements for
11 accounts payable including payables for purchased electricity which have a very
12 short payment lag and in Sort 5 I removed all disbursements in excess of \$350,000
13 since they are not likely to represent normal monthly operating expenses. In Sort 6
14 I removed any remaining negative amounts. In Sort 7 I made any final adjustments
15 for transactions that were not likely to recur in the future for those vendors. The
16 final result for February 2023, shown on line 4 in column 4, is 53.19 lag-days.
17 A similar process was followed for the months of May, August and November 2023
18 with the lag-days for each month shown on lines 8, 12 and 16 in column 4. The
19 totals for the four months are included on lines 17 to 20, which result in 50.61
20 expense lag-days for other disbursements as shown on line 20, column 4. These
21 data are summarized on page 5, lines 10 to 14 and the average of 50.61 lag-days is
22 reflected on page 2 of 10, column 3, line 6.
23

1 **Q. Please explain how the average prepayment amount of \$25.154 million**
2 **included on line 12 of Schedule C-4, page 2 was determined.**

3 A. That amount is calculated on page 10 of Schedule C-4 and represents the thirteen-
4 month average of actual amounts recorded for each month end from December 31,
5 2022, to December 31, 2023. As shown on page 10, the prepayments in question
6 comprise 34 different items, ranging from commission assessments to insurance.

7
8 **Q. How did you determine the lag days for the tax expense component of working**
9 **capital shown on page 7 of Schedule C-4 and brought forward to page 2 on**
10 **line 13?**

11 A. The calculations on page 7 of Schedule C-4 use the pro forma tax expense at
12 proposed rates shown in column 1 and the net revenue lag days for each tax as
13 shown in column 4. The result of the multiplication of those components is shown
14 in column 3 and used as the working capital related to the taxes paid by the
15 Company. The net payment lag days for each of the taxes are calculated on page 9
16 of Schedule C-4, The total working capital amount for the taxes is \$24.032 million.

17
18 **Q. Please describe the calculation of the interest expense lag shown on page 8 and**
19 **included on page 2, line 14 of Schedule C-4.**

20 A. This calculation measures the lag associated with the semi-annual payment of
21 interest on outstanding debt. The pro forma interest expense calculation on lines 1
22 to 4 reflects the interest expense from the synchronized interest calculation using
23 the pro forma measures of value (line 1), the portion of debt in the Company's

1 proposed capital structure (line 2) and the weighted cost of debt (line 3) included
2 in the requested rate of return shown on DLC Exhibit B-7, line 1, columns 2 and 3
3 respectively. The daily interest expense amount of \$217,000, calculated on lines 1
4 to 5, is multiplied by the net payment lag of 42.95 days shown on line 8 for a
5 reduction to the working capital allowance of \$9.330 million, as shown on line 9
6 and included on page 2 at line 14.

7

8 **Q. What is presented on page 9 of Schedule C-4?**

9 A. As noted previously, this page provides the calculations of the net payment lag days
10 for the tax expense components of Duquesne Light's CWC allowance. The type of
11 tax and the payment schedule for that tax are shown in the description column with
12 the actual payment dates reflected in column 1. The payment lead or (lag) from the
13 midpoint of the year is shown in column 3. The pro forma payment amount for
14 each tax is shown in column 4 on the line with the name of the tax. For example,
15 the federal income tax amount, pro forma at proposed revenue levels for the total
16 Company, of \$50.960 million is shown on line 1 in column 4. The payment
17 amounts required are reflected for each tax on the dates shown in column 1 and the
18 weighted lead (lag) dollars for each payment is calculated in column 5 for each tax.
19 The payment lead (lag) days are calculated and shown on the total line for each tax.
20 These days are compared to the lag days for revenue shown in column 7 and the
21 net payment lag is shown in column 8 and also reflected on page 7 of Schedule C-
22 4.

23

1 **Q. Why are separate calculations made for the various categories of tax expense?**

2 A. This is necessary because each of the tax expense items can have separate payment
3 dates. For example, as shown on page 9 of Schedule C-4, lines 2 to 5, 25 percent
4 of the estimated federal income tax liability is due on April 15, June 15, September
5 15 and December 15 of each year. The tax payment dates and percentages due for
6 other tax expense items are not the same. Using a separate calculation for each tax
7 expense provides a matching of the cash requirement for payment of those expenses
8 with the anticipated cash from revenues.

9
10 **Q. What is shown on Schedule C-4, page 10?**

11 A. This page shows the calculation of the average prepaid expenses included in the
12 CWC which was described earlier in my testimony.

13
14 **Q. What is the total amount of CWC included in the claimed measures of value?**

15 A. That amount is the \$61.566 million shown on Schedule C-4, page 1, line 6 and on
16 Schedule D-1, page 3 of 3, column 1, line 4.

17
18 **D. Materials and Supplies**

19 **Q. Please describe Schedule C-5.**

20 A. Schedule C-5 reflects the Materials and Supplies for the FPFTY based on the
21 thirteen-month average from December 31, 2022, to December 31, 2023, of
22 \$30.383 million as shown on line 16. The distribution of the average to various
23 functions is shown on lines 17 to 22.

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E. Accumulated Deferred Income Taxes

Q. What is the purpose of Schedule C-6?

A. Schedule C-6 shows the December 31, 2025, balance of accumulated deferred income taxes (“ADIT”) that is deducted in the determination of the measures of value. The total ADIT shown on line 11 of \$714.464 million reflects the federal income tax that must be deferred in compliance with the normalization provisions concerning the use of accelerated tax depreciation on FPFTY plant balances. The ADIT balance also reflects the normalization of the tax repair deductions and Section 263A deductions as permitted by the Commission. The accelerated tax depreciation and other tax deductions used in the determination of taxable income for federal and state income tax expense calculations are reflected on Schedule D-22, pages 1 and 2 of 3. These amounts are supported in the testimony of Mr. Simpson (DLC St. No. 10). The ADIT amounts for CIAC and Non-Utility listed on the schedule on lines 7, 8 and 9 are not included in the plant in service shown on Schedule C-2 and therefore are not included in the determination of the ADIT in the measures of value for the FPFTY.

Q. What is the amount of ADIT used in the measures of value?

A. The amount for the total Company is \$733.179 million as shown on line 6 of Schedule C-6 and on line 11 of page 3 of 3 of Schedule D-1 in column 1 for the total Company and \$538.717 million for the PA Jurisdiction as shown in column 2 line 11 of Schedule D-1, page 3..

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F. Customer Deposits

Q. Please explain the data concerning customer deposits on Schedule C-7 that was deducted from the claimed measures of value on Schedule D-1, page 3.

A. The amount for customer deposits shown in column 1 reflects the average month-end balance for the thirteen months ended December 31, 2023. The amount for the interest expense paid to customers on the customer deposits is shown in column 2. The customer deposit amount is reflected as a reduction to the measures of value and the interest expense is shown as a recoverable operating expense for the FPFTY.

Q. Where are these amounts of customer deposits and interest shown?

A. The amount of customer deposits for the total Company is a deduction of \$9.318 million, as shown on line 15 of Schedule C-7 and on Schedule D-1, page 3 of 3, line 9, column 1. In addition, the calculated interest expense related to these customer deposits of \$603,000 is included in the Company’s operating expenses as shown on DLC Exhibit 2, Schedule D-3, page 2 of 2, column 18, line 55.

G. Capitalized Pension Adjustment

Q. Please describe DLC Exhibit 2, Schedule C-8.

A. This schedule shows the calculation of the capitalized pension adjustment included in the Company’s measures of value, consistent with the Company’s positions in prior cases. The amount to be included as a rate base adjustment is, “...the amount

1 necessary to adjust the Accounting Standards Codification (“ASC”) 715 capitalized
2 pension amounts to equal accumulated capitalized pension contributions, net of
3 applicable deferred income taxes, from January 1, 2007 forward.” The schedule
4 shows the capitalized pension contributions in column 1 and the amount of the ASC
5 715 pension capitalized in column 2. The difference in column 3, line 25 of \$97.470
6 million, is the amount for the capitalized pension adjustment included in the
7 measures of value for the FPFTY.

8

9 **Q. What is the adjustment to include the capitalized pension adjustment in rate**
10 **base for the FPFTY?**

11 A. As shown on DLC Exhibit 2, Schedule C-8, column 3, line 25, the amount is
12 \$97.470 million. This amount is also shown on DLC Exhibit 2, Schedule D-1, page
13 3 of 3, column 1, line 6 for the total Company and \$75.224 million for the PA
14 Jurisdiction as shown in column 2.

15

16 **Q. What is contained on DLC Exhibit 2, Schedule C-9?**

17 A. This schedule shows a reduction in the Company’s measures of value for customer
18 advances for construction (“CAC”) that were received in 2023 and are projected to
19 be completed in 2025 or still not completed at the end of the FPFTY 2025. As
20 shown on lines 4 through 15, the only activities through the end of 2025 were the
21 reduction in the scope of the \$2.0 million CAC in 2024 from the \$2.0 million to
22 \$529,000. In addition, that project is projected to be completed in 2025 when the
23 plant in service will be reflected as plant and at which time the \$529,000 of CAC

1 will be transferred to contributions in aid of construction (“CIAC”) which will
2 offset the plant and have no impact on the Company’s customers. The remaining
3 CAC of \$10 million will be carried forward until the plant associated with that CAC
4 is completed, at which time the CAC will be reclassified as CIAC and used to offset
5 the costs of the constructed plant.

6 **Q. What is the amount of CAC that is used to reduce measures of value for the**
7 **FPFTY?**

8 A. That amount is \$10 million which is shown on line 19 in column 3 and also on DLC
9 Exhibit 2, Schedule D-1, page 3 of 3 in column 1, line 10. Since this CAC is related
10 to the transmission services there is no amount shown in column 2 of Schedule D-
11 1, page 3.

12
13 **Q. What is the Company’s claimed measures of value in this proceeding?**

14 A. Duquesne Light’s claimed measures of value, or rate base, for the FPFTY equals
15 \$3.711 billion, as shown on line 13, page 3 of 3, column 1 of Schedule D-1 for the
16 total Company and \$2.890 billion for the Pennsylvania jurisdictional measures of
17 value shown on Schedule D-1, page 3 of 3, column 2, line 13, which will be
18 supported by Mr. Gorman.

