

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



REPORT ON DUQUESNE LIGHT COMPANY

**STATEMENTS OF
UNIVERSAL SERVICE CHARGE
FOR THE 12-MONTH PERIODS ENDED
OCTOBER 31, 2023, OCTOBER 31, 2022,
OCTOBER 31, 2021, AND OCTOBER 31, 2020**

**FEBRUARY 4, 2026
DOCKET NO. D-2024-3051992**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2024-3051992**

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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. According to Duquesne's annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission) for the years 2023, 2022, 2021, and 2020, Duquesne's total electric revenues from customers were \$1,130,032,343; \$1,086,574,415; \$932,322,906; and \$889,568,203; respectively.

The Commission granted approval on February 24, 2011, at Docket No. R-2010-2179522, for Duquesne to initiate a surcharge known as Rider No. 5 Universal Service Charge (USC) for recovery of the direct and external administrative costs incurred by the Company to provide universal service programs to customers. The surcharge became effective April 21, 2011 and is applied to all kilowatt hours billed to residential customers receiving distribution service, except for customers enrolled in the Customer Assistance Program (CAP).



Independent Auditor's Report to the Pennsylvania Public Utility Commission

Opinion

We have audited Duquesne Light Company's Statements of Universal Service Charge Over/Under Collections for the 12-month periods ended October 31, 2023, October 31, 2022, October 31, 2021, and October 31, 2020.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Duquesne Light Company's Statements of Universal Service Charge Over/Under Collections for the 12-month periods ended October 31, 2023, October 31, 2022, October 31, 2021, and October 31, 2020 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of Duquesne Light Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

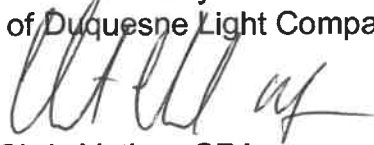
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Duquesne Light Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Duquesne Light Company's ability to continue as a going concern for a reasonable period of time.

The auditor is required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that the auditor identified during the audit.

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.



Chris Yother, CPA
Director
Bureau of Audits
Harrisburg, PA
February 4, 2026

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**Universal Service Charge¹ (USC)
Over/(Under) Collections (Section 1307(e))
for the 12 months ended October 31, 2023²**

<u>Month</u>	<u>USC Revenue</u> (1)	<u>USC Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) – (2)
November 2022	\$ 2,751,465	\$ 3,415,302	\$ (663,837)
December	3,549,102	3,826,502	(277,400)
January 2023	3,360,846	4,796,031	(1,435,184)
February	3,922,602	4,153,375	(230,772)
March	3,134,242	3,854,626	(720,383)
April	3,184,052	3,531,953	(347,901)
May	3,105,368	3,481,460	(376,093)
June	3,709,980	3,244,673	465,307
July	5,559,247	4,636,960	922,288
August	4,734,321	5,316,398	(582,077)
September	3,617,256	4,356,011	(738,755)
October	<u>3,063,836</u>	<u>3,336,954</u>	<u>(273,118)</u>
Total	<u>\$ 43,692,318</u>	<u>\$ 47,950,243</u>	<u>\$ (4,257,925)</u>

¹ As reported to the Commission at Docket No. M-2023-3044520. Arithmetic differences are due to rounding.

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

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**Universal Service Charge³ (USC)
Over/(Under) Collections (Section 1307(e))
for the 12 months ended October 31, 2022⁴**

<u>Month</u>	<u>USC Revenue</u> (1)	<u>USC Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) – (2)
November 2021	\$ 2,810,061	\$ 2,754,970	\$ 55,091
December	3,068,462	3,229,279	(160,817)
January 2022	3,832,002	3,679,719	152,283
February	3,126,565	4,167,972	(1,041,407)
March	2,919,342	3,747,392	(828,050)
April	2,575,253	3,115,643	(540,390)
May	2,762,094	3,241,483	(479,389)
June	3,585,791	3,980,215	(394,425)
July	5,199,533	4,959,552	239,981
August	4,219,210	5,596,219	(1,377,009)
September	2,989,785	4,441,667	(1,451,883)
October	<u>2,530,713</u>	<u>3,249,572</u>	<u>(718,858)</u>
Total	<u>\$ 39,618,811</u>	<u>\$ 46,163,682</u>	<u>\$ (6,544,871)</u>

³ As reported to the Commission at Docket No. M-2022-3036980. Arithmetic differences are due to rounding.

