

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



REPORT ON DUQUESNE LIGHT COMPANY

**STATEMENTS OF
TRANSMISSION SERVICE CHARGE
MARCH 1, 2020 — FEBRUARY 28, 2023**

**SEPTEMBER 26, 2024
DOCKET NO. D-2024-3045524**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

Table of Contents

	<u>Page</u>
BACKGROUND	1
FINANCIAL REVIEW	
Independent Auditor's Report	2
Transmission Service Charge (TSC) (Over)/Under Collections (Section 1307(e)) for the 12 months ended February 28, 2023	4
Transmission Service Charge (TSC) (Over)/Under Collections (Section 1307(e)) for the 12 months ended February 28, 2022	5
Transmission Service Charge (TSC) (Over)/Under Collections (Section 1307(e)) for the 12 months ended February 28, 2021	6
Notes to the Financial Statements	7
Current Audit Finding	8
ACKNOWLEDGEMENT	8

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

Background

Formed in 1912, Duquesne Light Company (Duquesne or company) is a wholly-owned subsidiary of Duquesne Light Holdings, Inc. As an electric distribution company, Duquesne provides electric distribution, transmission, and provider of last resort services to roughly 600,000 customers in the City of Pittsburgh and portions of Allegheny and Beaver counties in western Pennsylvania. Duquesne operates and maintains approximately 7,000 miles of distribution lines, 700 miles of transmission lines, and 173 substations as part of its distribution network.

According to Duquesne's annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission) for the years 2022, 2021, and 2020, Duquesne's total electric revenues from customers were \$1,086,574,415; \$932,322,906; and \$889,568,203; respectively.



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

Independent Auditor's Report to the Pennsylvania Public Utility Commission

Report on the Financial Statements

We have audited Duquesne Light Company's Statements of Transmission Service Charge Over/Under Collections for the 12-month periods ended February 28, 2023, February 28, 2022, and February 28, 2021.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the Transmission Service Charge Statements, referred to above, present fairly, in all material respects, the Transmission Service Charge revenue and expenses of Duquesne Light Company as of February 28, 2023, February 28, 2022, and February 28, 2021, in conformity with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Report on Other Legal and Regulatory Requirements

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

Kelly Monaghan, CPA

Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
September 26, 2024

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

**Transmission Service Charge¹ (TSC)
(Over)/Under Collections (Section 1307(e))
for the 12 months ended February 28, 2023²**

<u>Month</u>	<u>TSC Revenue</u> (1)	<u>TSC Expenses</u> (2)	<u>(Over)/Under Collections</u> (3) = (2) – (1)
March 2022	\$ 5,474,413	\$ 6,301,151	\$ 826,738
April	4,938,124	6,070,868	1,132,743
May	6,046,803	6,377,415	330,612
June	7,536,117	7,254,861	(281,255)
July	11,464,194	7,432,580	(4,031,614)
August	9,710,529	7,458,976	(2,251,553)
September	7,088,342	7,261,320	172,978
October	6,250,984	7,485,468	1,234,483
November	6,414,264	7,261,677	847,412
December	7,901,648	7,421,412	(480,236)
January 2023	7,295,464	7,135,309	(160,154)
February	6,164,215	6,470,010	305,794
Total	<u>\$ 86,285,096</u>	<u>\$ 83,931,046</u>	<u>\$ (2,354,050)</u>

¹ As reported to the Commission at Docket No. M-2023-3039481. Arithmetic differences are due to rounding.

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

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

**Transmission Service Charge³ (TSC)
(Over)/Under Collections (Section 1307(e))
for the 12 months ended February 28, 2022⁴**

<u>Month</u>	<u>TSC Revenue</u> (1)	<u>TSC Expenses</u> (2)	<u>(Over)/Under Collections</u> (3) = (2) – (1)
March 2021	\$ 4,449,688	\$ 6,008,067	\$ 1,558,379
April	4,647,374	5,972,021	1,324,648
May	4,678,009	6,023,939	1,345,930
June	6,360,603	5,701,199	(659,404)
July	8,622,834	5,813,570	(2,809,264)
August	8,617,938	5,892,189	(2,725,750)
September	5,683,218	5,740,255	57,038
October	5,434,773	5,957,436	522,664
November	5,625,706	5,805,548	179,842
December	5,647,949	5,989,394	341,444
January 2022	6,890,874	6,287,238	(603,636)
February	5,717,592	5,737,612	20,020
Total	\$ 72,376,558	\$ 70,928,468	\$ (1,448,090)

³ As reported to the Commission at Docket No. M-2022-3031676. Arithmetic differences are due to rounding.