19
20 **IV. REVENUES AND EXPENSES**

21
22 **Q. What is shown on Schedule D-1 of DLC Exhibit 2?**

1 A. Schedule D-1, which is supported by myself and Mr. Gorman, contains three pages
2 showing the calculation of the total Company and Pennsylvania jurisdictional
3 measures of value (rate base) on page 3, the total Company and Pennsylvania
4 jurisdictional revenue, expense and operating income on page 2 and the
5 Pennsylvania jurisdictional revenue requirement including the measures of value,
6 revenues and expenses at present rates, the revenue increase required and the
7 revenues and expenses at proposed rates on page 1. The Pennsylvania jurisdictional
8 revenue increase that is calculated by Mr. Gorman is \$101.060 million as shown on
9 page 2, line 20 and brought forward to page 1, column 2, line 2.

10

11 **Q. Please describe Schedule D-2.**

12 A. Schedule D-2 shows the revenues and expenses by major FERC account
13 classification. It begins with the Company's forecasted revenues and expenses for
14 the FPFTY in column 1, and then annualizes and/or normalizes those amounts
15 through adjustments from Schedule D-3, which are summarized in column 2 of
16 Schedule D-2. The pro forma data in column 3 are summarized and brought
17 forward to Schedule D-1, page 2, column 1 and used in the determination of the
18 required jurisdictional Pennsylvania distribution revenue increase. The various
19 revenue adjustments totaled in column 2 on Schedule D-2 are shown by separate
20 adjustment on Schedule D-5, and the expense adjustments are summarized on
21 Schedule D-3 and described in more detail on the separate adjustment schedules
22 beginning with Schedule D-6 through Schedule D-11.

23

1 **Q. Please describe Schedule D-3.**

2 A. Schedule D-3 identifies and summarizes the various adjustments that were made to
3 the FPFTY forecast revenue and expense data to derive the pro forma present rate
4 revenues and expenses that appear in column 3 of Schedule D-2 and are included
5 in the adjusted amounts that are carried forward to Schedule D-1. The FPFTY
6 forecasted amounts are shown in column 1 on page 1 and the revenue adjustments
7 are shown in columns 2 to 6 on page 1. The various expense adjustments are
8 reflected in columns 7 to 11 of page 1 and in columns 14 to 23 of page 2 of Schedule
9 D-3. Each of the pro forma adjustments will be described in connection with the
10 specific schedule supporting the adjustment.

11

12 **A. Revenue Adjustments**

13 **Q. Please describe Schedule D-5.**

14 A. Schedule D-5 presents the Company's forecast of its FPFTY revenues and a
15 summary of the separate pro forma adjustments to revenue for the FPFTY. Each
16 of these adjustments will be described in detail in connection with the separate
17 calculation of the adjustment shown on Schedules D-5A to D-5C.

18

19 **Q. Please describe the adjustment of \$32.042 million which is calculated on
20 Schedule D-5A and shown on Schedule D-5 in column 3.**

21 A. This adjustment calculated on Schedule D-5A removes revenue recovered through
22 surcharges that will not be included as present rates in this case, as shown on lines
23 1 to 9 and summarized on lines 33 to 36. Related costs and expenses are also

1 removed from other sections of the presentation for the FPFTY. The forecasted
2 revenue amounts are shown in column 2 and summarized in column 3 with the
3 related gross receipts tax amounts in column 4 and the net amounts in column 5.
4 The total adjustment to revenue of \$32.042 million on line 33 is shown on Schedule
5 D-5, column 3, line 2. In addition, Schedule D-5A shows the total amounts for two
6 surcharges that are being included in base rates in the FPFTY. These are the DSIC
7 and State Tax Adjustment surcharges in the amounts shown in columns 1 and 2 on
8 lines 15 to 20 and lines 26 to 31 respectively and are totaled on line 32 in the amount
9 of \$32.112 million. The revenue from these two surcharges is being included as
10 part of the Company's revenue at present rates since customers are currently paying
11 revenue that includes these two surcharges and they are not part of the requested
12 revenue increase. This is confirmed by the revenue data on Schedule D-5, line 2.
13 The total surcharge revenue at present rates shown on Schedule D-5, column 2, line
14 2 is \$64.154 million. Once the ongoing surcharge revenue of \$32.042 million
15 shown in column 3 on line 2 is removed, the remaining \$32.112 million shown in
16 column 9, line 2 of Schedule D-5 is included as pro forma adjusted at present rates.
17 Mr. Ogden describes how these surcharge revenues are included in the base rates
18 for the FPFTY in his testimony (DLC St. No. 14).

19

20 **Q. What is the adjustment on Schedule D-5B which is included on Schedule D-5**
21 **in column 4?**

22 A. This adjustment shows the calculation of revenue lost from energy efficiency and
23 conservation activities of the Company and its customers required to meet the

1 provisions of Act 129 for the years 2026 to 2028 and the average for those years
2 which is included as an adjustment to the FPFTY.

3

4 **Q. Please describe the calculations on Schedule D-5B.**

5 A. Schedule D-5B contains revenue lost from variable revenue levels for 2026 to 2028
6 by customer category on lines 1 to 15. Line 16 shows the total lost revenue of
7 \$16.249 million and line 18 has the average amount to be included as the lost
8 revenue in the amount of \$4.062 million to be included as part of the determination
9 of the FPFTY revenue requirement and revenue increase.

10

11 **Q. Have you determined these lost revenue amounts?**

12 A. The revenue loss amounts I am presenting were based on forecasts by Mr. Mobley
13 in his testimony (DLC St. No. 3) and calculations made by Mr. Ogden in his
14 testimony (DLC St. No. 14).

15

16 **Q. Why should this adjustment be included in this proceeding?**

17 A. This adjustment reflects the reductions in revenue that the Company expects to
18 experience related to the reductions in load required to meet the provisions of Act
19 129 of 2008. The Company has been experiencing and will continue to experience
20 these revenue losses through the period the rates set in this proceeding will be in
21 effect. The Company must be able to recover these lost revenues during the period
22 when base rates set in the FPFTY are in effect or the Company will not have the
23 opportunity to earn the rate of return authorized in this proceeding. For example,

1 while the revenues projected for 2025, the FPFTY, reflect these lost revenues for
2 2025, the additional lost revenues that will occur in 2026, 2027 and 2028 will
3 reduce the Company's revenue and earnings level. Reflecting the average lost
4 revenue amounts determined by Mr. Mobley and Mr. Ogden for those years will
5 provide the Company with the opportunity to offset those lost revenues and have
6 an opportunity to earn the rate of return authorized in this proceeding.

7

8 **Q. What is the adjustment you are proposing for the average lost revenue?**

9 A. The adjustment is the average for the 4-year period of \$4.062 million as shown on
10 Schedule D-5B in column 6 on line 18. The use of the four-year period recognizes
11 that the FPFTY of 2025 already includes a reduction for lost revenue as part of the
12 initial revenue requirement and that the Company currently plans to file another
13 general rate case using a FPFTY of 2028.

14

15 **Q. Please describe adjustment D-5C.**

16 A. This adjustment annualizes revenues for the projected number of customers at the
17 end of the FPFTY compared to the average number of customers for the FPFTY.
18 Line 1 shows the distribution and generation revenue for each customer
19 classification for the FPFTY. These total revenues are reduced by the commodity
20 revenues on line 2 and the resulting non-commodity revenues are shown on line 3.
21 These non-commodity revenues are divided by the average number of customers
22 for the FPFTY on line 4 to determine the average annual non-commodity revenue
23 per customer on line 5. The average annual non-commodity revenue, or margin on

1 line 5 was then multiplied by the difference between the average number of
2 customers (line 4) and the number of customers at the end of the FPFTY (line 6)
3 which difference is shown on line 7, yielding the revenue annualization adjustment
4 shown on line 8. For example, the average margin revenue per customer for the
5 residential customer in column 1 on line 5 of \$650 per customer per year was
6 multiplied by the increase in the number of customers of 1,128 on line 7 for an
7 annualization adjustment for residential customers of \$733,000, as shown on line
8 8. The total annualization adjustment of \$439,000 for all customer classes is shown
9 on column 5, line 8 and also in column 6 on Schedule D-5C.

10

11 **B. Operating Expense Adjustments**

12 **Q. Does the Company budget its operating expenses by FERC account?**

13 A. No, as mentioned previously, it does not. Rather, the Company budgets its
14 operating expenses by cost element or business activity, such as payroll, employee
15 benefits, rent, professional services, etc.

16

17 **Q. How were the cost element data for FPFTY restated to the FERC accounts for**
18 **purposes of preparing this rate application?**

19 A. The recorded FERC balances for the 12 months ended December 31, 2023, the
20 HTY, were analyzed to develop a chart showing charges for each cost element
21 within each FERC account. After this process was completed, I then distributed
22 the forecasted FPFTY cost element expenses to the FERC accounts using the ratios
23 experienced in 2023. For example, I determined how much of the payroll cost

1 center expense in 2023 was charged to each FERC account in 2023 and then
2 distributed the FPFTY forecasted payroll expense to FERC accounts based on those
3 ratios. This process was used for each cost element category to transform the total
4 FPFTY expense by cost element-based forecast to a FERC account-based forecast.
5

6 **Q. Why was it necessary to transform the FPFTY cost element expense forecast**
7 **to a FERC-account based forecast?**

8 A. Essentially for two basic reasons. First, the Company’s annual reports to the
9 Commission reflect recorded amounts and are presented on a FERC-account basis
10 Therefore, having the FPFTY expense forecast presented in the same format
11 facilitates a comparison of the FPFTY forecast expenses to prior years’ experience.
12 Second, it is necessary to have the FPFTY data available by FERC account for use
13 by Mr. Gorman in his Jurisdictional Separation Study (“JSS”) and also for use in
14 his Cost of Service Study (“COSS”).
15

16 **Q. Is this the same procedure you used in the last several rate case for the**
17 **Company?**

18 A. Yes. Consistent with the procedures used in the last several rate cases, I removed
19 the cost element expenses that are recovered through surcharges that will remain in
20 effect and I also removed expenses that are charged “below-the-line” account
21 activities from the cost element expenses before the costs element expenses were
22 distributed to the FERC accounts. This process clearly shows that expenses
23 recovered through surcharges that remain in effect and also those that are charged

1 below-the-line account activities are excluded and are not included in the total
2 Company expenses presented herein and also not included in the Company's PA
3 Jurisdictional revenue requirement in this application.