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

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**Universal Service Charge⁵ (USC)
Over/(Under) Collections (Section 1307(e))
for the 12 months ended October 31, 2021⁶**

<u>Month</u>	<u>USC Revenue</u> (1)	<u>USC Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) – (2)
November 2020	\$ 2,453,847	\$ 2,514,931	\$ (61,085)
December	3,325,042	2,990,282	334,761
January 2021	3,421,643	2,403,367	1,018,276
February	2,930,005	2,952,013	(22,008)
March	2,913,978	2,968,865	(54,887)
April	2,369,611	2,222,911	146,700
May	2,729,847	2,401,229	328,618
June	3,924,351	3,020,020	904,331
July	4,578,432	3,882,322	696,110
August	4,422,848	4,202,336	220,511
September	2,982,433	3,585,182	(602,749)
October	2,811,149	2,577,733	233,415
Total	<u>\$ 38,863,186</u>	<u>\$ 35,721,193</u>	<u>\$ 3,141,993</u>

⁵ As reported to the Commission at Docket No. M-2021-3029712. Arithmetic differences are due to rounding.

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

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**Universal Service Charge⁷ (USC)
Over/(Under) Collections (Section 1307(e))
for the 12 months ended October 31, 2020⁸**

<u>Month</u>	<u>USC Revenue</u> (1)	<u>USC Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) – (2)
November 2019	\$ 2,430,024	\$ 3,004,286	\$ (574,261)
December	2,814,002	1,992,390	821,612
January 2020	2,744,504	2,551,054	193,450
February	2,774,495	2,373,509	400,986
March	2,514,871	2,721,108	(206,236)
April	2,303,380	4,851,137	(2,547,757)
May	2,627,267	2,427,761	199,506
June	3,326,632	2,570,148	756,484
July	5,157,079	2,804,823	2,352,257
August	4,113,084	2,563,845	1,549,239
September	2,751,707	2,603,110	148,597
October	<u>2,266,804</u>	<u>2,543,834</u>	<u>(277,029)</u>
Total	<u>\$ 35,823,851</u>	<u>\$ 33,007,004</u>	<u>\$ 2,816,847</u>

⁷ As reported to the Commission at Docket No. M-2020-3023091. Arithmetic differences are due to rounding.

⁸ Notes to the Financial Statements are an integral part of this report

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Notes to the Financial Statements

1 - Statements

The Universal 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 November 30, 2023, November 30, 2022, November 30, 2021, and December 1, 2020. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2023-3044520, M-2022-3036980, M-2021-3029712, and M-2020-3023091.

2 - USC Revenue

USC Revenue is calculated by multiplying the sales volumes billed during the month by the applicable USC rate, excluding the E-Factor. The USC rate is applicable to all Residential Customers except customers enrolled in CAP.

3 - USC Expenses

USC Expenses are the direct and external administrative costs incurred by the Company to provide universal service programs to customers. Such expenses include, but are not limited to, preparation of the needs assessment, universal service plan development, impact evaluations and educational materials. Universal service programs include the Customer Assistance Program (CAP) which includes CAP discounts and pre-program arrearage forgiveness, Smart Comfort Program (aka Low-Income Usage Reduction Program or LIURP), Customer Assistance and Referral Evaluation Services (CARES), Hardship Fund, and any other replacement or Commission-mandated universal service program or low-income program.

4 - Over/(Under) Collections

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

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

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Disposition of Prior Audit Findings

Our previous audit of Duquesne's USC for the 12-month periods ended October 31, 2019, October 31, 2018, and October 31, 2017, at Docket No. D-2020-3021687, disclosed the following findings:

Finding No. 1 – Duquesne improperly reported and duplicated an expense adjustment in 2017.

Recommendations:

We recommended that Duquesne make an adjustment to refund \$136,204 plus interest at the applicable rate through the E-factor in its next USC rate filing. In addition, we recommended that Duquesne develop controls and procedures to ensure proper and accurate reporting of CAP billings and prior period adjustments.

Disposition:

Duquesne refunded \$136,204 plus interest, for a total refund of \$188,482, to its customers through the USC that became effective January 1, 2023 at Docket No. M-2022-3037030. Starting in 2022, monthly tracking of CAP billings and prior adjustments was started, and it is compiled into a file that is circulated internally. A memo dated March 8, 2023, documents internal procedures regarding prior period adjustments. The memo provides definitions, background, and required action for each department depending on the surcharge and reconciliation period.

Finding No. 2 – Duquesne understated expenses in April 2017.

Recommendations:

We recommended that Duquesne make an adjustment to recover \$10,150 through the E-factor in its next USC rate filing. In addition, we recommended that Duquesne develop controls and procedures to ensure proper and accurate reporting of CAP expenses.

Disposition:

Duquesne recovered \$10,150 from its customers through the USC that became effective January 1, 2023 at Docket No. M-2022-3037030. Starting in 2022, monthly tracking of CAP billings and prior adjustments was started, and it is compiled into a file that is circulated internally. A memo dated March 8, 2023, documents internal procedures regarding prior period adjustments. The memo provides definitions, background, and required action for each department depending on the surcharge and reconciliation period.