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

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

**Transmission Service Charge⁵ (TSC)
(Over)/Under Collections (Section 1307(e))
for the 12 months ended February 28, 2021⁶**

<u>Month</u>	<u>TSC Revenue</u> (1)	<u>TSC Expenses</u> (2)	<u>(Over)/Under Collections</u> (3) = (2) – (1)
March 2020	\$ 4,310,992	\$ 4,876,093	\$ 565,101
April	3,993,269	4,728,601	735,333
May	4,453,811	4,900,621	446,810
June	5,791,757	5,123,331	(668,426)
July	9,081,321	5,268,565	(3,812,757)
August	7,275,839	5,289,436	(1,986,403)
September	5,178,723	5,171,173	(7,550)
October	4,469,759	5,345,295	875,536
November	4,519,052	5,230,304	711,253
December	5,898,071	5,457,238	(440,833)
January 2021	5,357,016	6,085,680	728,664
February	5,214,144	5,507,605	293,461
Total	<u>\$ 65,543,753</u>	<u>\$ 62,983,942</u>	<u>\$ (2,559,810)</u>

⁵ As reported to the Commission at Docket No. M-2021-3024888. Arithmetic differences are due to rounding.

⁶ Notes to the Financial Statements are an integral part of this report.

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

Notes to the Financial Statements

1 – Statements

The Transmission Service Charge (Over)/Under Collections presented in this report are condensed from the officially filed statements. The audit was conducted on Duquesne's officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on March 31, 2023, March 31, 2022, and March 30, 2021. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2023-3039481, M-2022-3031676, and M-2021-3024888.

2 – TSC Revenue

TSC Revenue is derived by multiplying the sales volumes billed during the month by the applicable TSC rate, excluding E-Factor, to all kilowatt-hour (kWh) of energy or kilowatt (kW) of demand supplied to customers who receive default service from Duquesne.

3 – TSC Expenses

TSC Expenses are the applicable charges incurred by Duquesne to acquire transmission service on behalf of default service customers under the PJM Open Access Transmission Tariff (OATT) as approved by the FERC.

4 – (Over)/Under Collections

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

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

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3045524**

Current Audit Finding

Finding – The company inappropriately recovered prior-period adjustments related to an undisclosed settlement agreement through current expenses.

An electric generation supplier (EGS) alleged that in 2019, Duquesne misreported data to PJM, which caused the EGS to be overcharged transmission-related costs by \$319,152; consequently, other EGS companies serving load for Duquesne's customers were undercharged by the same amount. Because both Duquesne and the EGS wanted to avoid the additional expense and uncertainty of litigation, they agreed to a settlement. Duquesne denied any liability to the EGS, and through PJM's bilateral settlement process, the company agreed to pay the EGS the amount of damages alleged related to overcharged transmission expenses. This settlement agreement was not disclosed to the Commission.

A transaction related to the settlement agreement in the amount of \$319,152 appeared on the April 2021 invoice from PJM included in the combined Network Integration Transmission Service (NITS) expense of \$5,535,552 for the month. Of this settlement, Duquesne allocated \$126,674 to its transmission customers and \$192,478 to other EGS companies. Of these amounts, only \$126,674 was a recoverable expense through the Transmission Service Charge.

Duquesne included the recoverable expenses allocated from the settlement as current period TSC expenses. Because the settlement was an adjustment for prior period activity, it should have been recovered through the E-Factor without interest rather than through current expenses. As a result, Duquesne improperly recovered \$6,861 in interest.

Recommendation:

We recommend that Duquesne allocate and refund \$6,861 to the appropriate TSC customer rate classes through an adjustment to the E-Factor in its next TSC filing. Secondly, we recommend that settlement adjustments be footnoted to ensure regulatory transparency. Lastly, we recommend that the company institute appropriately designed and effectively functioning controls to prevent, detect, and correct errors related to reporting of data to PJM.

Acknowledgement

We wish to express our appreciation to the officers and staff of Duquesne Light Company for their cooperation and assistance. The audit was conducted by Derek Vandevort, assisted by Steven Vozsnyak, Tanya Wasasiri, and Dawn Anderson.