4

5 **Q. Have you prepared a schedule showing the total expenses by Cost Element for**
6 **the FPFTY and the removal of the expenses recovered through surcharges as**
7 **well as the expenses that are charged below-the-line?**

8 A. Yes, I have. Exhibit RLO-1 to my testimony shows expenses by Cost Element for
9 the years 2019 through the FPFTY. The total expenses by cost element for the
10 FPFTY are shown in column 7 in the amount of \$274.426 million on line 49. From
11 this total amount, the expenses recovered by surcharge (column 8) in the amount of
12 \$27.656 million; the expenses charged below-the-line (column 9) in the amount of
13 \$3.578 million are removed leaving a net expense for the FPFTY of \$243.191
14 million as shown on line 49 in column 10. The amount of each cost element
15 expense is distributed to FERC accounts and therefore, the amount in column 10 of
16 \$243.191 million, after the removal of the expenses recovered through surcharges
17 and the expenses charged below-the-line, is included in the FPFTY expenses. A
18 similar procedure was used for the FTY and HTY as reflected on Exhibits RLO-2
19 and RLO-3 to my testimony which will be described later in my testimony.

20

21 **Q. In your opinion, does this process result in a fair presentation of the**
22 **Company's FPFTY forecast expenses by FERC account?**

1 A. Yes, it does. The use of the actual 2023 expense distribution by FERC account for
2 the cost elements shows consistency in the projected FTY and FPPTY with prior
3 years and the Company is not aware of any significant changes in its operations that
4 would result in significant shifts in the distribution of these expenses.

5
6 **Q. Were each of the pro forma adjustments reflected on Schedule D-3 also**
7 **included in the appropriate FERC accounts?**

8 A. Yes, they were.

9
10 **Q. Are the various pro forma expense adjustments presented on Schedule D-3**
11 **shown by the type of expense and also by the FERC account distribution?**

12 A. Yes, they are. The expense categories are identified in the headers of the columns
13 on pages 1 and 2 of Schedule D-3 and each adjustment is described in connection
14 with a separate schedule showing its derivation. These adjustments are shown by
15 FERC expense category on Schedule D-3 and also on the Section D summary
16 schedules.

17
18 **Q. What is contained on Schedule D-6A, page 1 of 2?**

19 A. Schedule D-6A contains adjustments to remove the expenses, by cost element and
20 FERC account that are related to the revenue surcharges removed in adjustment D-
21 5A discussed earlier. The differences in the amounts for each surcharge reflect the
22 fact that the revenue amounts include gross receipts taxes which are removed in the
23 taxes other than income adjustment. There are also some minor differences

1 resulting from true-up recording periods. The surcharge expense amounts are
2 shown by cost element on lines 1 to 13 and by FERC account on lines 14 to 20 is
3 \$27.656 as shown on line 21. The total net surcharge revenue removed of \$27.656
4 million is shown on Schedule D-5A, line 37.

5
6 **Q. Do these expenses include expenses related to the surcharges that are being**
7 **rolled-into the base rates in Duquesne Light's application?**

8 A. No. Those expenses are included in the FPFTY operating expenses and are not
9 removed from the cost elements or FERC accounts as the remaining surcharge
10 related expenses are in this schedule.

11

12 **Q. Please describe the adjustment contained on Schedule D-6 A, page 2 of 2.**

13 A. This adjustment shows the supply expense and related gross receipts taxes which
14 are removed from the establishment of the FPFTY base rate revenue requirement.
15 The forecast is included in column 3 and in column 4. Since there is no adjustment
16 for lines 1 and 2 the amounts are the same in both columns. The adjustment shown
17 on lines 4 to 6 reflects the removal of a cash working capital allowance included in
18 billed revenue but not part of external payments for commodity sold. After adding
19 the costs for sales for resale on line 8, the total cost is shown in column 4 on line 9
20 and brought forward to Schedule D-3, page 1 in column 7 on line 19. The
21 adjustment to reflect the total cost of \$259.387 million in column 4 on line 9 of this
22 schedule is shown in column 5 on line 10 in the amount of a reduction of \$1.103
23 million.

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Q. Please describe Schedule D-7.

A. Schedule D-7 consists of two pages and shows the calculation of the FPFTY annualization adjustments for salaries and wages (“S&W”). Page 1, column 2 contains the FPFTY forecast data summarized by FERC account categories showing a total to be expensed of \$98.629 million on line 16, columns 2 and 4, Column 5 shows the annualization adjustment of \$1.175 million distributed to the FERC expense categories, while column 6 lists the pro forma amounts for S&W expense, totaling \$99.804 million as shown in column 6 on line 16 and an annualization adjustment to increase S&W of 1.191 percent as shown on line 17. The adjustment of \$1.175 million in column 5 on line 16 is reflected on Schedule D-3, column 8 on lines 21 through 26.

Q. How was the annualization adjustment derived?

A. The calculation is shown on page 2 of Schedule D-7. In short, the adjustment annualizes forecast S&W expense to reflect the pay rate increases scheduled to become effective during the FPFTY. More specifically, I have annualized a union pay rate increase forecasted to be effective on October 1, 2025 (lines 4 to 6 in column 2) based upon historic pay increases and the increase for non-union employees which is schedule to be effective on March 1, 2025 (lines 4 to 6 in column 3). As shown on line 6, each of these adjustments reflects the portion of these S&W increases that was not included in the FPFTY forecast. These

1 adjustments seek to capture the S&W expense that Duquesne Light will incur at the
2 end of the FPFTY annualized for the full FPFTY.

3

4 **Q. Please explain the calculations provided for on lines 12 to 18 of Schedule D-7,**
5 **page 2.**

6 A. These calculations would normally provide an annualization for an increase in the
7 number of employees during the FPFTY. However, Duquesne has utilized a
8 vacancy factor in the calculation of the employees during and at the end of the
9 FPFTY and therefore there is no need for an annualization adjustment for the
10 number of employees.

11

12 **Q. What is the total pro forma adjustment for S&W for the FPFTY?**

13 A. The amount is \$1.175 million, which is an adjustment of 1.191 percent as shown
14 on lines 21 and 22 of page 2 respectively.

15

16 **Q. Please describe Schedule D-8 of DLC Exhibit 2.**

17 A. Schedule D-8 shows the calculation to normalize rate case expense. The Company
18 incurred approximately \$450,000 on this filing through December 31, 2023 (line 3)
19 and has estimated an additional \$2.290 million to complete the case. This total,
20 \$2.740 million (line 6) is normalized over a period of 3.0 years as shown on lines
21 7 and 8, which results in a total estimated normalized cost per year for this case of
22 \$913,000 as shown on line 8. This results in an amount equal to the pro forma

1 amount of \$913,000 shown on line 9 which was included in the cost elements for
2 the FPFTY and therefore no additional adjustment is required.

3

4 **Q. Why are you using a 3-year period for the normalization of the rate case**
5 **expenses related to this proceeding?**

6 A. As of now, the Company plans to file its next rate increase application before the
7 end of April 2027 using a FPFTY ended December 31, 2028. This will be three
8 years after new rates in this proceeding are expected to be effective. The
9 normalization period of 3 years reflects this period.

10

11 **Q. Please describe Schedule D-9 of DLC Exhibit 2.**

12 A. Schedule D-9 reflects the calculation of the pension cost adjustment for the FPFTY.
13 The adjustment reflects a three-year average of the pension contributions that the
14 Company forecasts that it will make to its pension funds during the three years
15 ending December 31, 2025, December 31, 2026 and December 31, 2027, which are
16 supported by the testimony of Ms. Nayden. The total for these three years is \$30.0
17 million as shown on line 4 which results in a pro forma FPFTY amount for the
18 pension contribution of \$10.0 million as shown on line 6. Since a portion of these
19 pension costs are capitalized, the Company has reduced this average contribution
20 amount by 50 percent to reflect the portion of the pension contribution that will be
21 expensed. The amount to be expensed in the FPFTY, \$5.0 million, is shown on
22 line 9. The \$1.039 million on line 11 is the amount included in the Company's
23 FPFTY forecasted expenses which results in an adjustment of \$3.961 million as

1 shown on line 13. The adjustment to the forecast pension expense is included on
2 Schedule D-3, page 1, column 10, line 26.

3

4 **Q. What is presented on Schedule D-10 of DLC Exhibit 2?**

5 A. Schedule D-10 calculates an adjustment to the Company's forecasted uncollectible
6 expenses. Lines 2 to 7 show the results of the five-year average rate of net
7 uncollectible accounts charged off to total tariff revenue for the 2019-2023 period
8 of 1.015 percent (column 5, line 7), which I would then normally use to determine
9 the level of uncollectible expense at pro forma proposed rates and would be shown
10 in the reference column on line 22 of Schedule D-2.

11

12 **Q. Are you recommending a different base calculation period for this case?**

13 A. Yes, I am. The data for 2019 and 2020, which results in rates of 0.99 percent and
14 0.37 percent should not be used because they are obvious outliers from the data for
15 the years before and after those two years. These two percents are substantially
16 below the two prior years of 2018 and 2017 where the percentages were 1.540
17 percent and 1.574 percent respectively. In addition, the rates for 2019 and 2020 are
18 below the rates for 2021 to 2023 which range from 1.11 percent to 1.34 percent as
19 shown on lines 4 through 6. This is likely due to the COVID-19 pandemic which
20 began in 2019 and continued into 2020. This resulted in various orders issued by
21 the Commission regarding uncollectible accounts and customer disconnections.

22

23 **Q. What period are you proposing for this proceeding?**

1 A. As shown on line 8, I am proposing to use the four-year period including 2018 and
2 2021 to 2023 for the calculation of the average which results in a 1.276 percent as
3 shown in column 5. This average provides a more consistent base than using the
4 data from 2019 and 2020, which is unlikely to recur during the years the rates
5 established in this case will be in effect.

6

7 **Q. Why do you believe that the 1.276 percent reasonable to use in this**
8 **proceeding?**

9 A. The 1.276 percent average is in line with the average of the actual percentages for
10 the five-year period of 2015 to 2019 of 1.300 percent. This average is more in line
11 with the historic results than the 0.37 percent in 2020 or the 0.99 percent for 2019.

12

13 **Q. Where is the uncollectible factor of 1.276 percent used?**

14 A. First, it is used to calculate the adjustment for uncollectible expense in the FPFTY
15 as shown on lines 9 to 13 of Schedule D-10. It is also used to provide for
16 uncollectible expenses associated with the required revenue increase and included
17 in the Gross Revenue Conversion Factor described in connection with Schedule D-
18 22, page 3 of 3.

19

20 **Q. What is the total uncollectible expense for the FPFTY proposed by the**
21 **Company?**

22 A. The total pro forma amount for uncollectible expense at present rates for the FPFTY
23 is \$14.003 million which is a net increase of \$6.105 million from the forecast as

1 shown on line 11 and brought forward to Schedule D-3 in column 13 on line 59 on
2 page 2.

3

4 **Q. Please describe the adjustment contained on Schedule D-11.**

5 A. As sponsored by Witness Oleksak (Statement No. 6), this adjustment reflects the
6 Company's proposed cost recovery for the Make-Ready Rebate Pathway. This
7 adjustment shows the depreciation for the FPFTY of electric vehicle ("EV") Make-
8 Ready Rebate Pathway expenditures that are proposed to be depreciated over a 10-
9 year period. Schedule 11 shows the expenditure of \$1.042 million in column 1,
10 which was removed from the cost element expenses for the FPFTY and included
11 as an adjustment to plant on Schedule C-2, page 4 of 4, column 3 as an addition to
12 measures of value. The expenditure of \$1.042 million is depreciated over ten years
13 and the annual amortization of \$104,000 is shown on Schedule C-3, page 4 of 4 in
14 column 3 as a reduction to measures of value.

15

16 **Q. Please describe DLC Exhibit 2, Schedule 12.**

17 A. As described by Witness Oleksak (Statement No. 6), Lines 1 and 2 reflects previous
18 base rate case deferred resolution for the recovery of Fleet and Transit Charging Pilot
19 rebate costs. Schedule 12 reflects the rebates included in the claim for the Transit
20 Charging Pilot and Fleet Charging Pilot programs. The total amount of \$630,000
21 on line 3 is included as an expense over three years with the annual amount of
22 \$210,000 on line 5 included as an adjustment shown on Schedule D-3, column 23.

23

1 **Q. Why are you proposing to recover these rebate expenses over three years?**

2 A. The three-year period is the same period until the Company plans to file its next
3 rate case and the same period the Company proposes to file its next rate case. This
4 will allow the Company to recover these costs over a reasonable period of time.

5
6 **Q. What is the nature of these expenditures and what benefit do they provide?**

7 A. As discussed by Ms. Olexsak, this adjustment is to recover deferred costs refunds
8 from programs authorized by the Commission in Docket R-2021-3024750. The
9 \$407,000 on line 1 represents Transit Charging Pilot Rebates while the \$223,000
10 on line 2 represents Fleet Charging Pilot Rebates for a total rebate amount to be
11 recovered of \$630,000 as shown on line 3. The total amount of \$630,000 on line 3
12 is divided by 3 to reflect the normalization of this item over 3 years, similar to the
13 rate case expense normalization.

14

15 **C. Taxes – Other Than Income Taxes (“T-OTI”)**

16 **Q. Please describe Schedule D-20 of DLC Exhibit 2.**

17 A. Schedule D-20 contains 2 pages. Page 1 presents a summary of the forecast
18 amounts for the FPPTY (column 3), adjustments to those amounts in column 4, and
19 the pro forma expense amounts in column 5. The calculations for the increase in
20 T-OTI related to the S&W related changes are made on Schedule D-20, page 2
21 while the changes in the gross receipts tax (“GRT”) are shown on page 1, lines 11
22 to 18. The calculations for the increase in payroll taxes, as shown on page 2, lines
23 1 to 4 for FICA expense, use the ratio of tax expense to payroll expense included

1 in the FPFTY forecast times the payroll adjustment for the FPFTY to produce an
2 adjustment to FICA expense for the FPFTY of \$91,000 as shown on line 4 in
3 column 5. The same procedures were followed for the other related payroll tax
4 items. The total pro forma increase in payroll related taxes of \$101,000 is shown
5 on page 2, column 5, line 14. These amounts are then reflected on page 1 in column
6 4 for each of the taxes related to salaries and wages. The adjustment to decrease
7 GRT in column 4 on line 7 of page 1 in the amount of \$4.293 million calculated on
8 page 1, lines 11 to 18. The total adjustment is a net decrease of \$4.192 million in
9 pro forma FTY expense for T-OTI shown in column 4 on line 10. The pro forma
10 T-OTI expense is \$69.842 million as shown on Schedule D-20, page 1, line 10,
11 column 5.

12
13 **Q. Do you make an adjustment to recognize the additional GRT that will be**
14 **required to be paid by the Company on the revenue increase allowed by the**
15 **Commission in this proceeding?**

16 A. Yes. As will be described in connection with DLC Exhibit 2, Schedule D-22, page
17 4, the incremental GRT is recovered through the gross revenue conversion factor
18 (“GRCF”) used to determine the amount of revenue required to provide the net
19 income increase found reasonable in this proceeding.

20

21 **Depreciation Expense**

22 **Q. Please describe DLC Exhibit 2, Schedule D-21, pages 1 to 3.**

1 A. Schedule D-21 contains the depreciation expense for the FPFTY on page 1, the
2 amortization of the cost of removal on page 2 and the total of the two elements is
3 contained on page 3. The pro forma depreciation expense for the FPFTY was
4 calculated on Schedule D-21, page 1, column 7 using the year-end December 31,
5 2025 plant balance in column 5 times the depreciation rates shown in column 2.
6 The pro forma amortization of net salvage for the FPFTY is shown in column 7 and
7 reflects the use of the five-year average amortization for the period 2021 to 2025.
8 The use of this known and measurable amount reflects an annualization for this
9 expense.

10

11 **Q. How were the depreciation rates in column 2 determined?**

12 A. All of the rates, except the rates on lines 3, 35, 38 and 42 were determined by Mr.
13 Spanos and supported in his testimony (DLC St. No. 9). Those other rates, mainly
14 for intangible, leasehold and transportation plant, were determined using Company
15 data for the FPFTY.

16

17 **Q. What is the amount of depreciation expense included in the Company's**
18 **expense claim for the FPFTY?**

19 A. The amount is \$216,559 million as shown on DLC Exhibit 2, Schedule D-21,
20 column 7, line 47 plus the adjustment for the EV plant discussed in connection with
21 Schedule D-12 in the amount of \$104,000, which is shown on line 49 of Schedule
22 D-21, page 1 in column 7.

23

1 **Q. Please describe the calculation of the average net salvage amortization shown**
2 **on page 2 of DLC Exhibit 2, Schedule D-21.**

3 A. This schedule shows the 5-year average for the net salvage, as determined by Mr.
4 Spanos for the five years from 2020 to 2024, that is included as an amortization
5 expense and also as an addition to the accumulated depreciation shown on DLC
6 Exhibit 2, schedule C-3, page 3, column 6. The total of \$18.335 million shown on
7 page 2 of Schedule D-21 in column 7 on line 47 is the annualization adjustment
8 amount which reflects the use of Mr. Spanos' calculation of the five-year average
9 for the period 2021 to 2025. Since the year 2025 is the FPFTY in this proceeding,
10 it should be used as the annualized amount for the determination of the expense.

11
12 **Q. What is the total for depreciation, net salvage amortization expense and**
13 **adjustments for the FPFTY?**

14 A. The total is \$242.062 million as shown DLC Exhibit 2, Schedule D-21, page 3
15 column 7, line 47 plus the \$104,000 for the EV Rebate amortization shown on line
16 49 for a total FPFTY depreciation and amortization expense of \$242.196 million.

17
18 **Income Taxes**

19 **Q. Please describe the income tax calculation shown on DLC Exhibit 2, Schedule**
20 **D-22.**

21 A. This schedule calculates the income tax expense for the FPFTY pro forma at present
22 rates for the total Company with pro forma adjustments in columns 2 to 5 and for
23 the PA Jurisdiction at present rates, on the proposed increase and at proposed

1 revenue levels in columns 6 to 9 on page 1 of 4. Pages 2 and 3 contain various
2 elements used in the calculation of income taxes on page 1, such as state and Federal
3 tax depreciation, repair deductions, cost of removal, deferred income tax expense
4 and the excess deferred income tax (“EDIT”) amortization for both transmission
5 and distribution operations. Finally, page 4 shows the calculation of the gross
6 revenue conversion factor (“GRCF”) which is used to calculate the revenue
7 increase required to recover uncollectible expense, fees and taxes related to revenue
8 once the amount of net operating income increase is determined.

9

10 **Q. Who is responsible for the calculations and the data contained on Schedule D-**
11 **22?**

12 A. I am responsible for all of the calculations on Schedule D-22. Mr. Simpson and Mr.
13 Gorman have reviewed them and agree with the calculations on page 1 of the
14 schedule. I have provided the data related to the total Company shown in columns
15 2 to 5, Mr. Simpson provided the data related to the separate tax components for
16 both total Company and PA Jurisdictional operations shown on pages 2 and 3 and
17 Mr. Gorman provided the data related to the PA Jurisdictional operations shown in
18 columns 6 to 9.

19

20 **Q. Do the income tax calculations use the tax rate and other requirements of the**
21 **Tax Cut and Jobs Act of 2017 (“TCJA”)?**

1 A. Yes, they do. As further described by Mr. Simpson in his testimony (DLC St. No.
2 10), the tax calculations use the 21% Federal income tax rate and other elements of
3 the TCJA.

4
5 **Q. What is contained on pages 2 and 3 of DLC Exhibit 2, Schedule D-22?**

6 A. Pages 2 and 3 contain the tax depreciation and other tax elements used in the
7 calculation of income tax expense on page 1 of Schedule D-22 for the total
8 Company in columns 2 to 4 and for the PA Jurisdictional operations in column 5.

9
10 **Q. Please describe page 4 of Schedule D-18.**

11 A. Page 4 shows the calculation of the GRCF on lines 1 to 11 of 1.483233, which
12 includes provision for uncollectible expenses, the GRT and various fees
13 assessments based on revenue which results in an effective composite income tax
14 rate of 25.333% of gross revenue as shown on line 12. The GRCF for just income
15 taxes of 1.375745 is calculated on lines 13 to 18 with a composite income tax rate
16 of 27.312% as shown on line 19.

17
18 **V. FUTURE TEST YEAR AND HISTORIC TEST YEAR**

19
20 **Q. Please describe the process used to prepare the pro forma FTY and HTY
21 presentation contained in DLC Exhibit 3 and DLC Exhibit 4 respectively.**

22 A. The basic process was the same as described in connection with DLC Exhibit 2 for
23 the FPFTY, including the preparation of a Jurisdictional Separation Study based on

1 the FTY and HTY data, except that I used budgeted data for the FTY and actual
2 recorded data for the HTY as the starting point for each exhibit. As with the
3 FPPTY, I reviewed the budgeted and recorded data and, where appropriate, made
4 pro forma adjustments. In addition, I used data from DLC Exhibit 2 as the basis
5 for several of the pro forma amounts used in DLC Exhibits 3 and 4. Mr. Gorman
6 will testify to the Jurisdictional Separation Study and the results which are
7 applicable to the FTY and HTY (DLC St. No. 13).

8

9 **Q. What assumptions did you make to determine what pro forma adjustments**
10 **would be necessary for the FTY and HTY?**

11 A. I included pro forma adjustments that reflected the annualization and normalization
12 of FTY and HTY elements and also adjustments for future events that have
13 impacted the FPPTY. The pro forma adjustments for the FTY and HTY are
14 numbered consistent with the adjustments for the FPPTY. For example, the
15 adjustment for salaries and wages is on Schedule D-7 in all three test years to
16 facilitate reference between the FPPTY, the FTY and the HTY. Where there is no
17 adjustment required for the FTY or the HTY it will simply show that it is not
18 applicable.

19

20 **Q. Referring now to DLC Exhibit 3, for the FTY, what is contained on Schedules**
21 **B-1 to B-8?**

22 A. These schedules contain forecast financial data for the year ended December 31,
23 2024 and are supported by Witnesses Nayden, Simpson, Milligan and Moul as

1 indicated on each schedule. The description of each of the B-1 to B-5 schedules is
2 the same as provided by the FPFTY.

3

4 **Q. Please describe Schedules B-6 to B-8.**

5 A. These schedules contain the pro forma capital structure and rate of return used for
6 the FTY. As shown on Schedule B-6, lines 1 to 4, the Company is using the capital
7 structure and cost rates for the FPFTY, which represents the Company's expected
8 capital structure at FPFTY end, and I believe should be used for the FTY
9 presentation and the HTY presentation as well as for the FPFTY. Schedules B-7
10 and B-8 reflect the same data as shown for the FPFTY.

11

12 **Q. Please describe Schedule C-1.**

13 A. Schedule C-1, which will be supported by me and Mr. Gorman, shows the measures
14 of value and pro forma return at present rates for the total electric utility and for the
15 Pennsylvania jurisdiction. In addition, it shows the pro forma return at proposed
16 rates for the Pennsylvania jurisdiction.

17

18 **Q. What is contained in Schedule C-2?**

19 A. Schedule C-2 contains 4 pages and shows the utility plant in service balances at
20 December 31, 2024 as well as the additions, retirements and adjustments for the
21 year ended December 31, 2024. Page 1 a summary of the recorded plant,
22 adjustments and pro forma plant by major FERC plant category. Page 2 contains
23 the projected plant balances pro forma by FERC account at December 31,

1 2024, while page 3 shows the plant additions, retirements and reclassifications for
2 the year 2024. Page 4 reflects any adjustments to plant. The total pro forma plant
3 in service at the end of the FTY, \$5.869 billion, is shown on line 7, column 4 of
4 Schedule C-2, page 1 and also on Schedule D-1, page 3, column 1, line 1 for the
5 total Company. The PA Jurisdictional plant amount is \$4.534 billion as shown on
6 Schedule D-1, page 3, column 2 on line 1.

7

8 **Q. Please describe Schedule C-3.**

9 A. Schedule C-3 contains 4 pages and presents the accumulated depreciation at
10 December 31, 2024. These pages reflect pro forma balances by FERC account
11 following the same procedures used in the FPFTY. The depreciation expense is
12 calculated on Schedule D-21, the retirements are taken from Schedule C-2 and the
13 cost of removal, salvage proceeds and salvage amortization are from calculations
14 provided by Mr. Spanos. The accumulated depreciation at the end of the FTY is
15 \$1.971 billion as shown on column 4, line 7 and also on Schedule D-1, page 3,
16 column 1, line 2 for the total Company. The PA Jurisdictional accumulated
17 depreciation amount is \$1.532 billion as shown in column 2 on line 2 on page 3.

18

19 **Q. What is contained in Schedule C-4?**

20 A. Schedule C-4 contains 10 pages that show the calculation of the CWC allowance
21 for the FTY of \$66.603 million (line 6) and also on Schedule D-1, page 3, column
22 1, line 4. The PA Jurisdictional CWC is \$46.249 million as shown on Schedule D-
23 1, page 3, column 2, line 4.

1

2 **Q. Please describe page 2 of 10 of Schedule C-4.**

3 A. Page 2 provides a summary of the calculations for each of the elements of the CWC
4 for the FTY. The expenses in column 2 and those included in the determination of
5 the lead-lag amounts for taxes and interest are the pro forma amounts for the FTY
6 while the prepayment amount is the thirteen-month average through December 31,
7 2023. The resulting \$66.603 million of CWC shown on line 19 is brought forward
8 to Schedule D-1, page 3 in the calculation of the measures of value. In addition,
9 the CWC amount for the generation expense calculated on lines 16 to 18 of \$11.466
10 million is assigned to the Supply sector by Mr. Gorman in his JSS and is not
11 included in the distribution sector.

12

13 **Q. Please describe pages 3 to 10 of Schedule C-4.**

14 A. These pages show the calculations of various leads and lags and working capital
15 requirements for the FTY following the same procedures used for the FPFTY as
16 described in connection with DLC Exhibit 2, Schedule C-4. While the amounts for
17 the FTY expenses and other components may vary from those in the FPFTY, the
18 procedures followed to determine the lead/lag periods applied to those expense
19 levels are the same and were described in connection with the same DLC Exhibit 2
20 schedules.

21

22 **Q. What is contained on Schedule C-5?**

1 A. Schedule C-5 shows the 13-month average month end balance for the period
2 December 2022 to December 2023 for plant materials and operating supplies. The
3 13-month average of \$30.383 million is shown on line 22 in column 2 and also on
4 Schedule D-1, page 3, column 1, line 5.

5
6 **Q. Please describe the calculations on Schedule C-6.**

7 A. These calculations present the ADIT for the FTY. The procedures followed are the
8 same as those utilized for the ADIT calculation at the end of the FPFTY except that
9 year-end December 31, 2024, balances were used. The resulting ADIT of \$729,255
10 million for the FTY is shown on line 6 and also on Schedule D-1, page 3, column
11 1, line 11. The amount for the PA Jurisdiction is \$537.131 million as shown on
12 Schedule D-1, page 3, column 2, line 11.

13
14 **Q. Please describe the data presented on Schedule C-7.**

15 A. Schedule C-7 shows the 13-month average month end balance for the period
16 December 2022 to December 2023 customer deposits in column 1 and also for the
17 12-month total for interest expense related to those customer deposits in column 2.
18 The 13-month average of \$9.318 million is shown on line 15 in column 1 and also
19 as a reduction to measures of value on Schedule D-1, page 3, column 1, line 9. The
20 customer deposit amount is the same for the total Company and for the PA
21 Jurisdictional operations. The interest expense of \$603,000 is shown in column 2
22 on line 14 and also included on Schedule D-3, page 2, column 19, line 51 as an
23 adjustment to FTY expenses.

1

2 **Q. Please describe Schedule C-8.**

3 A. Schedule C-8 shows the FTY amount for the capitalized pension adjustment. As
4 with the presentation for the FPFTY, the amount of \$94.791 million in column 3
5 on line 25 is the capitalized pension adjustment and also included on Schedule D-
6 1, page 3, column 1, line 6 with the PA Jurisdictional amount of \$73.225 million
7 shown in column 2.

8

9 **Q. Please describe what is presented on Schedule C-9.**

10 A. Schedule C-9 contains the activity for customer advances for construction (“CAC”)
11 for 2023 and 2024. The activity in 2024 reflects changes in the project related to
12 the receipt of \$2.095 million in 2023 which required the return of \$1.566 million to
13 the customer in 2024 leaving a CAC amount of \$529,000. The plant to be
14 constructed with that project is not scheduled to be completed until 2025 and
15 therefore is reflected as a CAC and a reduction to measures of value at December
16 31, 2024. The total CAC at the end of 2024 is \$10.529 as shown on line 19 in
17 column 3.

18

19 **Q. What is presented on Schedule D-1?**

20 A. Schedule D-1 contains the jurisdictional distribution amounts which will be
21 supported by Mr. Gorman and shows the net operating income at present rates for
22 the FTY, the pro forma revenue deficiency and the pro forma required revenue level

1 for the Pennsylvania Jurisdiction. I support the total company amounts shown in
2 Schedule D-1.

3

4 **Q. Please describe Schedule D-2.**

5 A. Schedule D-2 shows revenue and expenses recorded for the FTY, pro forma
6 adjustments and the pro forma revenue and expense amounts at present rates. This
7 schedule summarizes the adjustments that are detailed on Schedules D-3 and D-5
8 and explained in connection with other supporting schedules to be described later
9 in my testimony.

10

11 **Q. Did you prepare a schedule showing that the Cost Element expenses related to**
12 **surcharge revenue and below-the-line expenses were removed from the Cost**
13 **Element expenses before using the FTY expenses in determining total**
14 **Company or jurisdictional related expenses?**

15 A. Yes, I did. The schedule is included as Exhibit RLO-2 to my testimony, and it is
16 similar to Exhibit RLO-1 for the FPFTY. The total Company expenses, net of
17 expenses related to the surcharge revenue that is not being rolled into base rates and
18 also net of below-the-line expenses, are shown in column 10 and reflect the base
19 for expenses in the FTY.

20

21 **Q. Please describe Schedule D-3.**

22 A. Schedule D-3 contains two pages which present a summary of each of the pro forma
23 adjustments made to revenues and operating expenses, including depreciation and

1 taxes-other than income taxes. Each of the adjustments will be described in
2 connection with the specific schedule containing the calculation of the adjustment.

3

4 **Q. Please describe Schedule D-5.**

5 A. Schedule D-5 shows the pro forma adjustments to the FTY recorded revenue. Each
6 of the listed adjustments is discussed in connection with Schedules D-5A to D-5C.

7

8 **Q. Please describe the adjustment on Schedule D-5A.**

9 A. This adjustment, as with the adjustment to the FPFTY, removes the surcharge
10 revenues from the FTY. Surcharge related expenses were removed from the Cost
11 Elements before those Cost Element amounts were used as a base for the expense
12 adjustments in the FTY.

13

14 **Q. What is adjustment on Schedule D-5B?**

15 A. This adjustment shows the calculation of revenue losses from activities of the
16 Company and its customers for the years 2026 to 2028 and the average for those
17 years. This adjustment is described in connection with the adjustment to the
18 FPFTY.

19

20 **Q. Please describe the adjustment on Schedule D-5C.**

21 A. This adjustment annualizes revenues for customer growth during the FTY. The
22 process utilized is as described in connection with the same adjustment for the
23 FPFTY on DLC Exhibit 2, Schedule D-5C.

1

2 **Q. Are the adjustments on Schedule D-6A pages 1 and 2 similar to the**
3 **adjustments included in DLC Exhibit 2 and described in connection with the**
4 **schedule presented in that exhibit?**

5 A. Yes, they are.

6

7 **Q. Please describe Schedule D-7.**

8 A. Schedule D-7 annualizes salaries and wages for the FTY. Page 1 shows the
9 budgeted amounts in column 2 and the pro forma adjustment in column 5 by FERC
10 expense category. Page 2 shows the calculation of the annualization adjustment,
11 which follows the same procedures described in connection with the FPFTY using
12 the data from FTY for the wage increases. There was no adjustment to annualize
13 numbers of employees on page 2, lines 12 to 18 because the Company utilized a
14 vacancy factor in the determination of the salaries and wages for the FTY.

15

16 **Q. Are the adjustments on Schedules D-8, D-9, D-10 and D-20, similar to the**
17 **adjustments and calculations included in DLC Exhibit 2 for the FPFTY and**
18 **described in connection with the schedules presented in that exhibit?**

19 A. Yes, they are.

20

21 **Q. Please describe Schedule D-21.**

22 A. Schedule D-21 presents adjusted depreciation and average cost of removal net of
23 salvage amortization expense for FTY with depreciation expense annualized using

1 plant balances at the end of the FTY and depreciation rates for the FTY supported
2 by Mr. Spanos or Company determined depreciation rates for the several accounts
3 not included in Mr. Spanos presentation.
4

5 **Q. Please describe the income tax calculations on Schedule D-22.**

6 A. This schedule shows the calculation of the pro forma income tax expense for the
7 FTY reflecting the total Company revenue, expenses and measures of value
8 included in the pro forma present rate data for the total Company and for the PA
9 Jurisdictional operations at present and proposed revenue levels. As with the
10 FPFTY, these data and calculations are sponsored by me, Mr. Simpson and Mr.
11 Gorman.
12

13 **Q. Referring now to DLC Exhibit 4, for the HTY, what is contained on Schedules
14 B-1 to B-5?**

15 A. These schedules contain forecast financial data for the year ended December 31,
16 2023 and are supported by Witnesses Nayden and Simpson, as indicated on each
17 schedule. These schedules are in the same format as described for the FPFTY.
18

19 **Q. Please describe Schedules B-6 to B 8.**

20 A. This contains the pro forma capital structure and rate of return to be used for the
21 HTY. As shown on lines 1 to 4, the Company is using the capital structure and cost
22 rates for the FPFTY which represents the Company's expected capital structure at
23 FPFTY end, and I believe should be used for the HTY presentation as well as for

1 the FPPTY. These schedules are supported by Mr. Milligan and Mr. Moul as
2 indicated on each schedule and they are in the same format as described for the
3 FPPTY earlier in my testimony.

4

5 **Q. Please describe Schedule C-1.**

6 A. Schedule C-1, which will be supported by me and Mr. Gorman, shows the measures
7 of value and pro forma return at present rates for the total electric utility and for the
8 PA Jurisdiction. In addition, it shows the pro forma return at proposed rates for the
9 PA Jurisdiction.

10

11 **Q. What is contained in Schedule C-2?**

12 A. Schedule C-2 contains 4 pages and shows the utility plant in service balances at
13 December 31, 2022 as well as additions, retirements and adjustments for the year
14 ended December 31, 2023. Page 1 shows a summary of the recorded plant,
15 adjustments and pro forma plant by major FERC plant category. Page 2 contains
16 the plant balances pro forma by FERC account at December 31, 2023. Page 3
17 shows the plant additions, retirements and reclassifications for the year 2023 while
18 adjustments to plant are reflected on page 4 of Schedule C-2. The total pro forma
19 plant in service at the end of the HTY, \$ 5.731 billion is shown on line 7 of Schedule
20 C-2, page 1, column 4 and also on Schedule D-1, page 3, column 1, line 1 for the
21 total Company.

22

23 **Q. Please describe Schedule C-3.**

1 A. Schedule C-3 contains 4 pages and presents the accumulated depreciation at
2 December 31, 2023. These pages reflect the pro forma balances by FERC account
3 following the same procedures used in the FTY for the HTY. The depreciation
4 expense is calculated on Schedule D-21, the retirements are taken from Schedule
5 C-2 and the cost of removal, salvage proceeds and salvage amortization are from
6 calculations provided by Mr. Spanos. The accumulated depreciation at the end of
7 the HTY is \$ 1.976 billion as shown in column 4 on line 7 and also on Schedule D-
8 1, page 3, column 1, line 2 for the total Company.

9

10 **Q. What is contained in Schedule C-4?**

11 A. Schedule C-4 contains 10 pages that show the calculation of the CWC allowance
12 for the HTY of \$65.327 million (line 6) and also on Schedule D-1, page 3, column
13 1, line 4.

14

15 **Q. Please describe page 2 of 10 of Schedule C-4.**

16 A. Page 2 provides a summary of the calculations for each of the elements of the CWC
17 for the HTY. The expenses in column 2 and those included in the determination of
18 the lead-lag amounts for taxes, interest and preferred dividends are the pro forma
19 amounts for the HTY while the prepayment amount is the thirteen-month average
20 through December 31, 2023. The resulting \$66.327 million of CWC shown on line
21 19 is brought forward to Schedule D-1, page 3 in the calculation of the measures of
22 value. In addition, the CWC amount for the generation expense calculated on lines

1 16 to 18 of \$13.515 million is assigned to the Supply sector by Mr. Gorman in his
2 JSS and is not included in the distribution sector.

3

4 **Q. Please describe pages 3 to 10 of Schedule C-4.**

5 A. These pages show the calculations of various leads and lags and working capital
6 requirements for the HTY following the same procedures used for the FPFTY as
7 described in connection with DLC Exhibit 2, Schedule C-4. While the amounts for
8 the HTY expenses vary from those in the FPFTY, the procedures followed to
9 determine the lead/lag periods applied to those expense levels are the same and
10 were described in connection with the same DLC Exhibit 2 schedules.

11

12 **Q. What is contained on Schedule C-5?**

13 A. Schedule C-5 shows the 13-month average month end balance for the period
14 December 2022 to December 2023 for plant materials and operating supplies. The
15 13-month average of \$30.383 million is shown on line 16 in column 3 and also on
16 Schedule D-1, page 3, column 1, line 5.

17

18 **Q. Please describe the calculations on Schedule C-6.**

19 A. These calculations present the ADIT for the HTY. The procedures followed are
20 the same as those utilized for the ADIT calculation at the end of the FPFTY except
21 that year-end December 31, 2023 balances were used. The resulting ADIT of
22 \$715.023 million for the HTY is shown on line 6 and also on Schedule D-1, page
23 3, column 1, line 11.

1

2 **Q. Please describe the data presented on Schedules C-7.**

3 A. Schedule C-7 shows the 13-month average month end balance for the period
4 December 2022 to December 2023 customer deposits in column 1 and also for the
5 12-month interest expense related to those customer deposits in column 2. The 13-
6 month average of \$9.318 million is shown on line 15 in column 1 and also on
7 Schedule D-1, page 3, column 1, line 9. The interest expense of \$603,000 is shown
8 in column 2 on line 14 and also included on Schedule D-3, page 2, column 19, line
9 51 as an adjustment to HTY expenses.

10

11 **Q. Please describe Schedule C-8.**

12 A. Schedule C-8 shows the HTY amount for the capitalized pension adjustment. As
13 with the presentation for the FPFTY, the amount of \$96.605 million in column 3
14 on line 25 is total amount for the capitalized pension adjustment.

15

16 **Q. Please describe what is presented on Schedule C-9.**

17 A. Schedule C-9 contains the CAC received by the Company during 2023 for projects
18 that are currently scheduled for completion in either 2025 or 2026. The CAC of
19 \$12.095 million as of the end of December 31, 2023 is used as a reduction to
20 measures of value.

21

22 **Q. What is presented on Schedule D-1?**

1 A. Schedule D-1 contains the PA Jurisdictional distribution amounts which will be
2 supported by Mr. Gorman and shows the net operating income at present rates for
3 the HTY, the pro forma revenue deficiency and the pro forma required revenue
4 level for the PA Jurisdiction. I support the total company amounts shown in
5 Schedule D-1.

6

7 **Q. Please describe Schedule D-2.**

8 A. Schedule D-2 shows revenue and expenses recorded for the HTY, pro forma
9 adjustments and the pro forma revenue and expense amounts at present rates. This
10 schedule summarizes the adjustments that are detailed on Schedules D-3 and D-5
11 and explained in connection with other supporting schedules to be described later
12 in my testimony.

13

14 **Q. Did you prepare a schedule showing that the Cost Element expenses related to**
15 **surcharge expenses and below-the-line expenses were removed from the Cost**
16 **Element expenses before using the HTY expenses in determining total**
17 **Company or jurisdictional related expenses?**

18 A. Yes, I did. The schedule is included as Exhibit RLO-3 to my testimony and is
19 similar to Exhibit RLO-1 for the FPFTY and Exhibit RLO-2 for the FTY. The net
20 expenses shown in column 10 reflect the base for expenses in the HTY, which as
21 shown in columns 8 and 9 exclude expenses related to surcharge revenues that are
22 not being included in base rates as well as excluding expenses recorded below-the-
23 line.

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Q. Please describe Schedule D-3.

A. Schedule D-3 contains two pages which present a summary of each of the pro forma adjustments made to revenues and operating expenses, including depreciation and taxes-other than income taxes. Each of the adjustments will be described in connection with the specific schedule containing the calculation of the adjustment.

Q. Please describe Schedule D-5.

A. Schedule D-5 shows the pro forma adjustments to the HTY recorded revenue. Each of the listed adjustments is discussed in connection with Schedules D-5A to D-5C.

Q. Please describe the adjustment on Schedule D-5A.

A. This adjustment, as with the adjustment to the FPPTY, removes the surcharge revenues from the HTY. Surcharge related expenses were removed from the Cost Elements before those Cost Element amounts were used as a base for the expense adjustments in the HTY.

Q. What is adjustment on Schedule D-5B?

A. This adjustment shows the calculation of revenue lost from conservation and energy efficiency activities of the Company and its customers for the years 2026 to 2028 and the average for those years. This adjustment is described in connection with the adjustment to the FPPTY.

1 **Q. Please describe the adjustment on Schedule D-5C.**

2 A. This adjustment annualizes revenues for customer growth during the HTY. The
3 process utilized is as described in connection with the same adjustment for the
4 FPPTY on DLC Exhibit 2, Schedule D-5C.

5
6 **Q. Please describe Schedule D-7.**

7 A. Schedule D-7 annualizes salaries and wages for the HTY. Page 1 shows the
8 budgeted amounts in column 2 and the pro forma adjustment in column 5 by FERC
9 expense category. Page 2 shows the calculation of the annualization adjustment,
10 which follows the same procedures described in connection with the FPPTY using
11 the data from HTY for the wage increases. There was no adjustment to annualized
12 numbers of employees on page 2, lines 12 to 18.

13
14 **Q. Are the adjustments on Schedules D-8, D-9, D-10 and D-20 similar to the**
15 **adjustments included in DLC Exhibit 2 and described in connection with the**
16 **schedules presented in that exhibit?**

17 A. Yes, they are.

18
19 **Q. Please describe Schedule D-21.**

20 A. Schedule D-21 presents adjusted depreciation and cost of removal net of salvage
21 amortization expense for HTY annualized for plant amounts at the end of the HTY.

22
23 **Q. Please describe the income tax calculations on Schedule D-22.**

1 A. This schedule shows the calculation of the pro forma income tax expense for the
2 FTY reflecting the total Company revenue, expenses and measures of value
3 included in the pro forma present rate data for the total Company and for the PA
4 Jurisdictional operations at present and proposed revenue levels. As with the
5 FPFTY, these data and calculations are sponsored by me, Mr. Simpson and Mr.
6 Gorman.

7

8 **Q. Does this complete your direct testimony at this time?**

9 A. Yes, it does.

**Duquesne Light Company
Before The Pennsylvania Public Utility Commission**

**Exhibit
Witness
Page 1 of 1
RLO-1
O'Brien
1 of 1**

FULLY PROJECTED FUTURE TEST YEAR ENDED DECEMBER 31, 2025

			[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
COST ELEMENT EXPENSES			PRO FORMA FPFTY									
Line #	Acct #	Account Description	2019 Actual	2020 Actual	2021 Actual	2022 Actual	HTY 2023 Actual	FTY 2024 Budget	FPFTY 2025 Pro Forma	Removal of Surcharge Expenses	Remove Below-the-Line Expenses	FPFTY 2025 Forecast
			Sum [7] to [9]									
1	10	STRAIGHT-TIME LABOR	62,275	65,146	65,428	69,107	65,340	95,685	99,304	(530)	(225)	98,549
2	11	OVERTIME LABOR	8,085	9,530	8,763	8,676	8,261	7,557	7,789			7,789
3	12	PAID FOR TIME NOT WORKED	10,443	13,672	14,922	15,312	14,743	(7,031)	(7,709)	-		(7,709)
4	-	Total S&W to Expense	80,803	88,348	89,113	93,094	88,344	96,211	99,384	(530)	(225)	98,629
5	15	INCENTIVE COMPENSATION -	8,206	7,711	9,890	7,951	9,435	11,034	12,158	(20)	(10)	12,128
6	50	MISC EMPLOYEE BENEFITS	9,671	11,156	10,411	14,228	12,572	13,635	14,691			14,691
7	60	PENSION COSTS	5,000	5,000	5,000	5,000	4,082	4,552	1,039			1,039
8		Subtotal Labor and Fringes	103,680	112,215	114,415	120,274	114,433	125,431	127,273	(550)	(236)	126,488
9	14	BUILDING RENTS	3,560	3,718	3,472	3,471	3,545	3,500	4,203	-		4,203
10	20	STORES ISSUES AND RETURNS	1,948	3,120	2,811	3,490	3,163	-	-	-		-
11	23	MATERIALS PURCHASED	2,177	543	632	972	1,107	3,597	3,619	(31)		3,589
12		Subtotal Materials	4,125	3,663	3,444	4,462	4,270	3,597	3,619	(31)		3,589
13	24	UTILITIES	1,931	1,532	1,817	2,831	3,127	2,336	2,416			2,416
14	30	TRANSPORTATION/WORK EQUIPMENT	2,787	2,881	3,768	3,407	3,365	3,165	3,217			3,217
15	40	PHONE SRVCS (LOCAL,LD,TOLLFREE	1,503	1,412	1,152	1,143	1,044	1,065	1,065			1,065
16	42	OTHER LEASES	(1)	216	276	159	152	156	116			116
17	43	SOFTWARE LEASES	6,987	7,442	8,584	10,602	12,643	13,570	13,663			13,663
18	44	INSURANCE	5,796	5,604	6,126	6,292	7,008	7,368	7,638			7,638
19	45	MOBILE PHONE / PAGER COSTS	1,520	1,628	1,380	1,122	678	786	821			821
20	47	CLEARING ALLOCATIONS	57	-	0	0	-	-	-			-
21	49	REGULATORY ASSESSMENTS & FEES	2,760	3,106	2,971	3,112	3,075	3,162	3,360			3,360
22	51	EMPLOYEE EXPENSES	3,118	1,590	1,261	2,305	1,796	2,795	2,707	(12)	(112)	2,584
23	41	TRAINING EXPENSE	-	-	-	-	6	1,583	1,551			1,551
24	52	COMMUNITY RELATIONS	-	2,926	2,824	4,525	3,738	2,745	2,806		(2,681)	125
25	53	SURCHARGE REVENUE OFFSETS	52,598	58,143	57,709	61,368	81,627	36,349	28,570	(27,656)		913
26	54	POLE ATTACHMENT FEES	1,761	1,746	993	981	1,014	1,001	1,001			1,001
27	55	FIBER LEASE & SONET NETWORK	3,589	3,941	3,810	3,789	3,650	3,990	4,190			4,190
28	56	DATACOM SERVICE FEE	117	-	-	1	-	-	-			-
29	57	OUTSIDE ENGINEERING SERVICES	38	162	249	645	214	310	308			308
30	58	HARDWARE/SOFTWARE MAINTENANCE	11,765	11,937	12,235	11,657	12,213	13,428	12,772			12,772
31	59	PROFESSIONAL SERVICES	72,765	71,268	64,807	71,339	66,561	60,110	68,140	(22,994)	(216)	44,930
32	-		-	-	-	-	-	-	-			-
33	61	TRANSMISS LINE/MICROWAVE RENT	(3,080)	2,512	3,494	4,845	5,524	-	-			-
34	65	UNCOLLECTIBLE ACCOUNTS	12,942	17,479	11,034	16,397	18,554	13,312	11,931	(4,033)		7,898
35	66	DEFERRED COSTS	(55,803)	(60,369)	(57,876)	(73,608)	(72,936)	(29,112)	(27,635)	27,635		-
36	67	CUSTOMER REIMBURSEMENTS	(787)	(1,020)	(713)	(855)	(919)	(678)	(76)			(76)
37	70	SS & UNEMPLOYMENT	2	9	(167)	17	16	-	-			-
38	71	TEMPORARY LABOR	107	162	2,919	2,733	1,220	-	-			-
39	72	MAILING COSTS	24	3,458	2,791	2,640	2,536	2,395	2,364			2,364
40	75	MEMBERSHIP DUES	991	1,301	1,447	1,454	1,342	1,521	1,634	(12)	(6)	1,616
41	76	BUSINESS MEALS	171	148	73	174	179	212	186	(3)	(28)	156
42	82	OVERHEAD	-	-	(3)	0	(38)	-	-			-
43	80	ALLOCATION CONSTRUCT INDIRECT	-	(15)	0	(0)	(4)	-	-			-
44	88	SUBSIDIARY REIMBURSEMENTS	(3,416)	(4,071)	(4,281)	(3,964)	(4,226)	(3,613)	(3,416)	-		(3,416)
45	90	AFUDC	-	-	-	-	-	-	-			-
46	91	AFUDC	-	-	-	-	-	-	-			-
47	98	BALANCES TRANSFERRED FORWARD	32	(37)	(1)	(16)	(8)	-	-			-
48	99	MISCELLANEOUS	1,203	2,421	1,215	1,433	1,198	(0)	-		(300)	(300)
49		Subtotal Expenses	232,842	257,108	251,222	264,735	276,595	270,484	274,426	(27,656)	(3,578)	243,191

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

FUTURE TEST YEAR ENDED DECEMBER 31, 2024

			[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
COST ELEMENT EXPENSES			PRO FORMA FTY									
Line #	Acct #	Account Description	2019 Actual	2020 Actual	2021 Actual	2022 Actual	HTY 2023 Actual	FTY 2024 Forecast	FTY 2024 Forecast	Removal of Surcharge Expenses	Remove Below-the-Line Expenses	FTY 2024 Budget
			[7 - 8 - 9 - 10]									
1	10	STRAIGHT-TIME LABOR	62,275	65,146	65,428	69,107	65,340	95,685	95,685	(515)	(219)	94,951
2	11	OVERTIME LABOR	8,085	9,530	8,763	8,676	8,261	7,557	7,557			7,557
3	12	PAID FOR TIME NOT WORKED	10,443	13,672	14,922	15,312	14,743	(7,031)	(7,031)			(7,031)
4	-	Total S&W to Expense	80,803	88,348	89,113	93,094	88,344	96,211	96,211	(515)	(219)	95,478
5	15	INCENTIVE COMPENSATION -	8,206	7,711	9,890	7,951	9,435	11,034	11,034	(19)	(10)	11,005
6	50	MISC EMPLOYEE BENEFITS	9,671	11,156	10,411	14,228	12,572	13,635	13,635			13,635
7	60	PENSION COSTS	5,000	5,000	5,000	5,000	4,082	4,552	4,552			4,552
8		Subtotal Labor and Fringes	103,680	112,215	114,415	120,274	114,433	125,431	125,431	(534)	(229)	124,669
9	14	BUILDING RENTS	3,560	3,718	3,472	3,471	3,545	3,500	3,500	-		3,500
10	20	STORES ISSUES AND RETURNS	1,948	3,120	2,811	3,490	3,163	-	-	-		-
11	23	MATERIALS PURCHASED	2,177	543	632	972	1,107	3,597	3,597	(17)	-	3,579
12		Subtotal Materials	4,125	3,663	3,444	4,462	4,270	3,597	3,597	(17)	-	3,579
13	24	UTILITIES	1,931	1,532	1,817	2,831	3,127	2,336	2,336			2,336
14	30	TRANSPORTATION/WORK EQUIPMENT	2,787	2,881	3,768	3,407	3,365	3,165	3,165			3,165
15	40	PHONE SRVCS (LOCAL,LD,TOLLFREE	1,503	1,412	1,152	1,143	1,044	1,065	1,065			1,065
16	42	OTHER LEASES	(1)	216	276	159	152	156	156			156
17	43	SOFTWARE LEASES	6,987	7,442	8,584	10,602	12,643	13,570	13,570			13,570
18	44	INSURANCE	5,796	5,604	6,126	6,292	7,008	7,368	7,368			7,368
19	45	MOBILE PHONE / PAGER COSTS	1,520	1,628	1,380	1,122	678	786	786			786
20	47	CLEARING ALLOCATIONS	57	-	0	0	-	-	-			-
21	49	REGULATORY ASSESSMENTS & FEES	2,760	3,106	2,971	3,112	3,075	3,162	3,162			3,162
22	51	EMPLOYEE EXPENSES	3,118	1,590	1,261	2,305	1,796	2,795	2,795	(16)	(111)	2,668
23	41	TRAINING EXPENSE	-	-	-	-	6	1,583	1,583			1,583
24	52	COMMUNITY RELATIONS	-	2,926	2,824	4,525	3,738	2,745	2,745		(2,680)	65
25	53	SURCHARGE REVENUE OFFSETS	52,598	58,143	57,709	61,368	81,627	36,349	36,349	(33,328)		3,021
26	54	POLE ATTACHMENT FEES	1,761	1,746	993	981	1,014	1,001	1,001			1,001
27	55	FIBER LEASE & SONET NETWORK	3,589	3,941	3,810	3,789	3,650	3,990	3,990			3,990
28	56	DATA/COM SERVICE FEE	117	-	-	1	-	-	-			-
29	57	OUTSIDE ENGINEERING SERVICES	38	162	249	645	214	310	310			310
30	58	HARDWARE/SOFTWARE MAINTENANCE	11,765	11,937	12,235	11,657	12,213	13,428	13,428			13,428
31	59	PROFESSIONAL SERVICES	72,765	71,268	64,807	71,339	66,561	60,110	60,110	(23,168)	(261)	36,681
32	-		-	-	-	-	-	-	-			-
33	61	TRANSMISSION LINE/MICROWAVE RENT	(3,080)	2,512	3,494	4,845	5,524	-	-			-
34	65	UNCOLLECTIBLE ACCOUNTS	12,942	17,479	11,034	16,397	18,554	13,312	13,312	(5,363)		7,949
35	66	DEFERRED COSTS	(55,803)	(60,369)	(57,876)	(73,608)	(72,936)	(29,112)	(29,112)	29,112		-
36	67	CUSTOMER REIMBURSEMENTS	(787)	(1,020)	(713)	(855)	(919)	(678)	(678)			(678)
37	70	SS & UNEMPLOYMENT	2	9	(167)	17	16	-	-			-
38	71	TEMPORARY LABOR	107	162	2,919	2,733	1,220	-	-			-
39	72	MAILING COSTS	24	3,458	2,791	2,640	2,536	2,395	2,395			2,395
40	75	MEMBERSHIP DUES	991	1,301	1,447	1,454	1,342	1,521	1,521	(12)	(6)	1,503
41	76	BUSINESS MEALS	171	148	73	174	179	212	212	(3)	(28)	182
42	82	OVERHEAD	-	-	(3)	0	(38)	-	-			-
43	80	ALLOCATION CONSTRUCT INDIRECT	-	(15)	0	(0)	(4)	-	-			-
44	88	SUBSIDIARY REIMBURSEMENTS	(3,416)	(4,071)	(4,281)	(3,964)	(4,226)	(3,613)	(3,613)			(3,613)
45	90	AFUDC	-	-	-	-	-	-	-			-
46	91	AFUDC	-	-	-	-	-	-	-			-
47	98	BALANCES TRANSFERRED FORWARD	32	(37)	(1)	(16)	(8)	-	-			-
48	99	MISCELLANEOUS	1,203	2,421	1,215	1,433	1,198	(0)	(0)		(300)	(300)
49		Subtotal Expenses	232,842	257,108	251,222	264,735	276,595	270,484	270,484	(33,328)	(3,614)	233,542

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

HISTORIC TEST YEAR ENDED DECEMBER 31, 2023

Line #	Acct #	Account Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
			HISTORIC TEST YEAR									
COST ELEMENT EXPENSES			2019	2020	2021	2022	HTY	HTY	HTY	Removal of	Below-the-Line	Ended
			Actual	Actual	Actual	Actual	Ended	Ended	Ended	Expenses	Expenses	12/31/23
			[7 - 8 - 9]									
1	10	STRAIGHT-TIME LABOR	62,275	65,146	65,428	69,107	65,340	65,340	65,340	(428)	(181)	64,730
2	11	OVERTIME LABOR	8,085	9,530	8,763	8,676	8,261	8,261	8,261	-	-	8,261
3	12	PAID FOR TIME NOT WORKED	10,443	13,672	14,922	15,312	14,743	14,743	14,743	(70)	(14)	14,659
4		Total S&W to Expense	80,803	88,348	89,113	93,094	88,344	88,344	88,344	(498)	(196)	87,650
5	15	INCENTIVE COMPENSATION -	8,206	7,711	9,890	7,951	9,435	9,435	9,435	(18)	(10)	9,407
6	50	MISC EMPLOYEE BENEFITS	9,671	11,156	10,411	14,228	12,572	12,572	12,572	-	(31)	12,541
7	60	PENSION COSTS	5,000	5,000	5,000	5,000	4,082	4,082	4,082	-	(4)	4,078
8		Subtotal Labor and Fringes	103,680	112,215	114,415	120,274	114,433	114,433	114,433	(517)	(240)	113,676
9	14	BUILDING RENTS	3,560	3,718	3,472	3,471	3,545	3,545	3,545	-	-	3,545
10	20	STORES ISSUES AND RETURNS	1,948	3,120	2,811	3,490	3,163	3,163	3,163	(0)	-	3,163
11	23	MATERIALS PURCHASED	2,177	543	632	972	1,107	1,107	1,107	(5)	-	1,102
12		Subtotal Materials	4,125	3,663	3,444	4,462	4,270	4,270	4,270	(5)	-	4,265
13	24	UTILITIES	1,931	1,532	1,817	2,831	3,127	3,127	3,127	-	-	3,127
14	30	TRANSPORTATION/WORK EQUIPMENT	2,787	2,881	3,768	3,407	3,365	3,365	3,365	-	-	3,365
15	40	PHONE SRVCS (LOCAL,LD,TOLLFREE	1,503	1,412	1,152	1,143	1,044	1,044	1,044	-	-	1,044
16	42	OTHER LEASES	(1)	216	276	159	152	152	152	-	-	152
17	43	SOFTWARE LEASES	6,987	7,442	8,584	10,602	12,643	12,643	12,643	(80)	(50)	12,513
18	44	INSURANCE	5,796	5,604	6,126	6,292	7,008	7,008	7,008	-	-	7,008
19	45	MOBILE PHONE / PAGER COSTS	1,520	1,628	1,380	1,122	678	678	678	-	-	678
20	47	CLEARING ALLOCATIONS	57	-	0	0	-	-	-	-	-	-
21	49	REGULATORY ASSESSMENTS & FEES	2,760	3,106	2,971	3,112	3,075	3,075	3,075	(203)	(58)	2,814
22	51	EMPLOYEE EXPENSES	3,118	1,590	1,261	2,305	1,796	1,796	1,796	(11)	(13)	1,772
23	41	TRAINING EXPENSE	-	-	-	-	6	6	6	0	-	6
24	52	COMMUNITY RELATIONS	-	2,926	2,824	4,525	3,738	3,738	3,738	(7)	(3,631)	100
25	53	SURCHARGE REVENUE OFFSETS	52,598	58,143	57,709	61,368	81,627	81,627	81,627	(74,518)	-	7,109
26	54	POLE ATTACHMENT FEES	1,761	1,746	993	981	1,014	1,014	1,014	-	-	1,014
27	55	FIBER LEASE & SONET NETWORK	3,589	3,941	3,810	3,789	3,650	3,650	3,650	-	-	3,650
28	56	DATACOM SERVICE FEE	117	-	-	1	-	-	-	-	-	-
29	57	OUTSIDE ENGINEERING SERVICES	38	162	249	645	214	214	214	-	-	214
30	58	HARDWARE/SOFTWARE MAINTENANCE	11,765	11,937	12,235	11,657	12,213	12,213	12,213	-	-	12,213
31	59	PROFESSIONAL SERVICES	72,765	71,268	64,807	71,339	66,561	66,561	66,561	(30,708)	(783)	35,070
32			-	-	-	-	-	-	-	-	-	-
33	61	TRANSMISS LINE/MICROWAVE RENT	(3,080)	2,512	3,494	4,845	5,524	5,524	5,524	-	-	5,524
34	65	UNCOLLECTIBLE ACCOUNTS	12,942	17,479	11,034	16,397	18,554	18,554	18,554	(5,061)	-	13,494
35	66	DEFERRED COSTS	(55,803)	(60,369)	(57,876)	(73,608)	(72,936)	(72,936)	(72,936)	72,941	-	4
36	67	CUSTOMER REIMBURSEMENTS	(787)	(1,020)	(713)	(855)	(919)	(919)	(919)	(9)	(20)	(948)
37	70	SS & UNEMPLOYMENT	2	9	(167)	17	16	16	16	-	(16)	-
38	71	TEMPORARY LABOR	107	162	2,919	2,733	1,220	1,220	1,220	-	-	1,220
39	72	MAILING COSTS	24	3,458	2,791	2,640	2,536	2,536	2,536	-	-	2,536
40	75	MEMBERSHIP DUES	991	1,301	1,447	1,454	1,342	1,342	1,342	(18)	(3)	1,320
41	76	BUSINESS MEALS	171	148	73	174	179	179	179	(0)	(8)	171
42	82	OVERHEAD	-	-	(3)	0	(38)	(38)	(38)	-	-	(38)
43	80	ALLOCATION CONSTRUCT INDIRECT	-	(15)	0	(0)	(4)	(4)	(4)	-	-	(4)
44	88	SUBSIDIARY REIMBURSEMENTS	(3,416)	(4,071)	(4,281)	(3,964)	(4,226)	(4,226)	(4,226)	-	-	(4,226)
45	90	AFUDC	-	-	-	-	-	-	-	-	-	-
46	91	AFUDC	-	-	-	-	-	-	-	-	-	-
47	98	BALANCES TRANSFERRED FORWARD	32	(37)	(1)	(16)	(8)	(8)	(8)	-	-	(8)
48	99	MISCELLANEOUS	1,203	2,421	1,215	1,433	1,198	1,198	1,198	-	(925)	272
49		Subtotal Expenses	232,842	257,108	251,222	264,735	276,595	276,595	276,595	(38,197)	(5,747)	232,652